



MUNICIPALITY OF ANCHORAGE

Assembly Information Memorandum

No. AIM 124-2024

Meeting Date: August 27, 2024

1 **FROM: MAYOR**

2
3 **SUBJECT: ANCHORAGE HEALTH DEPARTMENT'S RECENTLY**
4 **COMPLETED REPORT ON HENNING, INC., PREPARED IN**
5 **RESPONSE TO AR 2024-178: SHORTCOMINGS AND NEXT**
6 **STEPS TO ENDURE APPROPRIATE CONDUCT IN SERVICES**
7 **PROVIDED THROUGH CONTRACTORS.**

8
9 **I. Introduction**

10
11 Following the revelation of concerning text messages, the Assembly
12 requested that the Anchorage Health Department (AHD) "conduct a full review of
13 all Henning, Inc. contracted operations" providing shelter and related services on
14 behalf of the Municipality. AR 2024-178, as corrected. The Assembly issued that
15 request on May 21, 2024, and asked for findings and recommendations by June
16 4, 2024, later informally extended to June 7, 2024.

17
18 AHD's report is attached. It was prepared under the prior administration
19 and underwent limited technical review under the current administration. This
20 Memorandum provides context for that report, which, as explained in more detail
21 below, falls short of expectations despite the appreciated efforts of the employees
22 who conducted the review and prepared the report.

23
24 **II. Investigation and Drafting of the Report**

25
26 The Acting Director of AHD directed the initiation of the review on the same
27 day as the Assembly Resolution passed. The next day, the review was begun by
28 two AHD employees. They, like other employees in that Department, have
29 experience auditing contracts, but do not have experience with the personnel-type
30 investigation that was necessary here, based on the Assembly's request to
31 investigate the conduct of individual contractor employees and municipal
32 employees.

33
34 The investigating employees drafted a report and presented it to the Acting
35 Director of AHD on June 7, 2024, at which time the Acting Director transmitted it
36 to the Municipal Manager's Office for further review and revision before transmittal
37 to the Assembly. Over the next several weeks, the report was reviewed and
38 revised by employees in the Municipal Manager's Office, Human Resources, and
39 the Municipal Attorney's Office. A large portion of the delay in finalizing the report

1 appears to have been caused by a hold-up in the Municipal Attorney's Office during
2 the prior administration. Shortly after the change in administration on July 1, 2024,
3 the final report, dated July 10, 2024, underwent a final round of technical review.
4 That technical review resulted in minor changes, such as replacing the names of
5 individuals with their initials to protect their privacy.

6 7 **III. Shortcomings in the Investigation and Report**

8
9 Substantively, we have identified several shortcomings in the investigation
10 and the report that we highlight below:

- 11
12 • *No investigation of compliance with Henning's own policies and*
13 *procedures.* Although the Assembly requested that Henning's
14 compliance with its own policies and procedures be investigated, the
15 investigation limited itself in that regard. The report asserts that,
16 because Henning is an independent contractor, the Municipality has
17 no authority to "audit [Henning's] compliance with '[Henning's] own
18 policies and procedures.'" But the addendum to the contract with
19 Henning to operate the congregate shelter provides that Henning
20 employees must not only follow the policies and procedures outlined
21 in the contract and the addendum, but must also follow those policies
22 and procedures "that are enforced through the contracting
23 company," and the addendum further provides that the Anchorage
24 Health Department "may conduct its own investigation" into such
25 incidents of violations of the contracting company's own policies and
26 procedures.
27
- 28 • *Failure to interview all relevant individuals.* The report states that
29 investigators interviewed Henning employees, a now-former AHD
30 employee, and the third-party oversight contractor—but AHD did not
31 interview any clients of Henning's shelter services. AHD may have
32 thought that their interactions with the third-party oversight contractor
33 would be adequate, as may in fact be the case in the type of contract
34 audit the investigators were accustomed to performing. But the
35 nature of the allegations at issue in this report is such that directly
36 interviewing the clients themselves would have improved the
37 Department's and the public's understanding of the facts relevant to
38 several findings. In particular, client interviews would have helped
39 shed light on whether particular individuals carried firearms into
40 shelters or expressed a desire to box a client (Items 3 and 4);
41 whether a client was denied shelter because of a service animal
42 (Item 10); whether Henning employees encouraged clients to vote
43 for a particular candidate for Mayor (Item 13); and whether Henning
44 case managers were slow to connect with clients after intake (Item
45 26), among others. It would have also provided an opportunity to

1 learn about any additional conduct that may be of interest. In
2 addition, the report describes certain meetings and interactions with
3 other individuals (including Assembly members), but never
4 contacted those members for an interview, to verify the events
5 alleged to have occurred by others, or to determine extent of their
6 involvement (or lack thereof). This deprived the investigation of
7 relevant evidence. For example, the investigators did not interview
8 Chris Constant before concluding that AHD “did not find out about
9 the text messages until almost a full seven days after their receipt
10 [May 21]”—when in fact Mr. Constant met with the Director
11 immediately on May 17 to show her the messages. Similarly, the
12 investigators did not interview Meg Zaletel about the alleged meeting
13 regarding Emergency Rental Assistance funds or her role, instead
14 relying solely on the allegations of one of the subjects of the
15 investigation, A.J. This casts significant doubt on the investigators’
16 factual findings.

- 17
18 • *Findings unsupported by the record.* The report, in places, reaches
19 conclusions that go beyond what is supported by the record. For
20 example, the report states in Item 3 that there “is no evidence to
21 support the claim that Henning, Inc. staff members have possessed
22 a gun or other weapon while providing services under the contracts.”
23 But the text messages themselves, which discuss gun possession,
24 at least raise the possibility that Henning staff possessed guns while
25 providing shelter services under municipal contract. While there were
26 presumably reasons the investigators concluded Henning staff had
27 not possessed guns at the shelter, the stated finding that there is “no
28 evidence” to support a contrary conclusion is counter to the record
29 and undermines trust in the findings. Similarly, as noted in the prior
30 section, the investigators failed to consider, seek, or acknowledge
31 evidence contrary to their ultimate findings.
- 32
33 • *Missing context.* The report attempts to contextualize the concerning
34 texts that launched this investigation by referring to and
35 characterizing texts that preceded the publicly disclosed texts and
36 also refers to and characterizes other communications, such as
37 Facebook posts and emails. The report would provide better context
38 and help readers reach their own conclusions about the accuracy of
39 the report’s characterizations if the report quoted the relevant text
40 from those communications or attached those communications (as
41 appropriately redacted).
- 42
43 • *Failure to acknowledge breach of contract specifications and public*
44 *trust.* Most significantly, the report falls short by failing to
45 acknowledge that the texts reflect a concerning lack of

1 professionalism and respect for clients and the public. Such
2 communications threaten the public trust and arguably violate the
3 terms of Henning's contract, specifically Specifications, Section
4 2.A.10.b.i.2 and AHD Emergency Shelter Contractor Policies and
5 Procedures, Section 8, both of which require Henning to "respect[]
6 the rights and dignity of the people it serves[.]" Protecting the public's
7 trust in the integrity of Municipal services, especially services
8 provided to vulnerable individuals, is an essential function of
9 municipal government. The report should have addressed this head-
10 on.

11 **IV. Responsive Actions**

12
13
14 Despite these shortcomings, we are transmitting the report to the Assembly
15 as-is rather than starting the investigation process over. The report, despite its
16 shortcomings, still demonstrates that Henning employees and the former AHD
17 employee acted in a manner that failed to honor the public trust, and has allowed
18 for the identification of certain actions that the Municipality could take in the future
19 to prevent recurrence. The report also contains valuable recommendations on how
20 to prevent similar situations from arising in the future, which are incorporated into
21 our responsive actions below.

22
23 The potential benefits of a new investigation do not justify the costs and
24 delay that would be required. The Municipality remains significantly understaffed
25 and the resources that would be involved in a full investigation would be significant.
26 The AHD employee involved in the conduct at issue has since left municipal
27 employment. While the Henning employees whose conduct was also reviewed in
28 this investigation may still be employed by Henning, Henning's role providing
29 shelter services pursuant to the relevant Municipal contracts is coming to an end
30 in October 2024, and Henning has publicly stated that it does not plan to seek a
31 new contract.¹ In the meantime, AHD staff are monitoring Henning staff's
32 performance in the last months of the existing contract.²

33
34 Overall, re-doing the investigatory process is unlikely to create more or
35 different responsive actions than the existing report and this Memorandum contain.
36 Specifically, those responsive actions are:

- 37
38 1. The Municipality will consider including the following terms in future
39 contracts where the contractor will be providing direct services to the
40 public on behalf of the Municipality, such as in shelter operations:
41

¹ Henning's contract was set to terminate on July 31, 2024, but the Assembly recently approved the administration's request for a short contract extension until October 2024 to allow the Municipality to put out a new RFP for shelter operations. This avoided a disruption of shelter operations, which would have been catastrophic for the 200 shelter occupants.

² The third-party oversight contract ended in May 2024.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48

- a. A clause clarifying that the contractor’s officers or employees shall not engage in political advocacy while actively providing contracted services (as recommended in the report, Item 13).
 - b. "The Contractor, to the extent consistent with state law, shall not possess firearms, or allow its employees to possess firearms, during the performance of Contract duties or while on municipal property for Contract purpose"; and
 - c. "Contractor and its employees are expected to behave in a matter respectful of the public, the Municipality, and clients when performing services under this contract."
2. The administration will ensure that future investigations are conducted (a) by employees with experience in the particular type of investigation being done, (b) by a professional outside investigator, or (c) if conducted in-house by employees without specific experience, according to a scope and plan developed in conjunction with either Human Resources or the Municipal Attorney’s Office, both of which have relevant expertise. In the future, it may be helpful for the Assembly to direct the administration, rather than a specific Department, to conduct an investigation, to ensure that resources are allocated appropriately and effectively.
3. The administration will ensure that signage reflecting municipal policy on the possession of weapons in the workplace (Policy & Procedure 40-27) is in place.
4. AHD will:
- a. Remind Henning that its existing contractual commitments require that Henning “respect the rights and dignity of the people it serves”; and
 - b. Present the report and this Memorandum to Henning for review and acknowledgment and request that Henning reaffirm its commitment to treating clients and the public with respect.

AHD has already begun working on item 1 to ensure the additional terms are included in the sample contract for its upcoming RFP for shelter operations.

Prepared by:	Joseph Busa, Deputy Municipal Attorney
Approved by:	Eva Gardner, Municipal Attorney
Concur:	Kimberly Rash, Acting Director, Health Department
Concur:	William D. Falsey, Acting Administrative Officer
Concur:	Rebecca Windt Pearson, Municipal Manager
Respectfully submitted:	Suzanne LaFrance, Mayor