Staffing, Hiring and Recruiting

Governance & Audit Report No. 2023-8

Report Issued January 8, 2024

EXECUTIVE SUMMARY

Background

The FY 2022 Internal Audit Workplan approved by the Governance and Audit Committee included an assessment of staffing, hiring and recruiting.

This review was deferred until FY 2023 due to significant management turnover and the creation of the Department of People and Teammate Experience (DPTE). DPTE was created by merging the Human Resources Department and the Diversity, Inclusion, and Workforce Development Department.

IndyGo's FY 2023 budget included 904 FTE positions. There were 791 employees as of the date of our review. Like transit agencies nationally, IndyGo has been challenged with the hiring and retention of operators and mechanics. IndyGo has also continued to add new administration and managerial staff. 74% of employees are covered under a collective bargaining agreement (CBA).

Our assessments are performed in accordance with the professional practice standards of the Institute of Internal Auditors. This report is intended for use by IndyGo's Board of Directors, Governance & Audit Committee, and management.

Objective, Scope, and Approach

Our objective was to evaluate the effectiveness of IndyGo's staffing, hiring, and recruiting processes, procedures, and strategies. We considered:

- Employee retention, appreciation, recognition, and apprenticeship programs
- Operator and mechanics shortages, hiring plans and turnover
- Succession planning, talent identification and development programs
- Policy, procedure, and work process documentation
- Vacancy rate and position control
- Compensation and classification programs
- Technology platforms and structures for analyzing hiring and retention data
- Evaluation of risks to achieving overall recruiting and retention goals
- Identification of opportunities to enhance performance

Overall Report Rating and Observations
(See Appendix A for definitions)

	Report Rating	Number of Observations by Rating		
		High	Medium	Low
Staffing, Hiring and Recruiting	Medium	2	2	1

Summary and Highlights

IndyGo created the Department of People and Teammate Experience (DPTE) in June 2022. DPTE has hired multiple new staff and begun to revise procedures.

DPTE has also focused on mitigating the effect on the bus service schedule resulting from operator or mechanic shortages. Efforts include best practices endorsed by the American Public Transportation Association (APTA) in their Workforce Shortage reports, such as:

- Recruiting through community groups, job fairs, and social media
- Providing hiring, retention, and referral bonuses
- Extending contingent, on-site, and Second Chance program offers

Our report includes five observations, as detailed on the following pages. These recommendations are intended to support IndyGo and DPTE's efforts to build a strong human resources function.

- Organizations Metrics and Dashboard
- Documentation and Processes
- Turnover and Employee Retention
- Succession Planning
- Compensation and Classification

We would like to thank IndyGo staff and all those involved in assisting us in connection with the audit. Questions may be addressed to the IndyGo Department of Governance and Audit at batkinson@indygo.net.

1. Organizational Metrics and Dashboard		
Observation: IndyGo could more fully utilize ADP reporting, including recurring reporting and analysis of hiring, retention, and termination metrics.	**Recommendation:** Increase standard monthly ADP reporting. Utilize data for managing HR activity, and long-term priority setting.	**Management's Response:**

Observation Rating: High

IndyGo utilizes ADP's "Workforce Now" application, which provides integrated HR, benefits, payroll, timekeeping, and other functions. IndyGo also utilizes ADP's "SASS (Screening and Selection Services)" package, which provides for background checks and talent management.

Workforce Now's built in functionality includes various reporting capabilities and dashboards, as well as custom reports. However, IndyGo is not consistently utilizing or distributing ADP reports for management planning, or analytics.

The G&A team was able to run various reports and summarize key statistics (see Appendix B), such as:

- Headcount, by job title or union/exempt status
- Hires, terminations, and turnover rates
- Average time to fill positions
- Average employee age and tenure with IndyGo
- Vacancy rates, by position and in total

IndyGo currently does not have an ADP focused technical resource, to replace a position that has been vacant for over a year.

Therefore, an opportunity exists to increase efficiency, more fully utilize existing technology tools, and train new DPTE staff on common procedures.

The Department of People and Teammate Experience (DPTE) has recognized the need for enhanced reporting and analysis.

Additional training and a dedicated ADP technical resource could:

- Help manage HR functions and headcount
- Provide more timely data to departmental management for decision making
- Permit multi-year trend analysis
- Facilitate peer comparisons

Therefore, IndyGo should:

- Generate monthly dashboard reports, for distribution to senior management and for possible inclusion in monthly Board packets
- Prepare other information, such as absentee rates, Second Chance hiring statistics, and employee engagement / satisfaction levels
- Accelerate the search process for the ADP focused technical resource within DPTE
- Utilize data more strategically for long-range planning, resource allocation, and departmental priority-setting

Action Plan:
People Department management agree that more data helps inform strategy for better results and transparency.

We are currently working with our vendor, ADP, on reporting enhancements to provide regular updates on key staffing data.

We are also planning to hire an HRIS Data Analyst / Compensation staff person.

Responsible Parties:
Chief People Officer and Deputy People Officer

Due Date:
May 30, 2024 for revised ADP reports
Spring 2024 for budget and staffing request

2. Documentation and Processes

Observation:	Recommendation:	Management's Response:
The Employee Handbook and various HR policies have not been updated for several years.	Update key HR documents, and create process flow charts or descriptions of procedures.	

Observation Rating: Medium

Clearly defined and up-to-date documentation is critical to employee communication, expectations, job performance, and satisfaction.

However, IndyGo has various HR-related documents that have not been updated recently:

- **Employee Handbook** – contains primary policies on employment, wage and salary, benefits, communications, standards of conduct and more. The Handbook has not been revised in over three years, while various processes and policies have changed. It also contains some draft sections in red font.

- **Policies** – policies such as Harassment, Work Rules, and Disciplinary Policies have not been updated for several years. There is no version control. They are posted on various locations on the IndyGo internal SharePoint site (HUB) for employee reference.

The Department of People has been assessing various procedures and processes. However, there are no process flowcharts or maps showing the individual steps. Therefore, it may be harder to determine where improvements could be made, or to share knowledge with staff members.

DPTE should assign staff to update key human resource documents, including the Employee Handbook, to reflect current IndyGo policies as well as HR best practices.

IndyGo should also document their current processes in flow charts or narrative form. There has been a complete turnover of DPTE staff over the past two years. Prior management had begun to study certain processes, such as time to hire coach operators, which could still be beneficial.

Improving documentation will also help with knowledge transfer, consistency of procedures, and efficiency.

Action Plan:
We agree that updating policies and the Employee Handbook is vital to ensure that we are actively addressing the current needs of IndyGo staff.

A draft of the Handbook will be provided for editing and review by all IndyGo Chiefs. Final review will be with the Legal Department.

The Executive Office has recently hired a staff person who is charged with inventorying and version control for all policies. While the HUB issue is not exclusive to the People Department, we will be a leader in addressing access to information on the HUB.

Several new leave policies have been authored by the People Department for review and implementation: Parental, Donated, Vacation, Bereavement, Personal Time, and Sick Leave.

We will create SOPs and process maps to address internal processes.

Responsible Parties:
Deputy Chief of People

Due Date:
March 1, 2024 for new Employee Handbook
March 31, 2024 for new SOPs and process maps

3. Turnover and Employee Retention

Observation:	**Recommendation:**	**Management's Response:**
Hiring of operators and mechanics has increased. However, turnover has also increased, to 36%.	Study reasons for employee turnover, and revise hiring protocols. Enact a focused retention plan.	

Observation Rating: High

The Department of People has successfully increased the hiring of operators and mechanics in 2023. However, the number of terminations has also increased. As a result, the 2023 turnover rate was 36% through October 31.

Year	Hires	Terms	Turnover Rate
2021	150	209	26%
2022	179	247	33%
2023 (thru 10/31)	339	266	36%

IndyGo had 233 unfilled positions (at 10/31/23). There were 904 FTE positions budgeted for fiscal year 2023. This represents an agency-wide vacancy rate of 26%.

The increased turnover is presumed to be due to several factors:

- Operator trainees not completing sessions
- New operators receiving less desirable shifts
- Family or childcare considerations
- Fewer hires with transit experience or Commercial Drivers Licenses (CDL)

So, while hires have increased, a shortage of 133 operators still exists. Therefore, service coverage and intervals remain constrained and below the target to fully implement the Marion County Transit Plan.

DPTE's increase in hiring in the competitive transportation marketplace is commendable. Management recognizes the need to increase retention. However, a formal retention plan has yet to be put in place.

To help reduce the high turnover and vacancy rates, IndyGo should:

- Study the cause of terminations in depth
- Summarize exit interview feedback
- Consider the use of external recruiting firms to complement the internal staff efforts. No such firms are used currently.

To help better assess the long-term viability of candidates, without significantly slowing the hiring process, IndyGo could:

- Re-assess the sources of new hires, to focus on groups that have yielded the majority of retained candidates
- Add a secondary qualification process or interview
- Revise the initial screening survey, to provide more specific expectations and desired attributes

Action Plan:

We are actively creating action plans to address the operator and staffing shortage.

We will create a plan for retention, which will have several components.

We hired an additional resource to assist with onboarding and retention initiatives. We also hired a Community Recruitment Consultant to assist with community recruitment initiatives.

Also, we are not direct hiring Coach Operator candidates without a permit. We recently implemented a plan to coach them on earning the Permit/CDL license. We will not sponsor that training directly.

Responsible Parties:
Deputy Chief of People

Due Date:
September 30, 2024 for creation of a retention plan

4. Succession Planning

Observation:	Recommendation:	Management's Response:
No formal succession plan exists. Over 25% of IndyGo employees are over 55 years of age.	Continue management development training. Implement a formal succession planning process.	

Observation Rating: Medium

IndyGo has not engaged in a succession planning process. This will help identify long-range people and staffing needs, and develop internal talent. Employees benefit by enhancing job skills or participating in development programs. Agencies benefit from understanding turnover and retention, and anticipating retirement waves.

IndyGo employees average 47 years of age. This is relatively consistent across operator, mechanic, and other positions.

Job Title	Count	Avg Age
Operators	374	48
Operator Trainees	75	42
Mechanics	37	46
All Others	305	47
Total	**791**	**47**

While IndyGo's workforce is younger on average than the transit industry, a large percentage of employees are over 55 years of age.

Over 55 Years	IndyGo Employees	Transit Industry (1)
% of Workforce	26%	43%

(1) From APTA's "Transit Workforce Shortage Report" dated October 2022.

IndyGo has provided management development programs in the past. IndyGo should continue to provide these to interested staff.

However, a more comprehensive succession planning process will provide longer term benefits to IndyGo and its employees.

IndyGo should budget for and schedule a formal succession plan, and identify external consultant support, if needed.

A typical success planning process might include the following steps:
- Identify key functions and positions
- Identify related key capabilities
- Compile interested employees
- Offer management development training
- Develop and implement succession and knowledge transfer plans
- Evaluate effectiveness

Action Plan:
We will initially create a succession plan for unique and hard to fill positions.

We will also create an action plan for our Workforce Manager to develop a Succession Plan for use across the agency for annual review, including developmental programs, primarily for non-represented employees.

Responsible Parties:
Chief of People

Due Date:
June 30, 2023 for the creation of the Succession Plan

5. Compensation and Classification		
Observation: IndyGo has not undertaken a Comp and Class review.	**Recommendation:** Conduct a review to address competitiveness of pay, and adequacy of job classifications.	**Management's Response:**

Observation Rating: Low

IndyGo has recently concluded negotiations with its union that were intended to increase competitiveness and will provide more compensation and benefits over the next three years. However, IndyGo has not undertaken a Comp and Class review. A compensation review assesses the competitiveness of employee salaries and benefits in relation to peer agencies and the overall job market for specific positions. This review can address total compensation (including benefits such as pension, leave, sick pay, etc.) as well as agency priorities, such as diversity, equity, and inclusion (DEI). A classification review evaluates job classifications, career levels, and progression opportunities. It involves an assessment of various job positions' duties and responsibilities, including union and non-union personnel. Employees may complete a job assessment questionnaire to describe their duties. Positions may be reclassified following a thorough analysis. These studies can provide a good baseline, address concerns of pay gaps, and support succession planning.	IndyGo should conduct a Compensation and Classification review to help: • Promote transparency • Stay competitive with peers • Address pay equity • Promote legal compliance • Retain top talent	**Action Plan:** We agree that Compensation has not been formally reviewed in several years. We need to update our current compensation platform to remain competitive to attract and retain talent. We plan to request to engage an external vendor to review the compensation of the classifications and non-represented positions, and to develop a promotional platform for several roles. **Responsible Parties:** Deputy People Officer, in conjunction with Finance Department **Due Date:** September 30, 2024 to develop an RFP for a Compensation and Classification review

APPENDIX A – RATING DEFINITIONS

Observation Rating Definitions		Report Rating Definitions	
Rating	**Definition**	**Rating**	**Explanation**
Low	Process improvements exist but are not an immediate priority for IndyGo. Taking advantage of these opportunities would be considered best practice for IndyGo.	**Low**	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.
Medium	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.	**Medium**	Certain internal controls are either: 1. 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. 2. Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses which collectively are not pervasive.
High	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.	**High**	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. 1. Significant/several control weaknesses (breakdown) in the overall control environment in part of the business or the process being reviewed. 2. Significant non-compliance with laws and regulations. 3. High observations which are pervasive in nature.
Not Rated	Observation identified is not considered a control or process improvement opportunity but should be considered by management or the board, as appropriate.	**Not Rated**	Adequate internal controls are in place and operating effectively. No reportable observations were identified during the review.

APPENDIX B – HR Analytical Data (unaudited)

Source: ADP reports
As of 10/31/2023

Head Count	Number
2020	826
2021	770
2022	710
2023 YTD	791

Hires	Number
2020	339
2021	150
2022	179
2023 YTD	339

Terminations	Number
2020	194
2021	209
2022	247
2023 YTD	266

Turnover	Rate
2020	23%
2021	26%
2022	33%
2023 YTD	36%

Retention	Rate
2020	84%
2021	80%
2022	79%
2023 YTD	84%

Average Time to Fill	Days
2020	293
2021	469
2022	145
2023 YTD	84

Avg Tenure	Years	Months
2020	6	11
2021	7	4
2022	7	9
2023 YTD	6	11

APPENDIX B – HR Analytical Data (unaudited) (continued)

Avg Employee Age	20-29	30-39	40-49	50-59	60-69	70-79	Total
2023 YTD							(Avg = 47 years)
Count	49	175	210	233	116	8	**791**
Percentage	6%	22%	27%	29%	15%	1%	100%

Job Title	Count	Avg Age
Operators	374	48
Operator Trainees	75	42
Mechanics	37	46
All Others	305	47
Total	**791**	**47**

Union	Count	Avg Age	% of Count
Union	589	47	74%
Non-Union	202	46	26%
Total	**791**	**47**	**100%**

Position Title	Vacancies	Budgeted Positions (FY 23)	Vacancy Rate
Transportation (incl. Operators)	133	567	23%
All Others	100	337	30%
Total	**233**	**904**	**26%**