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## **Pandemic Recovery Assessment**

**Governance & Audit Report No. 2022-5**

Issued on September 22, 2022

## EXECUTIVE SUMMARY

### Background

The FY 2022 Internal Audit Work Plan approved by the Governance and Audit Committee included a COVID and Pandemic Recovery assessment.

In response to the coronavirus disease 2019 (COVID-19) pandemic, Congress passed several economic relief packages to provide fast and direct economic aid to those sectors negatively impacted by the pandemic. IndyGo was the recipient of these packages which totaled \$170.3 million, as follows:

- Coronavirus Aid, Relief, and Economic Security Act (CARES) - \$41.1 million
- Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) - \$21.1 million
- American Rescue Plan (ARP) - \$108.1 million

Our assessments 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

- Obtain an understanding of IndyGo’s processes and controls related to operating in the new post-pandemic environment.
- Review key processes related to:
  - Ridership forecasting and recovery
  - CARES, CRRSAA and ARP funding
  - Changes to existing policies or updates to existing practices
  - Work From Home and Vaccination policies
  - Driver safety programs and passenger incidents
  - Emergency procurements for goods and services
  - Comprehensive Operational Analysis (COA) and transit planning process
- Assess the effectiveness of the design and operation of internal controls.
- Identify potential opportunities for process and control improvements or revenue enhancement.

### Overall Report Rating & Observations

*(See Appendix A for definitions)*

	Report Rating	Number of Observations by Rating		
		High	Medium	Low
<b>Pandemic Recovery</b>	<b>Low</b>	<b>0</b>	<b>0</b>	<b>2</b>

### Overall Summary and Review Highlights

IndyGo had an existing Business Continuity Plan, which included provisions for an Emergency Response Team (ERT) and related continuity of operations and recovery protocols. Although not included in the BCP, IndyGo also had a pre-existing Pandemic Influenza Strategy Plan. Both plans were valuable in responding to the fast-changing COVID-19 conditions.

The ERT was activated, and frequent meetings were held with executive management. IndyGo then implemented multiple operational and human resources measures, such as bus route frequency adjustments, development of a work from home policy, temperature monitoring for building access, installation of bus operator barriers, distribution of face masks and hand sanitizer, and social distancing requirements.

The ERT also summarized its Lessons Learned, which may be valuable for future outbreaks, such as the monkeypox virus (MPXV), which was declared a public health emergency by the U.S. Department of Health and Human Services (HHS) on August 4, 2022.

Our review of IndyGo’s response to the COVID-19 outbreak identified two low-risk observations, which are presented in our accompanying report. Our overall report rating for this Pandemic Recovery review is “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. Ridership Recovery and Forecasting**

<p><b>Observation:</b>          IndyGo has undertaken multiple actions in response to the pandemic, while ridership has recovered to over 78% of pre-pandemic levels.</p>	<p><b>Recommendation:</b>          Continue the comprehensive approach to pandemic recovery and focus on hiring and retaining operators.</p>	
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**Observation Rating: Low**

<p>IndyGo’s ridership has recovered slowly to over 78% of pre-pandemic levels (measured from the end of February 2020). Ridership has paralleled national trends, according to data from APTA (American Public Transportation Association). See Appendix B, IndyGo Ridership Summary Trends.</p> <p>IndyGo activities have included:</p> <ul style="list-style-type: none"> <li>• <b>Transit and route planning</b> - IndyGo has adjusted route frequency since the pandemic, considering rider demand and operator staffing shortages. Also, a “Comprehensive Operational Analysis” is being undertaken to model long-term ridership projections and the overall service plan, which will consider the pandemic’s implications.</li> <li>• <b>Federal stimulus budgeting</b> - IndyGo has been awarded a total of \$170.3 million of CARES, CRRSAA AND ARP funds. These funds are currently budgeted through fiscal year 2027.</li> <li>• <b>Marketing</b> – IndyGo has continued community outreach and recently undertaken a focused ridership survey but has not revised its fare structure specifically to recapture lost riders.</li> <li>• <b>National Transit Database (NTD) Reporting</b> – IndyGo has reported ridership, operational and COVID-19 levels throughout the pandemic. Ridership estimates were used in some cases, as permitted by the FTA.</li> </ul>	<p>IndyGo has addressed multiple components of its operations and service delivery during the COVID-19 pandemic.</p> <p>IndyGo is now moving from crisis management to operations in a “new normal” environment. Management should continue its comprehensive approach and monitor ridership levels and use of the federal stimulus funds.</p> <p>The lack of available operators is one of the biggest current impediments to providing full service, and to meeting the anticipated future service levels after the completion of the Bus Rapid Transit (BRT) lines. IndyGo should continue its apprenticeship and mentorship programs, to help ramp up the desired operator levels.</p>	<p><b>Management Action Plans:</b>          The assessment accurately reflects the movement of our ridership and forecasting.</p> <p>IndyGo will definitely continue our enhanced recruitment practices as well as the Operator Mentorship Program.</p> <p>Transportation Services will continue to collaborate closely with the Department of People and Training, and the Operator Mentorship Program to improve operator recruitment and retention.</p> <p>These joint efforts will positively impact IndyGo’s operator deficit and contribute to improved ridership recovery through resuming full-service offerings.</p> <p><b>Responsible Parties:</b>          Cheryl Purefoy, Deputy Chief Operating Officer</p> <p><b>Due Dates:</b>          On Going</p>
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**2. Pandemic Emergency Procurements**

<p><b><u>Observation:</u></b>          IndyGo issued Purchase Orders and reviewed invoices for emergency procurements under a Board Resolution, but contracts were not executed for four vendors.</p>	<p><b><u>Recommendation:</u></b>          IndyGo should obtain fully executed contracts for its non-competitively purchased goods and services, to the extent possible.</p>	
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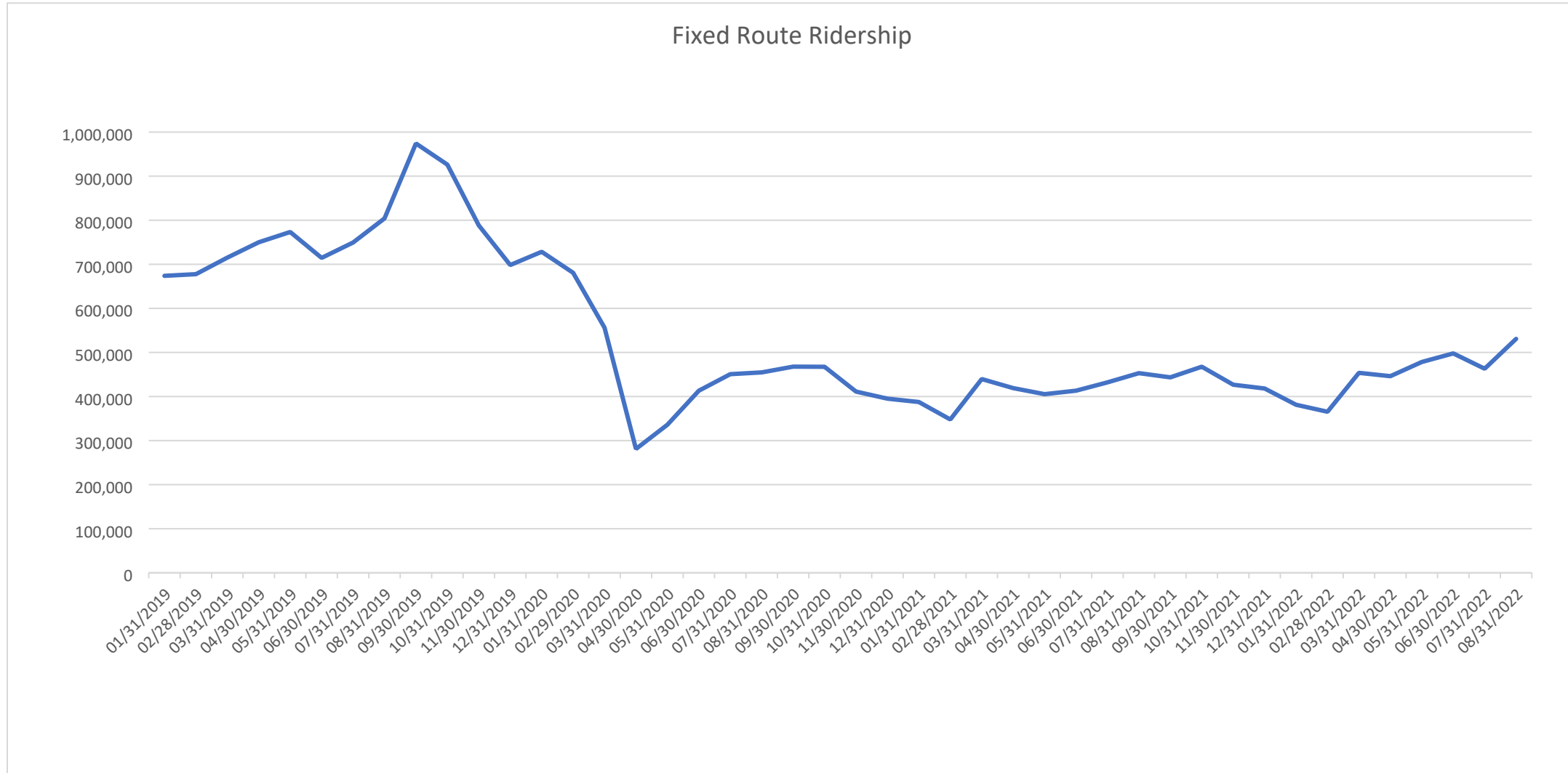
**Observation Rating: Low**

<p>IndyGo recognized the need for procurement flexibility and streamlined procurement processes during the pandemic. The Board passed a Resolution on March 26, 2020, which granted the CEO authorization to execute procurements and contracts exceeding the standard \$100,000 threshold. The approval was effective during the period in which the Governor of Indiana had declared a public health emergency.</p> <p>IndyGo procured various goods and services to support transit service and the safety of riders and employees. These primarily included cleaning, disinfectant, and janitorial items.</p> <p>For most of the emergency procurements, IndyGo issued purchase Orders, and attached certain terms and conditions. IndyGo reviewed invoices prior to payment, under its normal processes.</p> <p>However, due the emergency nature of the procurements, full contracts were not prepared or executed for four procurements. The Board did retroactively ratify \$1.1 million of non-competitive purchases on March 26, 2020.</p> <p>We did not note any unauthorized expenditures.</p>	<p>We recognize IndyGo’s need for procurement flexibility to help ensure driver and employee safety during the pandemic.</p> <p>If emergency procurement measures must be utilized and approved by the Board in the future, IndyGo should continue to make efforts to issue and obtain fully executed contracts for its goods and services.</p>	<p><b><u>Management Action Plans:</u></b></p> <p>We agree. A threshold has not been established to require a contract for purchases over a certain dollar amount. This allows flexibility to understand the nature of the service/good that is being purchased. As the nature of the services during the pandemic was emergent and occurred moment-to-moment, operations preferred to not pursue a contract and allowed the Purchase Order to function as the contract.</p> <p><b><u>Responsible Parties:</u></b></p> <p>Stacey A. Metz, Director of Procurement &amp; Supply Chain Management</p> <p><b><u>Due Dates:</u></b></p> <p>Not applicable.</p>
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## 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.

**APPENDIX B – RIDERSHIP SUMMARY TRENDS**



For informational purposes. Source: IndyGo National Transit database reports for indicated months.

Note: IndyGo ridership as of August 31, 2022, has recovered to approximately 78% of the pre-pandemic level on February 29, 2020.