June 2014

Special Request Results

Why We Did This Report

This memo responds to a request from Mayor Pro Tem Cole regarding the City of Austin Watershed Protection Department Recovery Buyout Program.

What We Did

To complete this special request, we:

- interviewed key City staff;
- researched policies governing this program and entities involved with this program;
- reviewed documents related to the buyout program and properties previously acquired; and
- examined audit reports related to the program.

For more information on this or any of our reports, email oca_auditor@austintexas.gov

Special Request Report on Watershed Protection Department (WPD) Recovery Buyout Program

Mayor and Council,

I am pleased to present this report on the WPD Recovery Buyout Program.

BACKGROUND

The City began purchasing Onion Creek properties in response to a 1998 flood. In 1999, the United States Army Corps of Engineers (USACE) conducted a study and determined that the safest and most cost-efficient option would be to buyout homeowners in parts of the 25-year floodplain. A total of 109 homes were bought between 1999 and 2006. According to the WPD, buyout priority was established based on the amount of damage homes were likely to receive as a result of flooding. In 2007, Congress approved the project to purchase homes in the area recommended by the USACE. Between 2006 and 2008, the City received two Hazard Mitigation grants from the Texas Division of Emergency Management (TDEM), a Federal Emergency Management Agency (FEMA) grantee, to acquire and remove residential properties to militate against future losses.

An additional 214 homes were bought between 2006 and the "Halloween Flood" that occurred on October 31, 2013. 72 more homes have been purchased since the "Halloween Flood," leaving 88 homes in the USACE recommended buyout areas, which are still privately owned. The WPD is currently pursuing funding to buy an additional 371 structures which are at risk of flooding in a 100-year storm. The WPD is also currently discussing additional flood mitigation options with the USACE.

OBJECTIVE AND SCOPE

Our objective was to answer the following questions:

1. Have there been any recent or past audits of the Watershed Protection Flood Buyout program and if so, what were the results?
2. What current oversight or process assurance exists under local or federal buyout programs regarding the selection and validation of qualifying properties?
3. What current oversight or process assurance exists regarding the valuation and distribution of funds to affected homeowners?
4. What processes are in place to support compliance with applicable federal regulations?

WHAT WE FOUND

Oversight Entities and Prior Work

Several agencies, including the USACE, the Department of Defense, the Department of Homeland Security, FEMA, the Texas Department of Public Safety Texas, and the Office of the City Auditor, can audit the WPD recovery buyout program. We located only one related audit, issued in 2012, which was conducted by the Department of Homeland Security's Office of the Inspector General and reviewed two hazard mitigation grants awarded by FEMA. This audit resulted in the disallowance of $235,479 paid for ineligible indirect labor costs.

Selection

The USACE recommended properties for buyout after completing a technical, environmental, and economic feasibility study to identify flood hazard mitigation solutions. This project underwent an independent technical review by teams of reviewers from other USACE districts, but we did not locate any audits relating to the USACE recommendations. Within the USACE identified high risk area, the WPD selected properties to purchase according to priority zones established based on flood risk (depth of inundation inside the structure) and the continuity of parcels.

Valuation

Property appraisals are done in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act). The City contracted with HDR Engineering in 2009 to administer the buyout in accordance with federal regulations. An appraiser is hired by HDR Engineering to perform the appraisal. A review of this appraisal is performed by a second appraiser. The City of Austin Office of Real Estate Services (ORES) oversees the contract with HDR and reviews the process for compliance with the Uniform Act.

Distribution

The process for distributing funds is established in the Uniform Act and related FEMA regulations. The distribution of funds occurs in two parts. First, acquisition funds are disbursed to the affected property owner at property closing. Second, relocation money is held in escrow and transferred to the seller of the replacement property.

The acquisition and relocation process is performed and documented by HDR Engineering and supervised by the ORES. The funds are generally held by the WPD and released to the ORES after the WPD has reviewed the property file for accuracy and completeness. To aid both the City and federal review, HDR Engineering uses a checklist to monitor buyout tasks and project communication. HDR Engineering, in conjunction with the ORES, retains these checklists along with supporting documentation for each property in project case files. The acquisition and relocation documentation is prepared and maintained in anticipation of federal review.

We appreciate the cooperation and assistance we received from the WPD and ORES staff during this project.

Kenneth J. Mory, City Auditor