GENERAL SERVICES ADMINISTRATION
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Review of PBS's Appraisal Process
for Rent Pricing

Report Number A060197/P/R/R08002

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Reply to Attn of: R. Nicholas Goco
Deputy Assistant Inspector General
for Real Property Audits (JA-R)

Subject: Review of PBS's Appraisal Process for Rent Pricing
Report Number A060197/P/R/R08002

To: David L. Winstead
Commissioner, Public Buildings Service (P)

This report presents the results of our review of the Public Buildings Service's (PBS) appraisal process for rent pricing. Primarily, the review addressed issues raised by the previous Director of the Administrative Office of the United States Courts (AOUSC) in a June 2006 letter to the General Services Administration Inspector General. These issues were: 1) PBS employees are adjusting independent appraisal rates in a predominately upward direction, 2) the Linking Budget to Performance program may have created an incentive for PBS employees to alter rental rates, 3) PBS has been overcharging the courts due to misclassified tenant floor cut space and erroneous billing, and 4) tenant access to appraisal documents has been limited.

Although the audit work did not support the AOUSC's assertions, it did identify appraisal adjustments and control issues with the appraisal process. Also, while aspects of the Linking Budget to Performance Program (LB2P) do encourage increasing revenue, the nature and timing of the rent appraisal process and LB2P program do not provide an inherent incentive to adjust appraisals for a personal benefit. Our review also disclosed that PBS typically handled customer agencies' requests for appraisal information in accordance with the then-current policy. Finally, we concluded that changes in policy and varying interpretations of guidance contributed to inappropriate billings for tenant floor cut space.

If you have any questions regarding this report, please contact me or R. Nicholas Goco, Deputy Assistant Inspector General for Real Property Audits, on (202) 219-0088.

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REVIEW OF PBS'S APPRAISAL PROCESS FOR RENT PRICING

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EXECUTIVE SUMMARY

Purpose

The General Services Administration's (GSA) Office of Inspector General – Office of Audits initiated a review of the Public Buildings Service (PBS) Rent Pricing Program with a specific focus on the Judiciary. The review addressed issues raised by the previous Director of the Administrative Office of the United States Courts (AOUSC) in a June 2006 letter to the GSA Inspector General. These issues were: 1) PBS employees are adjusting independent appraisal rates in a predominately upward direction, 2) the Linking Budget to Performance program may have created an incentive for PBS employees to alter rental rates, 3) PBS has been overcharging the courts due to misclassified tenant floor cut space and erroneous billing, and 4) tenant access to appraisal documents has been limited. The audit work included an examination of appraisal files and aspects of the Linking Budget to Performance (LB2P) program.

Background

PBS collects rent revenue from over 100 federal agencies housed in over 8,600 buildings. Rent revenue is deposited into the Federal Buildings Fund and is used to acquire and operate GSA's building inventory. Rent charged in federally owned space, which represents 50 percent of GSA's rentable square footage, is required by law to approximate commercial market rates. The major components of rent in federally owned buildings are established by a market-based appraisal using comparable properties. The market-based appraisal relies on the professional experience and judgment of the performing appraiser who is bound by professional appraisal standards and GSA's annual instructions for the appraisal of Fair Annual Rental (FAR) rates. It is PBS policy to use a contractor to perform appraisals, but prior to its revision in June 2006, the policy also allowed qualified PBS staff to prepare appraisals in-house. The appraisal report and final value conclusions are reviewed by the GSA regional appraiser and accepted as a reasonable approximation of commercial market rates for the subject building. PBS policy also allowed GSA's regional appraisers to make adjustments to the appraised rate to correct for "particular facts concerning a specific occupancy of which the appraiser was unaware."

Results-in-Brief

Although the audit work did not support the AOUSC's assertions, it did identify appraisal adjustments and control issues. The audit found that PBS personnel had adjusted 43 percent of the 377 contract appraisals in the audit sample in a predominantly upward direction. However, the adjustments were permitted by the PBS policy in effect at that time. According to the written rationale included in most of the appraisal files, the majority of the adjustments made by the regional appraisers were to correct deficiencies they identified in the contractor's appraisal. In addition, downward adjustments were being made consistently and there have been fewer adjustments over time. The audit also identified several control issues related to appraisal adjustments. For example, the appraisal files rarely contained supplementary documents to support the regional appraiser's adjustments. Our review also found instances where the contract appraisal did not follow PBS policy and the contractor errors were not identified or corrected by regional appraisers. There was limited documentation of regional oversight over appraisal reviews as well.

While aspects of the LB2P program do encourage increasing revenue, the nature and timing of the rent appraisal process and LB2P program do not provide an inherent incentive to adjust appraisals for a personal benefit. In addition to our review of the LB2P program, we also reviewed the critical elements included in the regional appraisers' annual performance evaluations. In a review of over 50 critical elements, we found no consistency among the language used by the regions and identified only two elements with language that could be interpreted as encouraging profitability in PBS buildings. Neither regional appraiser with these critical elements made predominately upward adjustments to the applicable contract appraisals.

Our review also disclosed that PBS typically handled customer agencies' requests for appraisal information in accordance with the then-current policy. We concluded that changes in policy and varying interpretations of guidance contributed to inappropriate billings for tenant floor cut space.

Recommendations

We recommend that the Commissioner of the Public Buildings Service:

1) Establish specific documentation requirements for appraisal files to substantiate regional appraiser's decisions and actions regarding an appraisal file (e.g. disregarded appraisals, adjustments made due to changes in space measurements, and customer appraisal requests). Requirements should provide details on what should be documented and how the documentation should be executed.

2) Reinforce appraisal instructions and guidance with PBS regional appraisers to ensure the appraisal review process uncovers appraisal policy violations.

3) Develop consistent critical performance elements for regional appraisers that will ensure performance expectations do not conflict (in fact and appearance) with the professional duties of the regional appraiser.

INTRODUCTION

Background

The General Services Administration's (GSA) Office of Inspector General – Office of Audits initiated a review of the Public Buildings Service (PBS) Rent Pricing Program with a specific focus on the Judiciary. The review's original objective was to determine if PBS's application of its pricing policy was appropriate and consistent. In response to correspondence received from the previous Director of the Administrative Office of the United States Courts (AOUSC), the review objective changed to address the four issues raised by the Director.

The issues raised by the Director of the AOUSC in his June 2006 letter to the GSA Inspector General were: 1) PBS employees are adjusting independent appraisal rates in a predominately upward direction, 2) the Linking Budget to Performance program may have created an incentive for PBS employees to alter rental rates, 3) PBS has been overcharging the courts due to misclassified tenant floor cut space and erroneous billing, and 4) tenant access to appraisal documents has been limited.

PBS Rent Pricing

PBS collects rent revenue from over 100 federal agencies housed in over 8,600 buildings. Rent revenue is deposited into the Federal Buildings Fund and is used to operate federally owned buildings and pay rent to lessors for leased space. Rent charged in leased space, which represents 50 percent of the building inventory's total rentable square footage, is priced as a pass through of the underlying PBS lease contract rent, plus a PBS fee and security charges. Rent charged in federally owned space, which represents the other 50 percent of the building inventory's rentable square footage, is required by law to approximate commercial market rates.

The major components of rent in federally owned buildings that are established by a market-based appraisal using comparable properties are the shell rent, operating costs and parking. The shell rent rate is established for a five-year period and remains level during this time. The operating costs are escalated annually using an inflation factor—currently the Office of Management and Budget (OMB) inflation factor. Parking rates receive annual adjustments only when it is consistent with the prevailing practice in the local market. In addition to these components, other applicable charges are also added to rent in federally owned space. These charges include tenant improvement costs, security charges, and joint use charges.

The market-based appraisal relies on the professional experience and judgment of the performing appraiser who is bound by professional appraisal standards and GSA's annual instructions for the appraisal of Fair Annual Rental (FAR) rates. It is PBS policy to use a contractor to perform appraisals, but prior to its revision in June 2006, the policy also allowed qualified PBS staff to prepare appraisals in-house. PBS policy also allowed regional appraisers to make adjustments to the appraised rate to correct for "particular facts concerning a specific occupancy of which the appraiser was unaware." The appraisal report and final value conclusions are reviewed by the GSA regional appraiser and accepted as a reasonable approximation of commercial market rates for the subject building.

In situations in which the appraisal rental rate does not provide a fair return on investment, PBS uses return on investment (ROI) pricing as a secondary means of pricing space in federally owned space. The decision is made to use ROI pricing or a market-based appraisal when PBS is either constructing a new building or completely renovating an existing building and requires tenant and OMB consent.

Objective, Scope and Methodology

The objective of this review was to address the issues raised by the previous Director of the Administrative Office of the United States Courts (AOUSC) regarding the Public Buildings Service's (PBS) process to establish rental rates, especially with regard to the integrity of appraisal rates. Four issues were raised: 1) PBS employees are adjusting independent appraisal rates in a predominately upward direction, 2) the Linking Budget to Performance program may have created an incentive for PBS employees to alter rental rates, 3) PBS has been overcharging the courts due to misclassified tenant floor cut space and erroneous billing, and 4) tenant access to appraisal documents has been limited. Our work was conducted in the Northeast Caribbean, Southeast Sunbelt, Great Lakes and Northwest/Arctic regions.

To gain an understanding of PBS's programs pertaining to the AOUSC's issues, we reviewed prior audit reports issued by the Office of Inspector General (OIG) and the Government Accountability Office; attended the PBS Fiscal Year (FY) 2006 Appraisers Conference; familiarized ourselves with the relevant PBS guidance, organizational structure and staffing, program background and information systems; and held discussions with program officials.

To accomplish our objective, we performed the following tasks:

- Reviewed a sample of 377 appraisal files for 118 buildings covering Fiscal Years 2000 - 2008. The sample for each region was restricted to owned-buildings with the greatest reported Funds From Operations in Fiscal Year 2005 and excluded any known buildings that use return on investment pricing to determine rental rates. The file review focused on: 1) adherence to appraisal policy, 2) adjustments to appraisals, 3) controls, and 4) comparables used in the appraisal.
- Performed a limited desk review of 29 appraisal files requested by the AOUSC for 26 buildings covering Fiscal Years 2000 – 2007. The results of our desk review were not included in the analysis provided in this report.
- Performed a limited desk review of 19 retrospective appraisals. These retrospective appraisals were requested by the National Office in order to verify that the billed rates (based on earlier appraisals) in various buildings included in the AOUSC request reflected commercially equivalent rent.
- Reviewed results of PBS's Rent Appraisal Quality Initiative conducted in 2005 to address the quality and data integrity of appraisals.
- Evaluated funding reserved, allocated and distributed for the Linking Budget to Performance program for Fiscal Years 2000 – 2005.
- Evaluated the critical performance elements included in the regional appraisal staff's annual performance evaluation.

- Evaluated the impact of the tenant floor cut space classification on the PBS Court Rent Validation effort, which was initiated in response to the Judiciary to ensure that rates were supported by appropriate source documentation (i.e. appraisal).
- Reviewed the national and regional policy on, and practice of, the release of appraisal information to tenants.

Fieldwork was conducted between October 2006 and May 2007 in accordance with generally accepted Government auditing standards.

A member of the audit team developed a personal impairment to their independence. During the report-writing phase of this audit, after the completion of fieldwork, the member of the audit team held discussions with and was subsequently offered employment by the Southeast Sunbelt Region Public Buildings Service.

RESULTS OF AUDIT

The Public Buildings Service (PBS) uses contractor appraisals as the basis for setting rental rates for customer agencies in federally owned space. However, in a letter dated June 2006, the former Director of the Administrative Office of the United States Courts (AOUSC) raised several issues of abuse regarding the PBS appraisal process and the Linking Budget to Performance (LB2P) program. In particular, the letter suggests that PBS personnel were adjusting contract appraisals for the purpose of increasing PBS income as well as for personal gain. In response to these assertions, we performed an examination of appraisal files and aspects of the LB2P program.

Although appraisal adjustments and control issues affecting the appraisal process were identified, the audit work did not support the AOUSC's assertions. The audit found that PBS personnel had adjusted 43 percent of the contract appraisals in the sample. However, the adjustments were permitted by the PBS policy in effect at that time. According to the written rationale included in most of the appraisal files, the majority of the adjustments made by the regional appraisers were to correct deficiencies they identified in the contractor's appraisal. The audit also identified several control issues related to appraisal adjustments. For example, the appraisal files rarely contained supplementary documents to support the regional appraiser's assertions. Our review also found instances where the contract appraisal did not follow PBS policy and the contractor errors were not identified or corrected by regional appraisers. There was also limited documentation of regional oversight over appraisal reviews. Additionally, our review did not find evidence that personal gain was an incentive for the appraisal adjustments. While aspects of the LB2P program do encourage increasing revenue, the nature and timing of the rent appraisal process and LB2P program do not provide an inherent incentive to adjust appraisals for a personal benefit. Our review also disclosed that PBS typically handled customer agencies' requests for appraisal information in accordance with the then-current policy. In addition, we concluded that changes in policy and varying interpretations of guidance contributed to inappropriate billings for tenant floor cut space.

APPRAISALS

The Uniform Standards of Professional Appraisal Practice defines an appraisal as an opinion of value, which is expressed numerically as a specific amount, range of numbers or relationship to a previous value opinion or numerical benchmark. In the PBS program, this opinion of value is a specific amount that sets the market rent rate PBS charges its customers. The fairness and reasonableness of this opinion of value is important to both PBS and its stakeholders.

In his letter dated June 8, 2006, the previous AOUSC Director stated, "…GSA employees materially adjusted (or in one case, ignored) the value conclusions reached by the independent third-party appraiser." The audit examined this assertion by reviewing 377 appraisal files for 118 buildings covering Fiscal Years 2000 – 2008 in four regions. The file review focused on: 1) adherence to appraisal policy, 2) adjustments to appraisals, 3) controls, and 4) comparables used in the appraisal.

The audit found that 43 percent had been adjusted by PBS and in a predominantly upward direction. However, on the whole, the adjustments do not appear to be driven by the intent to increase PBS's revenue as many were made to correct contractor errors. In addition, downward adjustments were being made consistently and there have been fewer adjustments over time. PBS policy in effect at the time did generally allow adjustments to be made to contract appraisals. The appraisal process contains subjective aspects and many of the adjustments were to adjust those components of an appraisal requiring the highest degree of professional opinion. However, the audit did identify several control issues including limited supplementary information to support appraisal adjustments, instances where PBS policy was not followed, limited confirmation of regional oversight, as well as several other issues of concern.

Appraisals Were Frequently Adjusted

The appraisal file review focused on adjustments that resulted in a change in value to at least one of four appraisal elements:

- Fair Annual Rate (FAR) – Office and/or Warehouse Space[1]
- Services Rate – Office and/or Warehouse Space
- Inside Parking Rate
- Outside Parking Rate

Of the 377 appraisals reviewed, 215 (57 percent) had not been adjusted and 162 (43 percent) had at least one element adjusted. Of the 162 adjusted appraisals, there were 282 total adjustments that resulted in a value change to at least one of the four elements reviewed (an individual appraisal could have more than one adjustment per appraisal). The average adjustment made to the Fair Annual Rate for office space was an increase of $2.34, with adjustments ranging from an increase of $16.86 per square foot to a decrease of $9.49 per square foot.

Included in the 282 adjustments were 70 adjustments made to correct obvious contractor errors or omissions, including typographical errors, math errors, transposed numbers, incorrect rates brought forward to summary sheet from the body of the report, or rates not brought forward to the summary from the body of the report. Excluding these contractor errors or omissions, 69 percent of the remaining adjustments were upward dollar adjustments and 31 percent were downward dollar adjustments.

Our review found the distribution of adjustments varied across the four regions included in our scope. Although all four regions made adjustments to appraisal value conclusions, the majority of appraisal adjustments (excluding contractor errors or omissions) were made in one region, which accounted for 70 percent of all adjustments—including 74 percent of upward adjustments and 62 percent of downward adjustments. Of the number of appraisals adjusted, this region also had the greatest majority with adjustments made to two or more of the four appraisal elements reviewed (81 percent). The percentage of adjusted appraisals with more than two adjustments to the four appraisal elements reviewed in the other three regions ranged from 0 to 35 percent.

[1] The FAR rate is a fully serviced rate that includes shell rent and service costs (excluding security). Consequently, our review considered adjustments made to shell rent as adjustments to the FAR rate and isolated adjustments made to the services rate in order to avoid double counting.

Among these three regions, 74 percent of one region's total adjustments were to correct obvious contractor errors and the average adjustment to the office FAR rate in the other two regions were downward adjustments.

In addition to the variations among the regions in the distribution of adjustments, we also noted variations among fiscal years. There has been an overall decreasing trend in the number of appraisal adjustments since 2002. We identified 28 appraisal adjustments in the 40 sample appraisals completed in FY 2000; however, we only identified 4 appraisal adjustments in the 47 sample appraisals completed in FY 2006. This could be due to any number of reasons, including improvements in appraisal instructions, regional response to PBS's Rent Appraisal Quality Initiative findings or the contractors' understanding of the correct procedures to appraise federal space.

Although our review found a significant number of appraisal adjustments, previous PBS policy did allow regional appraisers to adjust appraisals. However, recent appraisal reforms have limited the regional appraiser's ability to adjust contractor's appraisals for any reason, including obvious contractor errors and omissions (see **Appendix A** to review appraisal reforms).

Appraisal Process Contains Objective and Subjective Elements

According to the regional appraisers, adjustments were made to the contractor's fair annual rent appraisal to correct deficiencies identified by the regional appraisers. Examples of the regional appraiser's rationale included making adjustments, in addition to those made by the contractor, to comparable building attributes to better reflect the same condition and quality of space in the federal building; adjusting escalation factors (or trend rates) to better reflect current market conditions; and correcting the contractor's appraisal to be in compliance with the then-current appraisal instructions. Although the rationale may be logical, we saw very little evidence of the contractor's opinion on the regional appraiser's changes. Further, there were instances noted in the files in which the contractor would not accept responsibility for the changes made, but accepted the regional appraiser's adjustments as "an alternative viewpoint within market reason."

When the Federal Property and Administrative Services Act established GSA in 1949, PBS's real property activities were carried out using appropriated funds. However, under the Public Buildings Amendments of 1972 an intra-governmental revolving fund, now titled the Federal Buildings Fund (FBF), was established to provide financing for PBS's real property activities including the operation, maintenance, and repair of GSA-controlled space, and the construction of federal buildings such as Courthouses. The FBF is financed by income from the rent charged to occupants of GSA-controlled space, which by law must approximate commercial rates for comparable space and services.[2] The revised financing structure was established to promote greater accountability for space usage since federal agencies would be required to budget and pay for their specific space requirements.

PBS's methodology for establishing market comparable rates for the majority of its owned buildings is a market-based appraisal. Appraisals are based on a combination of objective and subjective determinations. While there are many objective financial tools and formulas to assist

[2] Congress may also appropriate monies from the general funds of the Treasury to the FBF.

appraisers in arriving at value conclusions, there is not a single formula to evaluate every variable or condition that must be considered. Subsequently, the appraisal and appraisal review process rely on the professional experience and judgment of qualified appraisers, who may not be using the same data or arrive at the same value conclusions. This is demonstrated by the different conclusions reached by the contract appraisers hired by PBS to perform retrospective appraisals[3] to compare with the original prospective contract appraisals. When comparing the retrospective appraisals that we reviewed to the original contract appraisals, the value conclusions differed frequently. It is also evident by the many changes PBS's regional appraisers made to the contractor's appraisal conclusions.

Our review did not assess the validity of adjustments due to the complexity of the appraisal process and the extent of the differences in the conclusions of the qualified professionals. However, we did note that when adjustments were made to appraisals, in many instances it was to adjust those components of an appraisal requiring the highest degree of professional opinion (i.e. quality of space, street location, and age and condition of building) versus components requiring less judgment (i.e. lease term, amount of square footage rented, and parking). Even though contract appraisers had the benefit of a physical inspection in order to reach a value conclusion, PBS staff, using information contained in the contractor's appraisal and their personal knowledge of the building inventory and market conditions, made adjustments to the contractor's conclusions. Although we did not assess the validity of adjustments, we found that the majority of written explanations describing the regional appraiser's rationale for the adjustments seemed plausible.

Appraisal Files Include No Supplementary Documentation to Support Adjustments

PBS policy requires that adjustments to appraisal rates be thoroughly documented in writing. However, initially, the policy did not specify what should be documented or how the documentation should be executed. For the 282 appraisal adjustments found in our review, 89 percent had some written explanation to describe the adjustment. Although the majority of the files had a written explanation, less than 1 percent of the appraisal adjustments included documentation to support the regional appraiser's rationale for the adjustment. Regional appraiser's frequently offered rationales for the adjustments made that could have been easily supported. For instance, written explanations cited adjustments made based on available market trend data or current leasing data but the file did not include copies of this information to support the regional appraiser's conclusion. Any person other than the regional appraiser reviewing the appraisal file is expected to rely exclusively on the written explanation provided to support the appraisal adjustments. Including copies of market sources, trend data, and lease information in the file increases the controls over the program and allows the reviewer to better understand the appraisal conclusions. According to PBS pricing policy, "the burden of proof is on PBS to demonstrate that the fair annual rent rate was correctly derived from the appraisal…" It is impossible to meet this burden of proof without relevant documentation to support adjustments made by PBS. In recognition of this, PBS issued policy on December 3, 2004, which specifies

[3] PBS received retrospective appraisals to verify that the billed rates (based on earlier appraisals) in various buildings included in the AOUSC request reflected commercially equivalent rent; where applicable, customer's rates were adjusted based on the retrospective appraisal. The retrospective appraisals had the benefit of reviewing historical information, while the original, prospective appraisals were forecasting future market conditions.

that any updates or changes to a contractor's appraisal must be thoroughly documented in writing and requires that any perceived change in market condition must be supported by market data and included in the appraisal update documentation.

In addition to the lack of supporting market or leasing information included in the appraisal files, our review found very little evidence of contractor agreement with the PBS adjustments. Files often cited that discussions were held with the contract appraiser, but we rarely saw evidence that the contractor made the changes or provided PBS written agreement to the changes. However, it may not always have been feasible to return the appraisal to the contractor for revision or to procure a new appraisal for two reasons. First, all appraisals had to be completed by the deadline established by National Office in order to provide customer agencies rent estimate information in sufficient time to prepare for future budget cycles. Second, the PBS regional office would have to absorb the cost of additional contract appraisals out of its regional budget.

Additional documentation helps to support a regional appraiser's rationale for making adjustments. In certain situations it also helps to confirm that policy was followed. For example, we found one instance in which the regional appraiser increased the contractor's appraised services rate from $3.76 per usable square foot to $7.47 per usable square foot to reflect the building's *actual* service costs. Although the PBS Pricing Guide states that operating expenses in federally owned space are based upon appraisals rather than actual PBS costs, the guide recognizes that there are situations when a tenant's requirements may differ from those needed in conventional office space. In situations requiring additional operating and maintenance services, PBS policy is to request reimbursement for the cost of services in excess of the appraised operating cost component. Although the regional appraiser noted that the appraisal was adjusted to reflect higher operating expenses "necessary for the client agency to perform their function," the appraisal file did not include any evidence that the tenant was contacted regarding the additional reimbursement. Without such evidence, we cannot be assured that the tenant requested the additional services or was aware of the additional reimbursement.

In Some Instances, Appraisal Policy Was Not Followed

While the regional appraisers were allowed to make adjustments to independent third-party appraisals under the existing policy, our review did find instances in which PBS policy was not followed. These violations were the result of errors by the contract appraisers that were not identified by PBS.

According to PBS appraisal instructions, appraisers are required to assume that no security services are available in federal buildings because these charges are handled separately. However, in one region, 30 percent of the appraisals reviewed included security charges in the contractor's services estimate and the regional appraiser did not correct this error. This results in a double charge to the tenant for the same service (i.e. in the services element of the FAR rate and the separate security charge established by the Federal Protective Service), which is why it is prohibited. The appraiser's stated security service estimates found in our review ranged from

$0.01 to $1.17 per rentable square foot; resulting in potential annual security overcharges ranging from $319 to $559,000[4].

PBS appraisal instructions also require appraisers use only "arm's length" or "open market" transactions for direct comparison of market leases, which excludes federal government leases from being used as comparables. However, we found 11 contractor appraisals that included comparables with GSA leases and 3 with other federal leases. There was no evidence in the file that these leases weren't used for direct comparison in the appraisal.

Although the contractor was responsible for the violations made in the appraisal, PBS's review process should have revealed and corrected these errors in the appraisals. Our review did not conclude that policy violations were a persistent issue; however, we believe that more oversight over the review process would have prevented many of the errors.

Limited Confirmation of Regional Oversight of the Appraisal Program

A lack of specific guidance on adjustment approval and staffing limitations contributed to the limited oversight found in the appraisal files. Under previous guidance, PBS had the authority to adjust the contractor's independent appraisal with the Regional Portfolio Director's approval. However, the guidance did not specify whether the Director's approval was to be obtained verbally or in writing. Accordingly, we found little evidence of the Director's review or approval in the appraisal files (2.5 percent of the appraisal files documented the management review). The requirement to have Portfolio Directors and Managers review and approve adjustments and appraisal rates is fundamental, but without documentation of the process, there is no assurance that the review was performed and the approval was given.

Management oversight should have been especially emphasized in regions with limited appraisal staffs. Some regions have the benefit of multiple regional appraisers and are able to have adjustments reviewed by a second person. However, in the region with the majority of the appraisal adjustments, only one individual was responsible for reviewing appraisals for the majority of the appraisals in our sample. As a result, this individual's appraisal adjustments were not frequently reviewed.

After a PBS reorganization in 1995 decentralized the appraisal process, appraisal quality control and enforcement was left to the regions. In 2002, National Office initiated a Rent Appraisal Quality Initiative (RAQI) program to address the quality and data integrity of appraisals through annual quality reviews. The review conducted in 2005 included a general review of all 11 regional appraisal programs and an appraisal specific review of 574 appraisals. The review's general findings were, "error rates among the regions warrant concern at the national program level. Major areas of concern and vulnerability included qualified regional appraiser attrition, inconsistent adherence to national policies, lack of documentation, and national inconsistency in appraisal file management."

[4] Calculated by multiplying the stated appraised security service cost by the rentable square footage of the applicable building. The calculation does not consider appraisal adjustments. This is only an ***estimate*** of the potential security overcharges and should not be considered the actual financial impact.

In response to RAQI review findings and other issues brought to light, National Office recently implemented appraisal reforms that should address many of the regional oversight issues. For instance, Portfolio Managers/Directors are now required to perform an appraisal program concurrence to ensure that 1) the appraisal report was conducted and reviewed in accordance with policy and 2) the Portfolio Manager/Director has reviewed and understands the degree of change from the prior appraisal, has considered and evaluated market trends, and examined comparables used in the appraisal. In addition, National Office staff will review and approve appraisals for technical sufficiency.

Other Appraisal Concerns

- *Disregarded Appraisals*

  The previous AOUSC Director noted in his memo to the GSA Inspector General that PBS had ignored value conclusions reached by the independent third-party appraiser. Our review found two instances in which the contractor's appraisal was not used. Both appraisals were in the same region.

  In one instance, the appraisal file included an addendum explaining the rationale for not using the appraisal. It stated that the region determined that the original appraisal was a market-pricing anomaly that was not supported by the previous or subsequent contractor appraisals (the same contractor performed all three appraisals) and used the subsequent contract appraisal to establish rental rates. However, in the other instance, the rationale was not fully explained. According to the file, the appraisal was not used at the request of the Asset Manager. During fieldwork, the regional appraiser stated that the comparable properties were inferior to the federal building; and that after discussions with the contract appraiser the previous contract appraisal rates were escalated instead of ordering a new appraisal. The basis for these types of decisions should be documented in the appraisal file.

- *Inaccurate Treatment of Rentable/Usable Facto*r

  In FY 2000, PBS converted its entire inventory from its own "occupiable" method of measurement to the "usable" method of measurement of the American National Standards Institute/Building Owners and Managers Association (ANSI/BOMA) space measurement standards. Later, PBS switched to the "BOMA Building Rentable" measurement. According to PBS officials, the conversion has "created a layer of complexity to the appraisal process to accurately interpret and apply R/U ratios which have proven difficult to measure and interpret with actual market data and practices." The rentable/usable (R/U) ratio (also known as loss factor) is calculated by dividing rentable square footage by usable square footage and represents the percentage of rentable square feet of a building devoted to tenant common areas such as hallways, lobby areas, electrical closets, shared bathrooms, etc.

  Depending on the method of measurement in effect at the time of the appraisal, the measurement methodology is accounted for in at least one of two areas of an appraisal—

rental analysis grid[5] and summary of FAR rates. First, the rental analysis grid includes a specific line item for "type of floor measurement." This line item adjusts for differences between the subject and comparable building's method of measurement (i.e. usable or rentable) and building efficiencies (i.e. R/U factor). Second, the appraisal file may include a summary, prepared either by the contractor or the review appraiser, which converts the appraised FAR rate to the GSA method of measurement.

An evaluation of regional treatment of rentable/usable factors found six appraisal files with an incorrect adjustment for type of floor measurement made by the contractor and not corrected by the regional appraiser. During fieldwork, we found one appraisal file in which the contractor made an incorrect adjustment for type of floor measurement, which was not corrected by the regional appraiser. We performed additional analysis in this region, and found 5 additional appraisal files with the same error. All of the errors occurred in the earlier years of the program during the conversion to the ANSI/BOMA standards, therefore it is reasonable to assume that the complexity of the conversion caused the mistakes. Incidentally, the errors ultimately resulted in lower appraised FAR rates, which benefited the customer not GSA.

Although we found some errors in the adjustments for the type of floor measurement, we also found that appraised FAR rates did consider variations between the subject and comparables' building efficiencies. Either the contractor or PBS, depending on the policy in effect at the time of the appraisal, accounted for the variations.

- *Overcharges*

Our review found one instance in which an outside influence (i.e. from someone outside of the appraisal staff) resulted in direct financial impact to a PBS tenant. Due to a misunderstanding of the data source used to establish rent estimates, a tenant was charged an outside parking rate. This contradicted the conclusion reached by both the regional appraiser and contractor, who agreed that in this specific market, parking is typically included in the base rent rate and not charged as a separate item. When the regional appraiser raised the issue, the regional Revenue Manager suggested that PBS let the rate run until the tenant's billing record expired "since the specific agency has not filed an appeal." The additional parking charges are approximately $1.3 million and should have been credited back to the agency.

- *Missing Appraisal Files*

One region could not produce a complete appraisal file for three buildings in our sample. The three files contained only a faxed copy of the rate summary and did not include comparable data sheets, rental analysis grids, GSA forms, etc. We performed a limited

[5] The rental analysis grid includes two adjustment sections: services furnished and other adjustments. Service expense categories include cleaning, repairs and maintenance, utilities, roads/grounds, administrative expenses, and security. Other adjustments are analyzed based on the following items: lease date, lease term, location/quality/age, amount of square footage rented, type of floor measurement, parking, initial alterations or tenant improvements, and escalations.

review of these files based on the provided information. In addition to the files missing in our review, regional documents indicate that at least 33 additional buildings in this region have missing appraisal files. All of the missing files were completed in fiscal years prior to the implementation of PBS's formal appraisal retention policy.

LINKING BUDGET TO PERFORMANCE

The PBS Linking Budget to Performance (LB2P) Program was implemented in 1998 to 1) help regions focus on performance, 2) instill accountability for performance, 3) foster financial discipline, and 4) establish clear links between resource allocation and performances. The goal is to encourage employees to think more creatively and try innovative ideas to better PBS performance.

The national program is based on achievement of key business goals referred to as the "Big Nine," after the nine performance areas that employees strive to meet or exceed by the end of the year. Based on national and regional performance, regions are awarded with increased budgets, part of which could be used for employee awards.

The LB2P program has seen changes in its performance measures, overall program funding, and account distributions since the program's inception. For instance, only five of the original nine performance measures were included in the 2006 program goals. In addition, the amount of available funding allocated to the LB2P program has decreased from $75 million in FY 2000 to $14 million in FY 2006. Also, for the majority of the LB2P program's existence, regions received allocations to the Basic Repairs and Alterations budget activity (BA 54) as well as Building Operations budget activity (BA 61)[6]. However, as of 2005, LB2P account allocation no longer includes BA 54 and is limited only to BA 61. In spite of changes in the program details, the goals of the LB2P program remain essentially the same.

THE BIG NINE (FY 2006)

Performance Measure	Weight
1) Ordering Official Survey	12.5%
2) Realty Transaction Survey	12.5%
3) Tenant Satisfaction Survey	15%
4) Construction, On Schedule	7.5%
5) Construction, On Budget	7.5%
6) Data Accuracy	15%
7) Funds from Operations: ▪ FFO ▪ Assets with Positive FFO	15%
8) Vacant Space	7.5%
9) Repairs and Alterations ▪ Total Obligated ▪ Obligated as Planned	7.5%

Note: Data Accuracy and Ordering Official Survey were removed from the FY2007 LB2P program.

PBS uses a two-phase system to distribute LB2P funds to the regional offices using performance measure results as a basis. In the first phase, funds are assigned to specific performance measures using allocation weights ranging from 7.5 percent to 15 percent. Then, for each performance measure, the funds are divided among the different regions using factors, such as square footage or revenue, to determine the regions' potential fund allocation for the performance measure. After the measurement period is completed, the second phase of the system is the distribution of funds based on how well each region attains its predetermined

[6] The Basic Repairs and Alterations account funds basic improvements and space alterations. The Building Operations account funds building operation needs, including rewards to employees for meeting performance targets.

targets for each measure. Once funds are distributed to the regions, PBS regional management has the discretion to disburse the funds; however, the use of the funds is restricted to their intended budgetary purposes.

The previous AOUSC Director stated, "…we are concerned that the PBS incentive awards program, 'Linking Budget to Performance,' which provides monetary rewards to regions, groups, and individuals for meeting or exceeding 'Funds From Operations' targets, may have created unchecked motivational impetus for PBS employees to raise rental rates in an abuse of agency discretion." Our review found that the structure of the LB2P program does not inherently provide an incentive for PBS to adjust rates.

Program Structure Provides No Inherent Incentive to Adjust Rates

Although adjustments made by the PBS regional appraisers do impact PBS's funds from operations, we found that the structure of the LB2P program does not inherently provide an incentive for regional appraisers to inappropriately adjust rates.

TIME SPAN

Contract appraisals are completed and reviewed 22 months (on average) prior to becoming effective. In order to provide customer agencies sufficient time to plan and prepare for budget cycles, PBS provides rent estimates 18 months in advance; and several months are needed to procure, perform, and review the contract appraisal. In addition, LB2P bonuses are paid approximately 5 months after the fiscal period in which the appraised rental rate goes into effect. This results in a 39-month[7] waiting period before any possible benefit could be received.

Considering the timing constraints alone, the planning and foresight required to gain personally from artificially boosting rental rates does not appear to provide an inherent incentive, opportunity or attitude to violate ethical responsibilities for a *potential* financial benefit. The additional limitations of the program's implementation provide less of an incentive.

PROGRAM IMPLEMENTATION

For most years of the LB2P program (including the most current years), the target for the Funds from Operations (FFO) measure was based on revenue projections. A revenue projection is an estimate of anticipated revenue receipts based on available information. Therefore, it is reasonable that adjustments made by regional appraisers would be included in the region's revenue projections and incorporated into its FFO performance measure target. It is also reasonable that any upward adjustments in the appraised rate would then increase the revenue target that must be achieved in order to meet the performance measure and receive the LB2P award.

The methodology used by the regions to award and distribute employee bonuses under LB2P varied. We found that in most regions, bonuses were awarded based on the region's

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[7] 39 months = 22 months (from appraisal completion and review to effective period) + 12 months (number of months in an effective fiscal period) + 5 months (from effective fiscal period end to receipt of awards funds).

performance on all nine LB2P measures rather than linked to a single measure. Therefore, only a portion of regional appraisers' bonuses would be attributable to meeting the FFO target. In addition, most regions used some variation of an equal share distribution to award bonuses, which provided a limit on individual award amounts. The one region that did link award amounts to performance on specific measures had the fewest number of appraisal adjustments.

Regional LB2P budget allocations were not used solely for employee bonuses. As mentioned earlier, historically, a large portion of the distribution was used for building repairs and alterations (ranging from 47 to 67 percent of the LB2P total allocation). The remaining percentage that was allocated to BA 61 was distributed at the discretion of regional management for operational costs including employee bonuses. The percentage of funds distributed to employees as bonuses varied among the regions, with averages ranging from 17 to 57 percent.

CRITICAL ELEMENTS

In addition to our review of the LB2P program, we also reviewed the critical elements included in the regional appraisers' annual performance evaluations. According to the U.S. Office of Personnel Management, a critical element "is an assignment or responsibility of such importance that unacceptable performance in that element would result in a determination that the employee's overall performance is unacceptable." We reviewed over 50 critical elements[8] and found no consistency among the language used by the regions. In addition, we found only two elements with language that could be interpreted as encouraging profitability in PBS buildings:

> *"Manages the RENT Reappraisal Program in cognizance of the need to maintain the profitability of the GSA Building Inventory in Region X."*

The above language does provide an incentive to boost rental rates (in order to maintain the profitability of the building inventory) and presents a conflict of interest between the regional appraiser's role (i.e. establishing Fair Annual Rental rates) and meeting the critical element.

> *Provided primary influence for [Level 5 rating] or positively supported [Level 4 rating] exceeding financial targets.*

The above language also provides an incentive to boost rental rates (in order to exceed financial targets) and presents a conflict of interest between the regional appraiser's role and meeting the critical element.

The two elements were found in different regions, which did not include the region with the majority of the appraisal adjustments. The first statement was found in a performance evaluation from FY 1999 and it also included a measure to prevent fraud, waste and abuse. Also, of the appraisals we reviewed in this region that were performed in FY 1999, the regional appraiser made 10 adjustments—8 of which were downward. The second statement was included in a FY 2006 performance evaluation. Of the appraisals we reviewed in this region that were performed in FY 2006, there were no adjustments made by the regional appraiser.

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[8] We requested the performance evaluations for all persons serving in the regional appraiser role during FY 2000 – FY 2006; however, we were unable to collect a complete sample.

In spite of the two critical elements above that present an incentive for regional appraisers to boost rental rates, the majority of the critical elements did not provide an incentive.

Established Methods Used to Increase FFO

Throughout the history of the LB2P program, PBS has worked to identify business practices that could be implemented to increase FFO. For instance, the National Office has used LB2P results brochures to share best practices of the top performing regions and to outline ways for key PBS job classifications to contribute to the goal. Regional offices have adopted process changes and developed database models to improve performance on the LB2P measures. Examples of some of the steps PBS is encouraged to take to increase FFO include:

- Managing leases with negative operating income
- Tracking vacant space and backfilling when possible
- Improving revenue collection process
- Ensuring accuracy of labor costing
- Improving data accuracy
- Improving collection of funds for above-standard services
- Monitoring operating expenses

We believe the effort that PBS has made to increase FFO is a better reflection of the atmosphere observed in the appraisal program and among program management during our review.

TENANT ACCESS TO RECORDS

The PBS occupancy agreement (OA) outlines the financial specifics and responsibilities of both PBS and the customer agency for a specific space assignment. It provides an estimate of rent, description of the space and service and financial billing summary. The OA development process is designed to be a collaborative effort between PBS and its customers throughout the space acquisition and/or design and construction processes. By collaborating with customer agencies, PBS hopes to reduce informal rent disputes and formal rent appeals. When a customer does challenge the rent charged for a specific space assignment, PBS policy has been to discuss the specific appraisal and the appraisal process with the customer agency and to provide copies of some appraisal information, such as the comparables used for rental analysis (with confidential information redacted).

The previous AOUSC Director commented on “the lack of openness surrounding the appraisal-setting process” and notes, “agencies are generally not allowed to see the appraisals or the review appraisers’ changes.” Based on the evidence we found in our appraisal file review, we concluded that customer agencies’ requests for appraisals were usually addressed in accordance with the then-current PBS policy regarding the release of appraisal information. Since PBS does not formally document or track customer requests for appraisal records, our review relied on evidence found in appraisal files and discussions held with program officials in the regions visited. The majority of the regions included in our review provided some appraisal information to customers in response to formal and informal requests. However, one region's policy prior to recent reforms was to provide appraisal information only in response to formal rent appeals.

We were advised that customer appraisal requests were infrequent. For example, we were told that one region hasn't received a customer appraisal request in over two years. In addition, within the past five years there have been a small number of formal rent appeals. PBS has recently reformed its policy regarding the release of appraisal information in an effort to increase transparency in the appraisal program. The new policy makes appraisal documents available for all new occupancies in federally owned space.

SPACE MEASUREMENT – TENANT FLOOR CUT

The previous AOUSC director stated that one PBS region "had been overcharging the courts by approximately $10 million per year through inappropriate billings for mis-classified tenant floor cut space and for erroneous blending of rates."[9] Our review concluded that changes in policy and varying interpretations of the guidance contributed to the inappropriate tenant floor cut billings.

According to the PBS Business Assignment Guide, tenant floor cut (TFC) space, also referred to as slab penetrations or voids, is defined as "vertical penetrations cut into the floor for the benefit of a specific tenant, such as the upper level of a double height courtroom or private elevator or communicating stair." PBS has used two methods to bill tenants for slab penetrating space within the past several years—one method makes adjustments to the shell rate and the other makes adjustments to the square footage to arrive at the billing rate. The blended (or weighted average) rate considers the usable space with and without slab penetrating space and computes a new shell rate that is applied to the tenant's total usable space. The rate is essentially a weighted average of the sum of the usable square feet (without slab penetrating space) multiplied by the appraised shell rate and the usable square footage of the slab penetrating space multiplied by either 1.75 or 2.00[10] times the appraised shell rate. Starting in FY 2002, PBS began to bill slab penetrating space based solely on square footage without making adjustments to the shell rate. Under the new method of TFC billing, PBS increases a tenant agency's usable square footage by the square footage attributable to slab penetrations and charges the shell rate to the tenant's total square footage. According to PBS, the conversion to a new space measurement and classification methodology added to the complexity of the appraisal process.

In order to effectively implement the new billing method, PBS intends to re-measure all owned space in accordance with ANSI/BOMA standards. The process has taken several years and is still on-going. Some guidance was distributed to help regions with the transition to the new method, but it may have left certain implementation requirements up to interpretation. Documents provided by regional officials indicate that blended rates were to be used to bill for

[9] The majority of the inappropriate billings were attributable to a single building. PBS credited the Courts $8.6 million for inappropriate TFC billings in one building.

[10] According to the PBS Pricing Guide, space classified as SP-3A (Structurally Changed), which included courtrooms built prior to FY 1991, were billed at 1.75 times the appraised shell rate; and space classified as SP-3B (Courtrooms), which included courtrooms built after FY 1991, were billed at 2.0 times the appraised shell rate under the pricing policy prior to FY 2000.

slab penetrating space until a building was re-measured and that space would be assigned as TFC after re-measurement. Regional officials stated that they requested but never received additional guidance from National Office. Without additional guidance, regional officials relied on their interpretation of the guidance. The regional interpretation resulted in several subsequent billing adjustments.

During the PBS Court Rent Validation initiative, PBS National Office identified that one region was inappropriately using blended rates and in June 2005 issued guidance clarifying TFC pricing policy. We reviewed adjustments made to occupancy agreements as a result of the PBS Court Rent Validation initiative and found several additional adjustments for TFC space, which were all located in the same region. The isolation of TFC adjustments to one region implies that this is not a prevailing, national problem.

CONCLUSION

PBS is taking action to improve the overall effectiveness of the appraisal program through appraisal reforms, increased appraisal staff levels, RAQI reviews, policy reviews/changes, and other measures. Many of its recent measures have already addressed the major issues identified in our review. For instance, PBS has eliminated the regional appraiser's ability to adjust appraisal value conclusions, added additional management oversight responsibilities in the regions and National Office, and adjusted its policy on customer's access to appraisal information. Potential impacts from these recent measures may include significant reductions in the number of appraisal adjustments and increased transparency in the appraisal process. We recognize PBS's efforts to improve the controls over the appraisal program and believe the program will progress further with the continued implementation of appraisal reforms.

Although PBS has already addressed many of the conditions found during our review, we believe there are additional steps that should be taken to improve the appraisal program. First, PBS must ensure that contractors prepare appraisals in accordance with appraisal policy and that regional appraisers enforce these policies during their review process. Also, regional appraisers' actions and decisions pertaining to an appraisal need to be documented and supported in the appraisal file. For example, the appraisal file should include a memo to explain why appraisal values were disregarded or source documents of measurement changes to support appraiser's adjustments due to changes in rentable/usable factors. In addition, the appraisal program should eliminate (to the greatest extent possible) the appearance of conflicts of interest. Specifically, regional appraisers' performance should not be rated based on their performance meeting financial goals and revenue managers should not assist in decisions made regarding appraisals.

We also suggest PBS consider taking alternative steps to improve the appraisal process. For instance, centralizing some aspects of the appraisal program could ensure consistency in program implementation. The use of a national contractor to perform appraisals could: reduce the perpetual learning curve contractors experience in appraising buildings based on public sector policy; increase the use and availability of real estate research tools (which may not be accessible to smaller appraisal firms); reduce the challenge of finding competent and willing contract appraisers at a reasonable price for the federal government; and reduce the resources needed to annually award the multiple regional contracts. Since regional appraisers are more familiar with regional markets, they would still be responsible for primary appraisal review.

RECOMMENDATIONS

We recommend that the Commissioner of the Public Buildings Service:

1) Establish specific documentation requirements for appraisal files to substantiate regional appraiser's decisions and actions regarding an appraisal file (e.g. disregarded appraisals, adjustments made due to changes in space measurements, and customer appraisal requests). Requirements should provide details on what should be documented and how the documentation should be executed.

2) Reinforce appraisal instructions and guidance with PBS regional appraisers to ensure the appraisal review process uncovers appraisal policy violations.

3) Develop consistent critical performance elements for regional appraisers that will ensure performance expectations do not conflict (in fact and appearance) with the professional duties of the regional appraiser.

MANAGEMENT COMMENTS

Management concurred with the report recommendations.

INTERNAL CONTROLS

We evaluated the internal controls relating to the PBS appraisal program that were appropriate to meet the objectives of this audit. Relevant internal controls issues are discussed in the context of the review findings.

APPENDICES

Appendix A

Management Comments

GSA Public Buildings Service

DEC 2 0 2007

MEMORANDUM FOR R. NICHOLAS GOCO
DEPUTY ASSISTANT INSPECTOR GENERAL FOR
REAL PROPERTY AUDITS (JA-R)

FROM: DAVID L. WINSTEAD
COMMISSIONER (P)

SUBJECT: Draft Report Number A060197: "Review of the Public Buildings Service's Appraisal Process for Rent Pricing"

The Public Buildings Service (PBS) appreciates the opportunity to comment on the Office of the Inspector General's draft Report Number A060197. The audit findings are consistent with some of the issues previously identified in our quality review initiatives for the Rent appraisal program.

The report acknowledges PBS's latest efforts to improve the Rent appraisal program, specifically the appraisal reforms of June 2006, which addressed the major issues documented in the audit. Since 2002, the number of appraisal adjustments has been decreasing. We attribute this trend to annual improvements in our national appraisal instructions and guidance, regional response to national quality control initiatives, and increased regional discipline in the management of the appraisal programs.

We concur with the audit recommendations, and we will prepare a corrective action plan to implement them upon receipt of the final audit report. We will also continue implementing appraisal reforms to further enhance the integrity of the national PBS appraisal process for Rent pricing.

Should you have any questions, please contact Mr. Anthony E. Costa, Deputy Commissioner, PBS, on (202) 501-1100.

Appendix B

Comparative Analysis of PBS Appraisal Program Policy

PBS recently implemented appraisal policy reforms to "strengthen program oversight and management controls over the Fair Annual Rental (FAR) appraisal practice." The chart below identifies areas of concern found during our review, the previous policy, and the reforms recently implemented that should address the identified areas of concern.

AREA OF CONCERN	**PREVIOUS POLICY**	**POLICY REFORMS**
APPRAISAL ADJUSTMENTS	*Perform Appraisals*: ▪ Contractors – state-certified ▪ PBS – GS-1171 job series (appraising and assessing) or state certified as "General Appraiser" (implemented in FY 2007/2008 appraisal instructions) *Modify/Update Appraisals*: ▪ PBS modifications could only occur with the Regional Portfolio Director's approval ▪ According to the FY2000 instructions, appraisals could be updated by either a new staff or contract appraisal (at the discretion of the region) ▪ According to the FY 2007/2008 instructions, appraisals can be updated for one of three reasons, including re-measurement that results in change in R/U factor and rate, changes in market conditions and particular facts that the appraiser may have been unaware. Any updates or changes must be thoroughly documented in writing. Any perceived change in market condition, i.e. change in trend factor from date of appraisal to effective fiscal year date, must be supported by market data and included in the appraisal update documentation.	Only state-certified contract appraisers will perform, modify, or update FAR appraisals in accordance with Uniform Standards of Professional Appraisal Practice (USPAP). Regional Appraisers cannot update appraisals. Any circumstance requiring correction or modification in FAR reports must be brought to the attention of the original contract appraisers. Only the contract appraiser can make corrections, changes, or revisions to his or her original FAR report. Regional Appraisers are now limited only to providing changes in FAR rates due to changes in Rentable/Usable (R/U) factors from a new or re-measurement of a building.
MANAGEMENT OVERSIGHT	*Portfolio Manager/Director*: ▪ Approve rates *National/Central Office*: ▪ Cross reference rent estimate data in national database to regional database ▪ Analyze regional input	The regional Portfolio Manager/Director will now perform a FAR appraisal program concurrence and recommend use of the appraised rates. The Portfolio Manager/Director will provide written concurrence to be included in the appraisal file. Central Office appraisal staff will review and approve FAR appraisals for technical sufficiency and conformance to appraisal specifications.

Appendix C

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