



July 31, 2015

Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Re: Staff Consultation Paper No. 2015-01, *The Auditor's Use of the Work of Specialists*

To Whom It May Concern:

On behalf of the largest professional association of real estate appraisers in the world, thank you for the opportunity to comment on *Staff Consultation Paper No. 2015-01: The Auditor's Use of the Work of Specialists*.

The Appraisal Institute supports the review and enhancement of standards related to auditor use of the work performed by specialists. Many Designated members of the Appraisal Institute are employed or retained by auditors or companies for audit preparation and support. Generally, we believe that enhanced attention to and understanding of the valuation profession by the audit community would help increase confidence in audit results. As a leading education provider, the largest publisher of appraisal related texts in the world, and the holder of the body of knowledge in real estate valuation, we stand committed to working with the audit community to enhance their understanding of valuation processes, procedures and standards, and methodologies.

Included in this is a vast body of knowledge that has been developed by the Appraisal Institute relative to the review of appraisals. This includes courses, seminars, textbooks and credentialing programs that are directly applicable to the work of auditors. Such programs would be beneficial to demonstrating an understanding of valuation methods and techniques used by valuation specialists. We stand committed to working with the audit community to enhance its understanding of the valuation profession.

The PCAOB has asked many questions related to the use of specialists, including several highlighted below:

14. Is it appropriate for an auditor to consider the knowledge, skill, and objectivity of a company's specialist when evaluating the reliability of information provided by that specialist? If so, how might the company's use of the work of a competent and objective specialist under the potential alternatives affect the nature, timing, and extent of the auditor's procedures?

22. Are the potential requirements to evaluate the knowledge and skill of an auditor's specialist clear and appropriate? Are there other alternatives to accomplish the objectives? Are there other factors that the auditor should consider?

31. Are the potential requirements for evaluating the work of an auditor's specialist appropriate for all types of specialists used in audits (e.g., valuation specialist, actuary, geologist, lawyer, or engineer)? If not, how should the potential requirements be tailored?

When an auditor seeks to hire a valuation specialist, the Appraisal Institute strongly suggests a review of the *qualifications* and *competency* of the appraiser or valuation profession. The competency of the appraiser is imperative to be evaluated by an auditor in assessing the knowledge and skill of the appraiser. The first step of this process should confirm that the appraiser or valuation specialist has earned a professional designation, such as the MAI, SRA, AI-GRS and AI-RRS, from an organization like the Appraisal Institute. Professionals who have earned such designations have met rigorous education, experience, testing, demonstration of knowledge and peer review requirements. The demonstration of knowledge requirements, in particular, help prepare appraisers or valuation specialists to defend their results before those who might scrutinize their work, including auditors and accounting regulatory authorities. We strongly encourage the PCAOB to emphasize a thorough review of the appraiser's or valuation specialist's qualifications and credentials, including the competency of the appraiser or valuation specialist undertaking the appraisal assignment.

With regard to whether the potential requirements for evaluating the work of an auditor's specialist is appropriate for all types of specialists used in audits, we generally believe that the requirements should be principles-based, as every profession is unique and has different regulatory and professional credentialing programs. However, we would encourage the PCAOB to require the disclosure of the appraiser's or valuation specialist's qualifications, and in particular, the professional designations that have been earned.

Disclosure of the appraiser's or valuation specialist's qualifications is common in footnotes of financial statements and would be appropriate for audit reportsⁱ. Further, we believe that it would be beneficial to disclose any applicable appraisal or valuation review standards that were used to evaluate the work of the appraiser or valuation specialist. Many appraisal standards include standards related to appraisal reviewⁱⁱ, and we strongly believe that the use of such standards by auditors would strongly enhance the reliability and credibility of audit reports.

Thank you, again, for the opportunity to comment. Should you have any questions, please contact Bill Garber, Director of Government and External Relations, at 202-298-5586, bgarber@appraisalinstitute.org or Brian Rodgers, Manager of Federal Affairs, at 202-298-5597, brodgers@appraisalinstitute.org.

Sincerely,

Appraisal Institute

ⁱ For example, see 8-K filing of CNL Lifestyle Properties, March 6, 2015. Available at <http://finance.thedailyreview.com/filing/8-k/0001193125-15-085420/cik-1261159/>

ⁱⁱ The Appraisal Institute's Standards of Valuation Practice contain Standard B relating to appraisal review, for example. Available at http://www.appraisalinstitute.org/assets/1/29/SVP_effective_1-1-20151.pdf