

# INTERNAL AUDIT REPORT

2020-03

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Road Service Areas – Supervisory Boards

Public Works Administration

April 3, 2020

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# Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

April 3, 2020

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2020-03, Road Service Areas – Supervisory Boards, Public Works Administration**. A brief summary of the report is presented below.

In accordance with the 2019 Audit Plan, we have completed an audit of the Road Service Areas – Supervisory Boards. The objective of this audit was to determine if the Board of Supervisors for each road service area performed basic responsibilities required by Anchorage Municipal Code, such as announcing meetings, holding regular meetings, maintaining meeting minutes and keeping attendance records, and if Board of Supervisors member seats were filled. To accomplish our objective, we contacted each Board of Supervisors and reviewed the documentation provided to determine if the Board of Supervisors performed the basic responsibilities required by Anchorage Municipal Code between January 2018 through September 2019. In addition, we reviewed election results and Assembly documents to determine membership on the Boards of Supervisors.

Our audit revealed that most road service area Boards of Supervisors failed to perform basic responsibilities required by Anchorage Municipal Code, such as announcing meetings, holding regular meetings, maintaining meeting minutes, and keeping attendance records. In addition, we found that 8 of 22 (36%) road service area Boards of Supervisors were not fully staffed and that 12 of 14 (86%) appointed members of various road service area Boards of Supervisors were serving but had not been confirmed by the Assembly. Finally, the ballot language for the Homestead Limited Road Service Area, approved by the voters in 2013, was not codified in the Anchorage Municipal Code.

There were four findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA  
Director, Internal Audit



# Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

April 3, 2020

## **Internal Audit Report 2020-03 Road Service Areas – Supervisory Boards Public Works Administration**

**Introduction.** The Municipality of Anchorage (Municipality) provides municipal road maintenance services through established road maintenance service areas. Only established road service areas receive municipal road maintenance services. The purpose of an individual road service area is to provide road maintenance services within a defined area supported by individual service area taxes approved by the individual service area's voters. Anchorage Municipal Code (AMC) title 27, *Service Areas*, establishes the rules for creating, altering, abolishing, and operating the service areas.

There are 22<sup>1</sup> individual service areas serving the Anchorage Hillside, consisting of the following three types: 19 Limited Road Service Areas (LRSA), two Rural Road Service Areas, and one Service Area (SA). Limited Road Service Areas have limited authority to provide basic road maintenance in the form of grading, dust control, brushing, culvert thawing and replacement, ditching, and limited use of tax funds for authorized basic road maintenance services. Rural Road Service Areas have authority to provide basic road maintenance, to make capital road improvements, and to save for capital road projects. Service Areas have authority to provide basic road maintenance, to make capital road improvements, to save for capital road projects, and may have other authority, such as fire protection and rescue, and parks and recreation. (The Glen Alps SA is the only SA on the Anchorage Hillside.)

Each service area, except the Homestead LRSA, has a locally elected Board of Supervisors (Board). If a vacancy occurs because no Board member was elected, it should be filled by mayoral

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<sup>1</sup>For the purpose of this audit, unless otherwise stated, the term "Limited Road Service Area" applies to the 19 Limited Road Service Areas, the two Rural Road Service Areas, and the one Service Area serving the Anchorage Hillside.



appointment, subject to Assembly confirmation, upon nomination from the Board. All road maintenance work for each service area is completed by private contractors through competitive bids. Each service area maintains a separate fund for use exclusively for that service area. Funds not used in any calendar year are carried over to the next year for future road maintenance and repairs. Each Board determines the scope of work and directs the contractor doing the road work.

**Objective and Scope.** The objective of this audit was to determine if the Board for each road service area performed basic responsibilities required by AMC, such as announcing meetings, holding regular meetings, maintaining meeting minutes and keeping attendance records, and if Board member seats were filled. We contacted each Board and reviewed the documentation provided to determine if the Board performed the basic responsibilities required by AMC between January 2018 through September 2019. In addition, we reviewed election results and Assembly documents to determine membership on the Boards.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of September through November 2019.

**Overall Evaluation.** Most road service area Boards failed to perform basic responsibilities required by AMC, such as announcing meetings, holding regular meetings, maintaining meeting minutes, and keeping attendance records. In addition, we found that 8 of 22 (36%) road service area Boards were not fully staffed and that 12 of 14 (86%) appointed members of various road service area Boards were serving but had not been confirmed by the Assembly. Finally, the ballot language for the Homestead LRSA, approved by the voters in 2013, was not codified in AMC.

## FINDINGS AND RECOMMENDATIONS

### 1. Most Boards Failed to Perform Basic Responsibilities Required by AMC.

a. **Finding.** Most road service area Boards failed to perform basic responsibilities required by AMC, such as announcing meetings, holding regular meetings, maintaining meeting minutes, and keeping attendance records. Specifically, we found the following;

- *Meetings Not Always Properly Announced* - Many of the road service area Boards did not adequately announce their meetings. Specifically, of the 20 Boards that met, or claimed to have met, from January 2018 to September 2019, it appeared that nine Boards did not use the Municipality’s public meeting notification system. Specifically, six of these nine Boards used email, postcard, flyer and/or Facebook postings to announce their meetings and one of these six Boards also had fixed meeting dates throughout the year. Three of these same nine Boards told us that they made no meeting announcements. Finally, five Boards did not respond to our question regarding public notification for their meetings. Anchorage Municipal Code chapter 1.25, *Public Meetings*, states “*Announcement* means a verbal recording or written posting of the date, time, place and subject of a meeting that states the names of the public officials calling or organizing the meeting, and which is distributed either by:

1. Display of written information in a public place maintained by the municipal clerk as the municipality’s public notice location and which is accessible to the public 24 hours per day, . . .
2. Automatic replay of a recording maintained by the municipal clerk and accessible to the public 24 hours per day, . . . and
3. Other methods which may be used in addition to the methods described in subsection A.1 or A.2 of this section to further public awareness of

meetings. Whenever practical, such announcement should include posting on a publicly accessible computer bulletin board.”

- *Regular Meetings Not Always Held* – We found that 18 of 22 Boards (82%) did not meet at least once a quarter as required by AMC section 27.20.040, *Organization; meetings*. This section states that “The board shall meet no less often than quarterly and may meet at other times as provided in its rules of procedure.” For example, some Boards stated they met on an “as-needed basis,” and others stated they met once a year in conjunction with their homeowners’ association meeting. One Board claimed that it “. . . meets 10-15 times a year.” However, we were unable to verify the statement since the Board did not provide any meeting records as we requested. Finally, 2 of 22 Boards did not respond to our inquiry and one Board had only one member, so that Board did not meet.
- *Meeting Minutes and Attendance Records Not Always Maintained* – Most of the road service area Boards did not maintain meeting minutes. Specifically, 12 of 20 Boards (60%) did not have any meeting minutes for meetings held between January 2018 through September 2019. In addition, three Boards only provided some meeting minutes for the meetings held during the period, three Boards did not respond to our inquiry, and two Boards did not meet. Anchorage Municipal Code section 4.05.130, *Reports, minutes and public hearing records*, states “A board or commission shall keep minutes of the board or commission proceedings, and such minutes shall record the vote of each member physically present upon every question formally presented to the board or commissions for its consideration.” Meeting minutes are important given they are the official record of what was said and done at the meeting. Without the meeting minutes, there is no approved record showing how a Board’s business was decided and conducted.

In addition, without meeting minutes there were no meeting attendance records for the Board members. As a result, we were not able to determine if the Board

members met the attendance requirements specified in AMC subsection 4.05.060A, *Attendance requirements; vacancies*, because an overwhelming majority of the Boards (90%) did not provide complete attendance records.

When interviewing Board members, we frequently heard that they had received little, if any, training. For example, one Board member stated, “our Board has been given zero training in public meetings, record retention, etc.” The Municipality’s Public Works Administration Manager also stated that “We used to hold an orientation for the newly elected/appointed members. However, we have not held that for years now since our position for supporting LRSA has been cut.”

Instead of the training, the Public Works Administration provides a copy of the Municipality of Anchorage Service Areas Operating Manual (Manual) to the Board members. However, the Manual is little more than a copy of items, such as relevant AMC sections and memorandums and was last updated in February 2007. As a result, the Manual contains some outdated information. For example, the manual states “The direct staff support to the service area boards is the resource management division of the operations and maintenance department”. However, no such division exists in the Municipality’s current organization structure. In addition, many of the staff listed in the “Municipal Contact” section are no longer with the Municipality. Finally, in 2013, the voters approved the creation of the “Homestead LRSA”. However, the manual does not reference this LRSA.

- b. **Recommendation.** The Manager of the Public Works Administration should ensure both that adequate training is provided to the road service area Board members to perform basic responsibilities required by AMC and that the “Municipality of Anchorage Service Areas Operating Manual” is updated, and includes a summary of basic responsibilities to enable understandability.

- c. **Management Comments.** Management concurred and stated, “PW Administration will move forward to fill a vacant Junior Administrative Officer position and assign board of supervisor duties relating to deficiencies noted in the findings. The position will interact with the Hillside Area boards without direct staff to schedule, notice, and document meeting resolutions. Additionally, the operating manual will be updated more frequently with more user-friendly information and be made available on the MOA web-site. A more dedicated and constant presence facilitating compliance to public meeting requirements should improve code compliance greatly for the 22 Hillside Area road boards.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Some Boards Not Fully Staffed.**

- a. **Finding.** We found that 8 of 22 (36%) road service area Boards were not fully staffed. For example, one Board only had one of three member positions filled, and another Board only had three of five member positions filled. Since each road service area Board determines the scope of work needed for their road service areas and directs the contractor doing the road work, it is important to have the input of a fully staffed Board.
- b. **Recommendation.** The Manager of the Public Works Administration should work with the Office of the Mayor to ensure the road service area Boards are fully staffed.
- c. **Management Comments.** Management concurred and stated, “PW Administration will move forward to fill a vacant Junior Administrative Officer position and assign board of supervisor duties relating to deficiencies noted in the findings. The position will interact with the Hillside Area boards without direct staff to assist with filling vacant board of supervisor seats. Proactive assistance with recruitment, appointments,



and filing for election will be enhanced to greatly reduce the percentage of board vacancies.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Appointments Not Always Confirmed by the Assembly.**

- a. **Finding.** We found that 12 of 14 (86%) appointed members of various road service area Boards were serving but had not been confirmed by the Assembly. As a result, decisions made by these Boards could be questioned or even invalidated. Anchorage Municipal Code section 27.20.080, *Filling of vacancies*, states that “If a vacancy occurs in the office of a board established under this chapter, it shall be filled by appointment by the mayor, subject to confirmation by the assembly, upon nomination from the supervisory board. The mayor shall also consider individuals nominated by community councils and associations of property owners in the affected area.”
- b. **Recommendation.** The Manager of the Public Works Administration should work with the Office of the Mayor to ensure proper confirmation of the appointed Board members by the Assembly.
- c. **Management Comments.** Management concurred and stated, “PW Administration will move forward to fill a vacant Junior Administrative Officer position and assign board of supervisor duties relating to deficiencies noted in the findings. The position will interact with the Hillside Area boards without direct staff to assist with filling vacant board of supervisor seats. The position will work more closely with prospective board members, existing board members, and the Mayor’s Office to complete board appointments per the MOA Code process.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Ballot Language Not Codified.**

- a. **Finding.** The ballot language for the Homestead LRSA, approved by the voters in 2013, was not codified in AMC. Specifically, the approved ballot language stated that “The Homestead LRSA shall be supervised by a three (3) member Board of Supervisors, initially appointed by the Mayor and confirmed by the Assembly, and subsequently elected by the voters within the Homestead LRSA.” However, this ballot language was omitted in the section of Assembly Ordinance Number 2013-17 that amended AMC section 27.30, *Service Areas*. As a result, residents of the Homestead LRSA have not elected any Board members since the LRSA’s creation in 2014.
- b. **Recommendation.** The Municipal Clerk and Municipal Attorney should ensure the approved ballot language regarding the Board’s make-up and appointment is codified into AMC chapter 27.20, *Supervisory Boards*.
- c. **Management Comments.** Management stated, “Concur. The Department of Law and the Clerk’s Office met and discussed the issue identified in this finding and agree with IA’s [Internal Audit] assessment. The Department of Law has drafted an ordinance to correct the oversight.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on January 23, 27, and 30, 2020.

Audit Staff:  
Scott Lee