

OIG IN BRIEF

Why the OIG Did This Report

In 2013 the OIG issued a report on the City's delinquent tax collection program. The OIG found that the City paid its collections contractor ten times the cost of collection services. The City also cancelled a request for proposals that included a proposal that would have cost approximately \$1,000,000 less per year and did not require detailed monthly invoices from the contractor before issuing payment.

In addition to operating a costly collection program, the OIG also found that the City's program was less effective than it could have been. First, the contractor called delinquent property owners which increased collections by less than 0.05 percent. Second, the City did not sell adjudicated property. Finally, the City lengthened the entire process by not holding a tax title sale at the earliest possible time, losing potentially significant revenues that could result from the sale.

The OIG recommended that:

- 1) The City should bring the collection program in house in order to control costs, OR
- 2) The City should issue a new RFP.
- 3) The City should not issue payment without detailed invoices.
- 4) The City should discontinue calling delinquent tax payers.
- 5) The City should adjudicate eligible properties.
- 6) The City should align its collection schedule with state law.

The objective of this follow-up report was to determine the extent to which the City implemented OIG recommendations.

A report to the City of New Orleans, December 23, 2015.

[View OIG report](#) IE 15-0001. For more information contact Nadiene Van Dyke at (504) 681-3200 or nvandyke@nolaioig.org.

Delinquent Property Tax Collection Program Follow-up Report

What the OIG Found

Evaluators found mixed results after the follow-up process. The City made changes to the program that increased its effectiveness but was not successful in decreasing the cost of the collections program.

In the original report, titled "Evaluation of the City of New Orleans Delinquent Property Tax Collection Program," the OIG recommended that the City sell adjudicated properties. The recommendation was intended to decrease the overall cost of collections and provide property owners with additional incentive to pay delinquent taxes.

Although the City initially rejected the recommendation in its response to the OIG, it began holding adjudicated property sales in 2015. By November 2015, the auctions resulted in more than \$12 million in sales. The sale of adjudicated property not only brought in revenue, it also demonstrated the City's commitment to enforcing tax law: in the weeks preceding the City's July auction of adjudicated properties, the City collected an additional \$1.2 million from delinquent accounts.

According to the Mayor:

The City's first-ever online adjudicated property auction was a resounding success ... This process will ... help strengthen our communities and collect important revenue for the City to invest ... in community revitalization, public safety, street repairs, and parks and recreation.

In addition, the City held its tax title sale in the spring following the tax year rather than waiting until the fall. This change decreased the overall time it took to collect taxes and brought revenue to the City earlier.

However, a new request for proposals (RFP) contained deficiencies and ambiguities that may have favored the incumbent contractor. In addition, the pricing structure in the approved contract was different from the pricing structure in the proposal. The resulting pricing structure was still significantly higher than the OIG's estimated cost of collections.

The City also continued to issue payment to the contractor without detailed monthly invoices. The lack of detailed invoices contributed to the City's lack of success in procuring a less expensive contract when it issued a new RFP for tax collection services. The City could have been more specific when defining the amount of work in its RFP if the City had more information about the amount of work it took to collect delinquent taxes.

The City implemented some OIG recommendations, and there were improvements in the program: for example, the entire delinquent property tax collection program should operate in a more efficient and effective manner if the City continues to sell adjudicated property. However, the City's delinquent tax collection program continues to cost more than it should, and an improved RFP process could decrease these costs.