

## EXECUTIVE SUMMARY

---

The Office of Inspector General for the City of New Orleans (OIG) conducted an evaluation of the City of New Orleans (City) delinquent property tax collection program. The purpose of the evaluation was to determine if the program complied with applicable laws and City policies and was efficient and effective. The scope of this evaluation included the collection of property taxes for real, non-movable property for the 2010 tax year, from April 1, 2010 (when the delinquent taxes were referred to the collections contractor) to the fall of 2011 when the City held its tax title sale. During this time, the City paid \$3,317,090 to a contractor to perform delinquent tax collection services including notification of delinquent parties, record keeping, and legal representation. These costs are borne by delinquent taxpayers.

Evaluators conducted background research on the legal requirements governing the collection of delinquent taxes and interviewed City staff and principals of the City's collection contractor, Strategic Alliance Partners, L.L.C., regarding the collections process, the costs involved, and barriers to collection. We gathered payment data from the City and tax sale data from the contractor's online auction site (CivicSource) and solicited prices from vendors for services related to delinquent property tax collection program. Evaluators used this information to conduct a cost analysis of the program's collection services and a time series regression analysis to measure the effectiveness of collection activities.

Evaluators identified the following findings relating to the cost and effectiveness of the City's delinquent property tax collection program:

- The City's contract with SAP cost over ten times more than the cost of basic delinquent tax collection services.
- The City disregarded a proposal submitted in response to a 2008 RFP that would have cost approximately \$1,000,000 less per year.
- The City issued payments to SAP without the detailed monthly invoices required by their contract.
- SAP's outgoing phone calls increased payments by less than 0.05% over the period of increased calls.
- The City did not adjudicate properties as permitted by state law, thereby increasing the cost of collection.
- The City delayed tax collection by not conducting the tax sale at the earliest opportunity allowed by state law.

Evaluators determined that the City paid more than the cost of delinquent tax collection and that there were opportunities to improve tax collection. The OIG recommended the following:

- The City should bring its delinquent property tax collection program in house in order to control costs.
- The City should issue a new RFP if it does not perform the functions in house.

- The City should not issue payment unless it receives detailed monthly invoices as required in the SAP contract.
- The City should discontinue calling delinquent taxpayers as a method of increasing payments.
- The City should adjudicate eligible properties.
- The City should align its collection schedule with state enforcement mechanisms.

A draft of this report was provided to the CAO's Office and the Law Department for review and comment prior to publication. The City's full response is appended to this report.