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# Fare Pass Inventory Review Report

Governance & Audit Report No. 2024-01

Issued on March 08, 2024

## EXECUTIVE SUMMARY

### Background

The Internal Audit Work Plan approved by the Governance and Audit Committee for fiscal year 2024 included a Fare Pass Inventory Review.

The fare pass inventory is kept in the vault are within the Treasury Department. The fare pass inventory is only accessible by Treasury Staff accessible by badge entry.

It is the responsibility of the Treasury Department to maintain inventory levels of the various pass types to meet the needs of IndyGo passengers and the various types of transportation used.

Treasury is responsible for replenishing pass stock in all the fixed route buses, ticket vending machines, retail desk as well as filling bulk orders from the IndyGo Foundation and other clients.

Our audits are performed in accordance with the professional practice standards of the Institute of Internal Auditors. This report was prepared for use by IndyGo’s Board of Directors, Governance and Audit Committee, and management.

### Objective and Scope

Examine the processes and controls in place related to security, pass inventory, pass value and activation, including the entire pass inventory management process. Considerations included:

- Recording
- Reconciling
- Ordering
- Inventory Levels and Distribution

### Overall Report Rating & Observations (See Appendix A for definitions)

	Report Rating	Number of Observations by Rating		
		High	Medium	Low
<b>Fare Pass Inventory Review</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>1</b>

### Overall Summary and Review Highlights

IndyGo has a Treasury Department which is responsible for maintaining all fare pass inventory securely, ordering pass media, reconciling pass inventory by quantity/value.

Governance and Audit reviewed the inventory levels by pass type/value and reconciliation process. In addition, security of the pass inventory levels that have a monetary value was verified.

This review identified two observations regarding the scope of this audit.

- Distribution, Ordering and Inventory Levels.
- Inventory Controls and Accessibility.

The observations and management’s responses are presented in our accompanying report.

Our overall report rating for this Fare Pass Inventory Review is a “Low” risk.

We would like to thank IndyGo staff and all those involved in assisting us in connection with the review.

Questions should be addressed to the IndyGo Department of Governance and Audit at [batkinson@indygo.net](mailto:batkinson@indygo.net).



**1. Distribution, Ordering & Inventory Levels**

<p><b><u>Observation:</u></b>          Due to the fluctuation of bulk order volumes and pass requests, it is difficult to always know the correct inventory level to maintain. There have been instances when Treasury has depleted the supply of a particular pass type and was required to make a substitution.</p>	<p><b><u>Recommendation:</u></b>          Reduce the chances of running out a fare pass type and eliminate obsolete pass stock.</p>	
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Observation Rating: Low

<p><b><u>Frequency/Timing of Ordering:</u></b> It was determined through discussion that order frequency for each pass type is at least annually or when the quantities for a pass type is down to a 15k to 20k threshold in stock (Day Full, Day Half, Single Ride Full). The other pass types are ordered when they are down to approximately 10k.</p> <p><b><u>Supply Chain:</u></b> Ordering passes pre-pandemic typically took 4-8 weeks from ordering to receiving the finish product. The most recent order in late 2023, the vendor provided notice that a 12–16-week delivery time was required. Usually, the vendor will supply a partial shipment until the full order is fulfilled.</p> <p><b><u>Order Quantities:</u></b> Pass quantities are currently being ordered in the least amount as possible. Orders are based on historical usage with expectations to last approximately one year. Order volumes also depend on the pass type. Some pass types are ordered more frequently to meet the needs of the ridership. It was verified that on occasion, inventory was depleted on some pass types and were not available for distribution. Substituted pass types had to be provided. Treasury has maintained a supply of obsolete passes in storage as a last resort back up.</p> <p><b><u>Distribution of Passes supplied by Treasury:</u></b>  <i>Bulk Orders</i> - various organizations order passes which are packaged, shipped and billed.</p>	<p>Consider reaching out to large volume customers such as the IndyGo Foundation on a quarterly basis for estimates of their current pass stock levels and expected sales. This process should allow a more proactive ordering process to reduce the chance of running out of the most used fare pass types.</p> <p>IndyGo has several repeat bulk ticket sales customers. Reviewing historical usage by volume and time of year would better assist in developing a more stable ordering plan.</p> <p>Due to supply chain and delivery time by vendor, consider placing smaller orders more than one or two times each year which should be less taxing on the manufacturer.</p> <p>Consider removing and destroying the obsolete pass stock that is stored in the mezzanine at IndyGo West Campus. This would eliminate the chance of these passes getting into the hands of non-authorized personnel or the public. This would eliminate possible confusion as this stock is different than anything used currently. In addition, the mezzanine at West Campus does not have the same level of security as the Treasury Department.</p>	<p><b><u>Management Action Plans:</u></b>          We will review house account sales trends, reach out to IndyGo Foundation periodically for their future volume estimates, and utilize this information in the inventory replenishment process.</p> <p>We will remove and destroy the obsolete and expired pass inventory currently stored in the mezzanine.</p> <p><b><u>Responsible Parties:</u></b>          Jon Mann, Treasury Manager</p> <p><b><u>Due Date:</u></b>          2<sup>nd</sup> Quarter 2024</p>
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*IndyGo Retail Desk* - the retail desk is supplied with the various pass types with quantities averaging 1,000 passes per delivery.

*Onboard Fare Boxes* - between 1,000 and 3,000 passes are loaded in the fareboxes onboard buses nightly.

*IndyGo Foundation* - passes are sold to the IndyGo Foundation (largest customer) at a discounted rate for distribution to clients.

**Testing Sample:** Governance and Audit completed inventory testing on a sample of fare passes. Of the 495,500 total inventory of passes with a monetary value, 119,400 passes (24%) were tested against the inventory spreadsheet which was verified as correct. In addition, there are 1.5 million blank passes which have the value set at purchased onboard.



**2. Inventory Controls & Accessibility**

**Observation:**  
Treasury has effectively implemented measures to restrict access to pass inventory by only authorized personnel. Inventory is housed in the vault located inside the caged area within the Treasury Department.

**Recommendation:**  
G & A has no recommendation regarding the controls and accessibility of pass inventory.

Observation Rating: Not Rated

The Treasury Department is only accessible through badge swipe by authorized personnel. Door access is set up through the Security Department with a record kept of when doors are opened and by who in the biometrics access control system.

The vault is in a separate caged area with a secondary locking system within the Treasury Department.

All pass types which have a monetary value are numbered with unique serial number.

The Treasury Manager maintains a spreadsheet listing all pass types and serial number ranges. The spreadsheet is updated daily as inventory is distributed or increased. At any given time, Treasury can account for all pass types.

**Management Action Plans:**  
IndyGo will continue to maintain the current controls in place for the pass fare inventory and accessibility will be restricted to those users currently authorized.

**Responsible Parties:**  
Jon Mann, Treasury Manager

**Due Dates:**  
N/A

## APPENDIX A – RATINGS DEFINITIONS

Observation Rating Definitions		Report Rating Definitions	
Rating	Definition	Rating	Explanation
<b>Low</b>	Process improvements exist but are not an immediate priority for IndyGo. Taking advantage of these opportunities would be considered best practice for IndyGo.	<b>Low</b>	Adequate internal controls are in place and operating effectively. Few, if any, improvements in the internal control structure are required. Observation should be limited to only low risk observations identified or moderate observations which are not pervasive in nature.
<b>Medium</b>	Process improvement opportunities exist to help IndyGo meet or improve its goals, meet, or improve its internal control structure, and further protect its brand or public perception. This opportunity should be considered in the near term.	<b>Medium</b>	Certain internal controls are either: <ul style="list-style-type: none"> <li>• Not in place or are not operating effectively, which in the aggregate, represent a significant lack of control in one or more of the areas within the scope of the review.</li> <li>• Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses which collectively are not pervasive.</li> </ul>
<b>High</b>	Significant process improvement opportunities exist to help IndyGo meet or improve its goals, meet, or improve its internal control structure, and further protect its brand or public perception presents. This opportunity should be addressed immediately.	<b>High</b>	Fundamental internal controls are not in place or operating effectively for substantial areas within the scope of the review. Systemic business risks exist which have the potential to create situations that could significantly impact the control environment. <ul style="list-style-type: none"> <li>• Significant/several control weaknesses (breakdown) in the overall control environment in part of the business or the process being reviewed.</li> <li>• Significant non-compliance with laws and regulations.</li> <li>• Observations which are pervasive in nature.</li> </ul>
<b>Not Rated</b>	Observation identified is not considered a control or process improvement opportunity but should be considered by management or the Board, as appropriate.	<b>Not Rated</b>	Adequate internal controls are in place and operating effectively. No reportable observations were identified during the review.