



Decentralized Operations

Status Assessment as of September 30, 2023

Governance & Audit Report 2023-6

Issued on October 5, 2023

EXECUTIVE SUMMARY

Background

The FY 2023 Internal Audit Work Plan approved by the Governance and Audit Committee included an assessment of decentralized operations. This assessment was initially approved in FY 2022; however, our procedures were deferred until FY 2023.

IndyGo celebrated the opening of its new East Campus headquarters in August 2023. Also, the new Mobility Solutions and Customer Care Center on W. Michigan Street began operations in the first quarter 2023. IndyGo continues to operate the West Campus on W. Washington Street, The Carson Transit Center, and a charging station.

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

Our assessment included IndyGo’s planning and preparation around its expansion activities and operation of up to six different physical locations.

Due to the multi-year nature of this transition, and potential future build outs or facility acquisitions, we will update our procedures at periodic intervals.

Our procedures for this or future periods will focus on critical areas, including:

- Ability to operate multiple facilities simultaneously
- Impacts upon staffing
- Consistency of agency policies across facilities
- Change management processes to ensure smooth continuity of operations
- Budgeted operating and capital costs for collective facilities
- Security considerations (including land and/or vacant properties)
- Evaluation of risks to achieving the overall transition and expansion
- Identification of opportunities to enhance performance

Overall Report Rating & Observations

(See Appendix A for definitions)

Decentralized Operations	Project Rating	Risk Ratings		
		High	Medium	Low
As of September 30, 2023	Low	0	3	3

Overall Summary and Review Highlights

This report covers project activity for the period from January 1 through September 30, 2023.

While there have some initial delays in the move to the East Campus, our risk rating is “Low”. This aggregate rating is based upon our discussions of current and potential future changes with management and staff, review of relevant plans and vendor contracts, and tours of various facilities.

Our report for this period includes six observations and recommendations, on the following pages. The following are designed to support an effective transition to increased decentralized operations:

1. East Campus Move Schedule
2. East Campus Master Planning
3. Operating Budget
4. Facility Maintenance Plans
5. Property Management
6. Change Management

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.

OBSERVATIONS

The following are our observations and recommended actions, if any. Definitions of the observation rating scale are included in Appendix A.

Area	Risk Rating		Observation	Recommendation
	Sept 30, 2023	Future Date TBD		
1. East Campus Move Schedule	Medium	TBD	<p>A. IndyGo engaged an Office Relocation consultant in May 2022 to provide full-service, turnkey move coordination and oversight from three locations to the new East Campus, buildings A and B. This included physical packing and movement, determination of an efficient timeline, and coordination with new furniture delivery and installation. The consultant’s contract was amended three times as the timetable, IndyGo project manager, and scope were changed.</p> <p>The initial targeted timeframe for the move was summer/autumn 2022. This date was subsequently moved back. Schedule changes were caused by furniture issues, build out delays, and planning for the East Campus grand opening.</p> <p>The office relocation moves were substantially complete by August 31, 2023. This is approximately one year after the targeted timeframe. The delay has potentially impacted other activities and the overall move timeline.</p>	<p>A. None. Future activities and deadlines have been revised, or are currently being updated.</p>
2. East Campus Master Planning	Low	TBD	<p>A. IndyGo engaged a Master Planning and Design consultant in March 2023 for the future East Campus operations center, maintenance garage, and other tasks. Final Master Plan deliverables are expected by the end of calendar 2023. They include program development, site planning, estimated construction costs and more.</p> <p>IndyGo has created a project management plan, budget and project schedule aligned with the consultant tasks.</p> <p>Design and construction is planned to extend into 2024 and 2025, depending on final decisions made, potential property acquisitions, and available resources. IndyGo has received a \$33 million FTA grant, which can be used only for construction.</p>	<p>A. Continue the consultant oversight to support timely vendor project deliverables and IndyGo executive decision making.</p> <p>Seek additional grant funding to support the existing \$33 million FTA grant award.</p>

Area	Risk Rating		Observation	Recommendation
	Sept 30, 2023	Future Date TBD		
3. Operating Budget	Low	TBD	<p>A. The Budget office has received input on potential operating expense increases from the operating departments. The FY 2024 Proposed Budget approved by the Board in August 2023 includes a reference to “increased O&M (Operations and Maintenance) costs related to new and existing facilities”. Cost line items addressed included security, maintenance, contracted services, utilities, copier leases, insurance, and fuel.</p> <p>The approved FY 2024 budget also includes a five-year outlook for expenses and operating revenue. A balanced budget is projected through FY 2028. IndyGo is applying the remainder of its COVID 19 federal stimulus funds during this period. This results in the deferral of a potential “fiscal cliff” for a period longer than many other transit providers.</p>	<p>A. Finance and the departments should continue to work collaboratively on future potential expense increases due to IndyGo’s expanded facilities ownership and related costs. This includes refining inflationary estimates, and preparing to issue Request for Proposals (RFPs), as needed.</p> <p>We understand that Finance management is considering a future fiscal analysis, partially to examine operating and capital costs associated with the new facilities and expanded operations.</p>
4. Facility Maintenance Plans	Medium	TBD	<p>A. IndyGo has existing Facility Maintenance plans for the existing West Campus (revised 2019), and the Carson Transit Center and BRT lines (revised 2020). These include references to several outside contractors used for preventative maintenance, landscaping, shelter cleaning, snow and ice removal, and building maintenance.</p> <p>However, Facility Maintenance plans have not yet been fully developed for the East Campus, Michigan Street Mobility Center, or the charging stations. Management intends to update all maintenance plans, which also will reflect the new maintenance software system which was recently implemented.</p>	<p>A. Update the existing Maintenance Plans for IndyGo’s revised operations at the West Campus and CTC (if needed).</p> <p>Develop Maintenance Plans and related procedures for the East Campus and other facilities, recognizing that updates and revisions may be required as the campus is fully built out. Consider staffing needs as well as other operating expenses.</p>

Area	Risk Rating		Observation	Recommendation
	Sept 30, 2023	Future Date TBD		
5. Property Management	Low	TBD	<p>A. IndyGo has an expanding portfolio of diversified real estate assets. These now include two headquarters locations, the Carson Transit Center, a mobility center, charging stations, and various leased or owned parcels that may be used for future charging stations. Future acquisitions may include a garage and/or land parcel adjacent to the East Campus, and property near the Carson Transit Center. IndyGo has also begun to consider Transit Oriented Development (TOD) projects, which can support economic development and mixed-income housing goals near major facilities or Bus Rapid Transit (BRT) stations.</p> <p>However, IndyGo does not currently have a dedicated property manager. Typical real estate functions have been handled by various personnel in the Legal, Strategic Planning, Operations, and Finance departments. A property manager’s responsibilities could include real property acquisitions, disposals, leasing, property management, right of way negotiations, eminent domain activities, transit oriented communities, and relationships with private developers.</p>	<p>A. Consider hiring a property manager. IndyGo continues to expand its real property holdings (land and buildings) and BRT stations, and management of existing facilities. The number and complex nature of these properties may warrant dedicated personnel with specialized expertise.</p>
6. Change Management	Medium	TBD	<p>A. IndyGo has developed a strong culture, and has a core value of Teamwork, to promote communication and collaboration.</p> <p>IndyGo’s operations, BRT route and facility expansions have resulted in change:</p> <ul style="list-style-type: none"> • New customer interaction on BRT routes and in Mobility Services • Employee office relocation • Potential revised policies and procedures • Changing internal communications due to new office locations • Employee turnover in management, administrative, and operator positions <p>Communications and the agency’s customer service attitude has been strong. However, not everyone reacts similarly or welcomes change. IndyGo does not have one central communications plan or change management plan to anticipate and address the myriad factors that may arise from these changes.</p> <p>IndyGo also has various policies that reflect the current single headquarters organization structure, and will require updating.</p>	<p>A. Create one overall timeline, which incorporates major milestones and summary status. Review this periodically with executive management and the Board.</p> <p>Consider whether change management processes or plans may be warranted to retain and build upon its existing strong culture. The purposes of a systematic approach to transition are to support an organization’s overall strategies, communicate new operations and policies clearly, and support its existing and new personnel adapt to change.</p> <p>Update relevant policies and procedures, to reflect the revised operations, and store in a centralized location on the IndyGo intranet. We understand that IndyGo has posted a new Policy Coordinator position to support this effort.</p>

APPENDIX A — RATINGS AND DEFINITIONS

Observation Risk Rating Definitions	
Rating	Definition
Low	<ul style="list-style-type: none"> Risk to achieving stated objective, or best practices, is low. Meeting these areas represents best practice for IndyGo.
Medium	<ul style="list-style-type: none"> Risk to achieving stated objective, or best practices, is moderate. Opportunity exists for improvement. Risk should be addressed in the near term.
High	<ul style="list-style-type: none"> Risk to achieving stated objective, or best practices, is high. Improvements are needed to help IndyGo meet its goals, improve its processes or internal control structure, and further protect its brand. Risk should be addressed immediately.

Report Risk Rating Definitions	
Rating	Explanation
Low	<ul style="list-style-type: none"> The status is adequate. Controls are in place and operating effectively. Minimal improvements are required. Observations are limited to low risk areas or are not pervasive in nature.
Medium	<ul style="list-style-type: none"> The status is potentially off-track. Certain controls are either not in place or are not operating effectively. Improvements are required. Observations were noted in several areas or are pervasive to one area.
High	<ul style="list-style-type: none"> The status is off-track (as of this reporting date). Several controls were not in place or were not operating effectively for substantial areas. Significant improvements are required. Observations were noted in multiple areas and/or were pervasive.