

Interior I.G. Report Confirms Land Acquisition Abuses

The long-awaited audit report, "Department of the Interior Land Acquisitions Conducted With the Assistance of Nonprofit Organizations," has finally been released. The investigation of land deals between Interior agencies and nonprofits is a culmination of the efforts of the late Warren Brookes, a nationally-syndicated columnist, who wrote a series of articles revealing questionable land deals between several land trusts and the U.S. government.

The report scrutinized land-buying practices of the U.S. Fish and Wildlife Service, the National Park Service and the Bureau of Land Management to review the propriety of the transactions; specifically, whether the Department was buying land at excessive prices, whether the nonprofits (primarily the Nature Conservancy and the Trust for Public Land) were benefiting unduly, and whether lands acquired were needed by the acquiring agency. The Inspector General (IG) audited 130 transactions occurring between October 1, 1985 and September 30, 1991. For these transactions, the IG analyzed the need for the property and its cost to the government using case files, planning documents, appraisal reports, and appraisal review documents.

Although the IG conceded that the nonprofits provided beneficial assistance in acquiring land that was identified as a priority acquisition by Interior or Congress, they found that the government's interests (and the taxpayers) were not always adequately protected, and that in some instances the nonprofits received substantial benefit over the appraised fair market value. Of the three bureaus reviewed, the nonprofits realized gains of \$1.9 million to facilitate seven transactions, even though much of the property was either donated to the nonprofits or acquired at "bargain sale" prices.

Additionally, the report stated, "None of the three bureaus followed the established appraisal and property valuation standards which require that estimates of property value be timely, independent, and

(continued on page 5)

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I.G. Report (continued from page 2)

adequately supported by market data." It further stated, "As such, we believe that the Department has little assurance that the fair market value estimates used...were complete and accurate."

The overriding problem cited in the land deals was faulty appraisals. Specifically, the report found that: appraisals were adjusted upward without documentary support; land purchases were made without appraisals or properly approved appraisals; and the values of purchased land were based on outdated appraisals. In the case of donations, the National Park Service told the IG auditors that appraisals were routinely not prepared because the land was "free" to the government, and the appraisals would serve no useful purpose.

The report stated that the U.S. Fish and Wildlife Service (FWS) paid about \$5.2 million more than the property's fair market value in the 64 transactions studied. Inflated purchase prices resulted from the FWS policy of adding interest and "over-head costs," which the FWS claimed was to "compensate the nonprofit" for participating, even though FWS did not verify the actual incurrence of these costs by the nonprofits.

The IG report concluded that "the weaknesses in the acquisition process have provided opportunities for, or the perception of, improprieties in conducting transactions with nonprofit organizations." To ensure that future transactions are conducted in a uniform and consistent manner, the report issued recommendations to limit prices paid to the nonprofits, require substantiation of all expenses claimed, obtain required approval before paying prices over the approved appraisal value, establish criteria to identify significant acquisitions, and obtain independent appraisals.

The IG repudiated any such "savings," saying they could not be substantiated because the land acquisition data provided in the response differed from the data provided by the agencies during the audit and from data obtained from agency files. The audit report concluded that while donations from these organizations may have accounted for some "savings," such "savings" do not justify the government's paying hundreds of thousands of dollars more than the approved value or the nonprofits making substantial gains. Further, the report stated that each transaction must be able to stand on its own when scrutinized by the public or Congress.

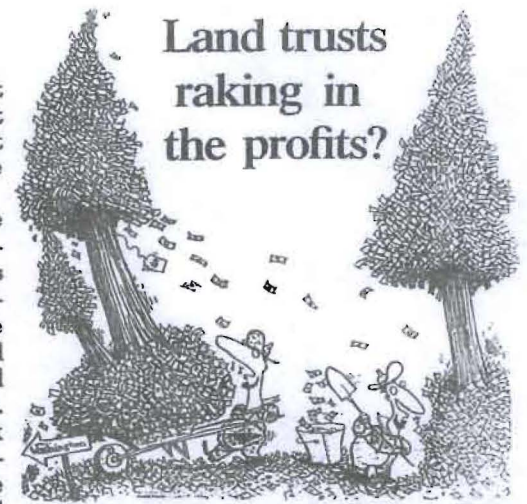
In that the recommendations in the IG's earlier draft report were not well-received by the federal agencies—who, for the most part, contend that adequate policies and procedures are in place to govern transactions with land trusts—the IG has asked the Department heads to reconsider their positions on the final recommendations and submit written responses by August 7, 1992. At that time, any unresolved issues will be referred to the Assistant Secretary for Policy, Management and Budget for a final determination.—JF

Editors note: To order a copy of "Department of the Interior Land Acquisitions Conducted with the Assistance of Nonprofit Organizations" write to: Office of the Inspector General, U.S. Department of the Interior, Washington, D.C. 20240.

Excerpts from "Department of the Interior Land Acquisitions Conducted with the Assistance of Nonprofit Organizations":

Little River National Wildlife Refuge, Oklahoma. In 1988 and 1989, the U.S. Fish and Wildlife Service paid the Nature Conservancy \$4.5 million for 5,398 acres of Refuge land, thereby exceeding the approved appraised market value of \$3.5 million by about \$1 million.

Congaree Swamp National Monument, South Carolina. In 1990 and 1991, the Trust for Public Land received about \$660,000 more from the National Park Service than it paid for 4,200 acres of land it purchased from the Georgia Pacific Corporation.



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Warner Valley Wetlands, Oregon. On March 30, 1989, the Bureau [Bureau of Land Management] paid \$1.4 million for land that the Nature Conservancy bought for \$1.26 million in a simultaneous transaction. The Nature Conservancy had secured the property by paying \$100 for a purchase option agreement.

Kilauea Point National Wildlife Refuge, Hawaii. Service [FWS] records indicate that the Trust for Public Land bought this property for about \$1.4 million just 5 days before the Trust sold it to the Service, realizing a \$200,000 gain. In addition, the Service paid the Trust for Public Land overhead charges totaling \$41,000, which included \$10,125 of costs for a dedication ceremony, travel, lodging, and interest on appraisal fees.