

The Office of Inspector General (OIG) conducted a follow-up to its “Evaluation of the City of New Orleans Delinquent Property Tax Collection Program.” Issued in March 2013, the original report found that:

- The City’s contract with Strategic Alliance Partners (SAP) cost over ten times more than the cost of basic delinquent tax collection services;
- The City cancelled a 2008 Request for Proposals (RFP) that included a proposal that would have cost approximately \$1,000,000 less per year;
- The City issued payments to SAP without the detailed monthly invoices required by its contract;
- SAP’s outgoing phone calls increased payments by less than 0.05 percent over the period of increased calls;
- The City did not adjudicate properties as permitted by state law, thereby increasing the cost of collection; and
- The City delayed tax collection by not conducting the tax sale at the earliest opportunity allowed by state law.

In light of these findings, the original report included recommendations to increase the efficiency of the City’s delinquent tax collection program. The purpose of this follow-up report was to determine the extent to which the City implemented the recommendations the OIG made in response to the report’s findings in March 2013.

Evaluators found mixed results after the follow-up process. The City was successful in implementing changes to increase the effectiveness of the delinquent tax collection program. Although the City initially rejected the recommendation to adjudicate and sell property, 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 on line 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.¹

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

However, the City did not implement recommendations to reduce the cost of the collection program. The City issued a new request for proposals (RFP), but it 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.

¹ City of New Orleans, "Almost 80 Properties Sold in First Online Auction for Adjudicated Properties," July, 2, 2015, <http://www.nola.gov/mayor/press-releases/2015/20150702-pr-auction-update/>.