

Appraisal Subcommittee

Federal Financial Institutions Examination Council

September 3, 1997

Ms. Ann L. Susko, Chairperson
Arizona Board of Appraisal
1400 West Washington, Suite 360
Phoenix, Arizona 85007

Dear Ms. Susko:

The purpose of this letter is to close a portion of our November 1996 field review of the Arizona appraisal regulatory program. In our December 20, 1996 letter transmitting our field review findings and recommendations, the first bulleted item stated:

"The Board should ensure that all complaints receive equitable and consistent disposition."

During our review, we found that the Arizona Board of Appraisal ("Board") generally handled complaints in a fair and equitable manner. We, however, expressed concern regarding the disposition of complaint number [redaction]. We recommended that the Board review complaint number [redaction] to determine if [redaction] as [redaction] were provided preferential treatment.

On May 5, 1997, Executive Director Shirley Berry sent a letter to us stating that, at the Board's direction, the Board's Disciplinary Committee had reviewed complaint number [redaction] and 27 similar cases. Ms. Berry further stated that the Disciplinary Committee "agreed that the case was given no special treatment, and the action taken was in keeping with other actions taken in similar situations." Subsequently, the Board determined that no preferential treatment was given.

On June 2, we requested a copy of the transcript for the meeting in which complaint number [redaction] was discussed and a listing of the 27 complaint cases against which complaint number [redaction] was compared. On June 18, Ms. Berry forwarded a copy of the Disciplinary Committee's meeting transcript to us. We did not, however, receive any information regarding the 27 cases that had been reviewed. We also did not receive answers to several questions we raised in our June 2 letter. Ms. Berry stated, referring to the transcript, "We trust this will provide the answers you are seeking and will help in clearing up this matter." We have read the transcript and regret that it did not provide answers to our questions nor did it clear up this matter.

Based on our on-site review, we were concerned that complaint number [redaction] might have been afforded preferential treatment. Several factors contributed to that concern:

- Initially, the Disciplinary Committee moved to dismiss the case. Only after Ms. Berry —pointed out that all complaints against Board members were to be assigned for investigation did the Disciplinary Committee begin an investigation;
- The third-party review of the appraisal documented approximately 20 violations of USPAP, including several violations of the Ethics Provision. The Ethics Provision is at the core of USPAP and its violation is a serious matter;

- While on-site, we reviewed other cases containing similar third-party reviews and documented USPAP violations. In these cases, particularly complaint numbers [redaction] and [redaction], disciplinary action was recommended by the Disciplinary Committee and taken by the Board; and
- There was no documentation, *e.g.*, meeting minutes, tape recordings, or notes, explaining the Disciplinary Committee's consideration and decision-making process regarding complaint number [redaction].

Since our on-site review, we have followed up this issue via correspondence. Nothing that the Board has provided has mitigated our concern that complaint number [redaction] was given preferential treatment. Additionally, the Board has failed to provide information we requested and to answer questions we raised. For these reasons, we are forwarding a copy of this correspondence to Governor Fife Symington and to Attorney General Grant Wood for their information and any action they deem appropriate.

We realize that few of the current Board and Disciplinary Committee members were members at the time complaint number [redaction] was investigated and resolved. We are pleased to note that, during our November 1996 on-site review, we did not find any instances of potential preferential treatment by the current Board. Nonetheless, we must admonish the Board to exercise an abundance of caution and diligence when processing complaints against [redaction]. Even the appearance of preferential treatment can damage the Board's ability to effectively administer its program.

Sincerely,

Herbert S. Yolles
Chairman

cc: Governor Fife Symington (with attachments)
Attorney General Grant Wood (with attachments)
Shirley Berry, Executive Director
Robert Harbin, Board Member
Scott Hudson, Board Member
Jared Huish, Board Member
Detlef Lange, Board Member
Lawrence Mann, Board Member
Marcella Peters, Board Member
Carl Yoder, Board Member
Melvin Young, Board Member