

Amendment to Statement 1: State Regulatory Structure and Independence of Functions
[To be added at the end of the current Statement.]

Some State agencies contract with private entities (*i.e.*, third parties) to assist them in performing appraiser regulatory activities. Such arrangements can assist in managing costs and providing expertise that might not be available internally. At the same time, potentially reduced financial and operational control over a private entity's activities might pose certain risks. State agencies using private entities need to establish appropriate internal controls, procedures, and safeguards to assure that the entity performs its duties in an effective and consistent manner in compliance with the State's responsibilities under Title XI. The types of activities covered by this Statement include, but are not limited to³:

- Receiving, reviewing, and/or approving applications for initial certification or licensure;
- Receiving, reviewing, and/or approving applications for credential renewals;
- Analyzing the qualifications of appraiser applicants;
- Reviewing and/or approving qualifying and continuing education courses;
- Administering initial appraiser credentialing examinations;
- Receiving, reviewing, and/or approving temporary practice and reciprocity applications;
- Answering inquiries related to the State's appraiser licensing and certification program;
- Assisting in the investigation/disciplinary process regarding certified or licensed appraisers; and
- Preparing and/or submitting ASC National Registry data submissions and related fee payments.

A State agency should exercise due diligence to identify and select a private entity. As part of this process, the State agency should determine its needs and objectives and convey them to prospective private entities. In selecting a private entity, the State agency should perform sufficient analysis to determine that the entity is competent and experienced in providing the activities that the State plans to outsource. This analysis should include an evaluation of an entity's ability, both operationally and financially, to meet the State agency's needs.

Any contract, agreement, or arrangement between a State agency and such a private entity needs to comply with State procurement requirements and be in writing. That document should:

- Clearly describe the duties, rights, and responsibilities of the parties, including specific quality standards and time frames for performing appraiser-regulatory services;
- Address how the parties will handle contingencies that could adversely affect the entity's performance;

³ These activities generally do not include activities that are not related to appraiser regulatory activities, such as activities performed for other clients, and purely administrative or ministerial functions that do not materially affect the private entity's performance of its appraiser-related duties.

- Ensure that adequate written procedural guidelines exist regarding how each appraiser regulatory activity will be performed;
- Ensure that the private entity provides adequate safeguards for records security, privacy of personal information, and confidentiality of documents;
- Provide that the private entity's appraiser-related operations, including any records relating to those operations (whether in physical or machine-readable form), at all times shall be available to the State; and
- Require that the records noted above are the property of the State agency and will be surrendered promptly to the State agency upon its request.

Finally, a State agency retains accountability for any private entity arrangement and for ensuring that its appraiser-related regulatory functions are in compliance with Title XI.