

The ARM Committee Adopts a Competency Statement

Clarification: the action of making a statement or situation less confusing and more comprehensible.

Clarify: to make an idea, statement etc. clear or intelligible; to free from ambiguity.

The American Society of Appraisers and the Appraisal Review & Management Committee has adopted a Competency Statement to clarify the two types of ARM designations offered to members. One designation requires successful completion of four ARM Principles of Valuation classes, while the other designation requires successful completion of two POV courses.

The difference in competency levels between the "full ARM" designation (members who completed all four ARM POVs) and those having a discipline-specific ARM designation (members who have completed ARM 201 and 204) has been somewhat confusing during recent years. Therefore, the ARM Committee has assembled some key points to clarify the two types of designation, and how competency for review assignments should be addressed.

The main confusion seems to come from the belief that appraisers who complete all four ARM POV classes are competent to review appraisals for any type of property, in all ASA disciplines and specialties, which is inaccurate.

ARM committee Competency Statement:

ARM members are continually advised to understand and determine competency limitations and individual responsibilities for each appraisal review assignment. Members are required to comply with the standard of care set by ASA and the USPAP Competency Rule. Prior to accepting each appraisal review assignment, ARM members are to determine if they possess the required technical skills, experience and knowledge to complete each assignment competently. If they are not competent, they must determine if they are able to acquire the technical skills, experience and knowledge to possess the necessary competency by the completion of the appraisal review assignment. Disclosure and explanations of such actions and acquisitions are required by USPAP. When unable to gain competency, members are to decline assignments. To develop credible assignment results, the reviewer is always responsible for complying with the Competency Rule and must determine competency for each appraisal review assignment.

Competency in appraisal review requires detailed knowledge and application of appraisal review requirements set forth in Standards 3 and 4, which may include technical knowledge and experience required to develop credible assignment results specific to the valuation of the assets in the work under review (which would also include Standards 1&2, 5&6, 7&8, or 9&10). When an opinion of value is included in the scope of work for a review, the level of competency often rises for the reviewer. USPAP provides examples of areas of competency required to produce credible assignment results including knowledge of a specific type of property or asset, a market, a geographic area, an intended use, specific laws, regulations or analytical methods.

The variety and complexity of technical issues associated with assignments in each appraisal discipline, and specialty, suggests that obtaining technical competency in all disciplines would require many years of study and experience. The Appraisal Review & Management courses do

not focus on technical valuation elements of the appraisal process for any of the appraisal disciplines. Instead, the ARM courses focus on the requirements for proper development and reporting of appraisal review opinions. This methodology places the specific valuation education with each discipline, and not in the content of the ARM coursework.

ASA appraisal review coursework focuses on the requirements and methodology for opining on the work product of another appraiser. ARM courses do not provide specialty education for the other ASA disciplines, Business Valuation, Gems & Jewelry, Personal Property, Machinery & Technical Specialties, and Real Property. ARM members are required to produce credible assignment results for their respective disciplines, and also for appraisal review assignments.

Clarity affords focus.

--Thomas Leonard

Real World Review Examples

Determination of competency in different disciplines requires skills, education and knowledge that are specific to each discipline.

A member who is an Accredited Senior Appraiser in Business Valuation, and also accredited in Appraisal Review & Management, would likely have the competency to complete a USPAP compliant review for various types of business valuation reports. However, never having completed other disciplines' Principles of Valuation courses, that same member would not be expected to have the technical competency required to produce credible assignment results required for a review of any Gems & Jewelry, Personal Property, Machinery & Technical Specialties or Real Property reports. At that point, the BV reviewer would decline the assignment or employ other members who are accredited in the specific disciplines. For example, if a BV review scope of work was modified to include the review of a business and a building, the reviewer would be expected to collaborate with a Real Property reviewer, as the BV reviewer would not possess the necessary skills to produce credible assignment results.

Determination of competency within the same discipline, according to specialty, is based on the type of assets, the assignment's scope of work, and purpose of the review.

A member who is accredited in Personal Property, Fine Art, as well as ARM, may have the competency to produce credible assignment results in determining USPAP compliance of a work under review with assets consisting of contemporary paintings, first edition books and classic automobiles (all within the Personal Property discipline), without an opinion of value. However, if the scope of work is modified to include an opinion of value in the review assignment, the art appraiser and reviewer would not be expected to have the competency for providing opinions of value on books or automobiles, because valuing books and automobiles requires skills, knowledge and experience of different markets, levels, etc. At that point, the reviewer would decline the book and auto portions of the assignment-- or employ other members who are accredited to value books and automobiles, and then move forward with managing the assignment.

An MTS reviewer, who specializes in valuing agricultural equipment like combines, balers and harrows, would not likely have the competency to review a report, with an opinion of value, for those same assets that also includes an ultralight 2-seat fixed-wing aircraft. Although harvesting equipment and aircraft are both MTS specialties, they each require specific skills, education and knowledge when an opinion of value—or value related opinions—are part of the scope of work.

A Gems & Jewelry reviewer is hired to conclude an opinion on a work under review in a litigation matter. The assets include loose diamonds, semi-precious stones, vintage platinum pieces, and a collection of drachma—ancient Greek silver coins from the mid-6th century. Because the scope of work is to conclude an opinion of USPAP compliance for the work under review, the G&J reviewer likely possesses the necessary competency to successfully complete the assignment and provide credible results. If the scope of work is modified to include an opinion of value for all of the property, the G&J reviewer may not possess the necessary skills, experience and knowledge to value the ancient coin collection and should reassess his or her competency for the assignment before moving forward.

Determination of competency in an assignment is dependent upon the scope of work.

A member who is hired to review a real property appraisal and determine if the workfile contains sufficient documentation to support the opinions and conclusions in the work under review, may not be required to have the competency to value the assets in that report. The scope of work may be narrow enough for a reviewer to be competent for the assignment, even if he or she is not competent to value those same assets in a valuation, when the values of the assets are not part of the scope. Similarly, if the scope of work for the review assignment includes an opinion about extraordinary assumptions and disclosures being relevant and sufficient in the work under review, the reviewer also may not be required to have the competency to value those assets or even opine on other unrelated issues such as geographical location, laws or any other specifics unrelated to the scope for the review assignment.

Reviewers are reminded the scope of a review assignment may be an opinion about the quality of the entire work under review, or may be an opinion for only a part of another appraiser's work product. Competency requires assessment of the skills, experience and knowledge of each reviewer, for each review assignment, and for the parameters of each scope of work. Again, it is the responsibility of each reviewer to determine competency for each, individual review assignment.