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July 17, 1996

96-FW-201-1803

MEMORANDUM FOR: Joe Brinkley, HUD Target Team Leader for the
Housing Authority of New Orleans

FROM: D. Michael Beard
District Inspector General for Audit, 6AGA

SUBJECT: Housing Authority of New Orleans
Garbage Collection

During recent audit work at the Housing Authority of New Orleans (the Authority), we noted the Authority approved the purchase of a new refuse collection vehicle based on a cost analysis provided by Authority staff. In the past the OIG has questioned why the Authority performs its own garbage collection¹. As a result, we reviewed the procurement of the vehicle and the cost analysis used as a basis for the decision to procure the new truck and continue in-house trash collection.

We interviewed Authority, HUD, and City of New Orleans (City) staff, and reviewed relevant documents regarding cost amounts for garbage collection and the procurement of the garbage truck.

In-house cost to perform trash collection. The cost analysis compiled by the Authority to perform garbage collection claims \$543,113 per year as the in-house cost, plus \$130,000 to replace one vehicle. However, the Authority did not provide support for this yearly figure. Further, the in-house cost figure does not address the possibility of lawsuits arising by the Authority performing the service. The analysis includes an estimated cost of \$760,560 per year to contract for this service, but again the Authority could not provide support for this figure. As a result, the cost analysis showing it is more beneficial for the Authority to collect its own garbage is based on unsupported and incomplete information. Also, the cost analysis does not address having the City collect the trash from its sites.

The City performs garbage collection for its residents for a small fee per month. The City currently does not provide this service to its residents living within the conventional public housing developments. The City should provide this service to all its residents equally.

¹ OIG Audit Report on the Housing Authority of New Orleans dated June 29, 1994 (page 39, and Appendix H, pages 11 and 12). The report states the Authority's utilization of maintenance personnel to pick up trash is an inefficient, ineffective, and uneconomical use of resources.

According to an Assistant to the Mayor for the City, collecting garbage at the conventional sites is under consideration.

The Authority is currently contracting with a company on an emergency basis to perform garbage collection services for five of its developments at \$26,200 per month while one of its vehicles is under repair. Extrapolating the contracted cost, it would cost approximately \$628,800 to contract for this service to cover all ten developments. In addition, the Authority would not be exposed to any potential liability surrounding these vehicles. One of the Authority's vehicles was recently involved in an accident in which an individual was hospitalized.

Given the above, we question the Authority's purchase of additional refuse collection vehicles or equipment until it has determined whether in-house trash collection is the best option. The loss of one its trucks due to a fire triggered the purchase of the new vehicle. The insurance company declared a total loss on the cab and chassis of the burnt vehicle and offered \$22,000 to repair the box container section of the truck. The Authority plans to purchase an additional cab and chassis to be used with the salvageable container.

Procurement of the truck. We further noted that the Authority did not obtain required HUD approval prior to contracting for the purchase of the new garbage vehicle. Only one response was received to the request for bids. Therefore, the Authority had to justify the need for sole-source and obtain HUD approval. Authority staff obtained Mr. Kevin Marchman's signature on the contract to purchase the vehicle before obtaining HUD's approval. The Authority obtained proper approval only after the purchase contract was signed.

Recommendations:

We recommend the Authority:

- 1A. Perform a thorough analysis, with complete and supported estimates, of the cost for garbage collection including: (1) performing the service in-house, including potential liability; (2) formally soliciting bids from outside contractors; and (3) negotiating a fee with the City for garbage collection at its sites.
- 1B. Not purchase additional refuse collection vehicles or equipment unless it determines that in-house trash collection is the best option based on the analysis per recommendation 1A.
- 1C. Ensure that purchase follows HUD procurement requirements for non-competitive contracts.

Within 60 days please give us, for each recommendation made in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this report.

If you have any questions, please contact me or Frank Baca, Assistant District Inspector General for Audit, at (817) 885-5551.

cc: Kevin Marchman, Housing Authority of New Orleans
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