

# The Importance of Defining and Reporting Scope of Work

National Council of Affordable Housing Market Analysts  
April 8, 2010

## Panelists

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# DEFINING THE ISSUE

## PROFESSIONAL OBLIGATIONS

- Responsibility to protect public trust
- Observe highest standards of professional ethics and understand importance of ethical obligations to those we serve.
- Responsibility to communicate scope of work, analyses, opinions, and conclusions to users in a manner that is meaningful and not misleading.

# TODAY'S DISCUSSION

- **Purpose of the Report and Scope Of Work**
- **Comprehensive Market Studies and IRS Section 42**
- NCAHMA publication *Model Content Standards*:
  - **Required Report Content vs. Required Analyses**

# GOALS

- Present concepts in White Paper on Scope of Work and Reporting Standards and collect additional comments in advance of publishing paper.
- Advance discussion to amend NCAHMA *Model Content Standards and Checklist* to:
  - Reflect required ANALYSES, not CONTENTS
  - Address concept of Comprehensive Market Study
    - Purpose of Analysis / Defining the problem
    - Intended user of Report
    - Scope of Work

# AGENDA

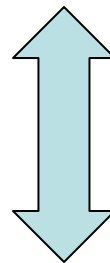
- Jeff Thompson will present White Paper
- Panel will present key points
- Panel will discuss examples of how these concepts will assist preparers and users of market studies
- Summary and Suggestions

# SCOPE OF WORK WHITE PAPER KEY CONCEPTS

## Development of the White Paper

- Professional Responsibility

Market Analyst



Physician

# SCOPE OF WORK WHITE PAPER KEY CONCEPTS

## Development of the White Paper

Analysis  
vs.  
Reporting

# SCOPE OF WORK WHITE PAPER KEY CONCEPTS

## Development of the White Paper

IRS Section 42 –

“Comprehensive” and “Disinterested”



# KEY CONCEPTS

- An acceptable scope of work is when it leads to credible assignment results that meet or exceed:
  - Expectations of parties who are regular intended users of similar assignments
  - What the market analyst's peers would consider reasonable for the same or similar assignments
  - The intended users of the report are the basis for measuring whether a selected scope of work produces credible assignments
- Requirements
  - Identify the problem to be solved – Purpose of the report
  - Determine and perform the scope of work necessary to develop credible assignment results
  - Disclose the scope of work in the report
- Examples
  - The extent to which the property is inspected
  - The type and extent of the data researched
  - The type and extent of the analyses applied to arrive at opinions and conclusions

# KEY CONCEPTS

- Acknowledgement that client input is reasonable....BUT.....responsibility resides with the market analyst to ensure the proper scope is identified and completed to produce credible results
  - Market analyst must not allow client to restrict scope of work to such a degree that results are not credible or they are biased
- Scope is an ongoing process during assignment.
  - As research progresses some elements previously discussed with client may no longer be needed or new steps may be identified
  - Keep client notified of issues
  - Be sure to report what finally evolved as the scope in the report

# THE SCOPE OF WORK DECISION

- A scenario
  - As an example, let's consider a situation where the most complete market study analysis and market study report should be conducted.
- Client Requirement: State Agency
  - IRC Section 42 requires a “Comprehensive” market study be conducted by a “disinterested” party when used for state agency allocation purposes.
- NCAHMA Guidance
  - NCAHMA has worked toward defining a comprehensive market study over the last ten years through its development of the Model Content Standards for Market Studies for Rental Housing and Market Study Index.
- NCAHMA Market Analyst Response
  - So the Scope of Work for a state agency using the market study for LIHTC allocation purposes must consider the elements of the Model Content Standards for Market Studies for Rental Housing.

# SUMMARY

1. The steps you take to complete an assignment (Scope of Work) must meet or exceed what your peers would consider reasonable...not just your clients...to meet the needs of all the intended users.
  - The NCAHMA market analyst is ultimately responsible for developing and conducting the appropriate scope of work.
2. Since 2001 NCAHMA has worked towards and developed the Model Content Standards and Checklist to represent the steps and analyses necessary to complete a comprehensive Market Study.
  - While all the analyses are required, reporting on all of them is not necessary. However, your work file should have these analyses available if needed.

# SUMMARY

3. Using N/A in the Model Content Standards checklist does not allow you to not think about or not consider this component of the analysis.....  
It means you conducted the necessary level of analyses and did not find it necessary to report on it; and the analyses is in your file and available for reporting if required to do so.
4. If your scope of work does not include all the analyses outlined in the Model Content Standards, then you have not completed a comprehensive market study.

# SUGGESTIONS

- Take a good look at your practice and identify typical assignments you perform on a regular basis.
- Draft a Scope of Work for each of these typical assignments.
- Send copies of the DRAFT Scope of Work to some of your clients and peers for review and discussion.
- Decide on a final Scope of Work for each assignment after considering comments of clients and peers.
- Make sure the suggested Scope of Work is acceptable to each client at the start of an assignment by including it in your proposal for services or any ongoing agreement for services.
- Be careful using pre-determined Scopes of Work developed by others, i.e., client formats. Ultimately, it is up to you, the NCAHMA member analyst, to decide if a Scope of Work is acceptable for a particular assignment and will produce credible results.

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