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JOHN C. LIU
COMPTROLLER

October 30, 2013

Honorable Michael R. Bloomberg
Mayor
City Hall
New York, NY 10007

Dear Mayor Bloomberg,

A new audit by my office highlights the continued failures of the Department of Homeless Services (DHS) to properly oversee millions in payments to shelter provider Aguila, Inc. (Aguila). In light of the repeated and systemic failures, DHS should discontinue its use of Aguila.

City Hall should also drop its lawsuit against my office filed on July 18, after we rejected two DHS contracts with Aguila due to the contracts' failure to comply with the City's Administrative Code.

In November of 2011, my office called on DHS to recoup \$1.4 million from Aguila and examine another \$9 million in bills to see if taxpayers were entitled to recover more.

The follow-up audit released today found that DHS has recouped only \$558,412, and didn't investigate more than half of the total \$10.4 million identified by my auditors as improper or insufficiently supported payments.

DHS also continues to do business with Aguila without written contracts in violation of the City Charter, has not adequately explained how the rates the City paid for different shelters were set, and did not appropriately follow up after more than 80 percent of units subject to spot inspections failed.

Even as DHS fell short in adequately monitoring Aguila's fiscal and operational performance, its payments for Aguila-operated shelters surged from \$46.3 million in Fiscal Year 2011 to \$57.1 million in Fiscal Year 2013.

The escalating costs come as the City's homeless population has climbed to levels not seen in decades. This band-aid approach to housing the homeless is as costly as it is ineffective.

The City should focus on fixing DHS and dump Aguila – instead of wasting its resources suing my office.

The full audit is attached.

Sincerely,



John C. Liu

Attachment