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## **Decentralized Operations**

**Status Assessment as of January 8, 2025**

**Governance & Audit Report 2024-10**

Issued on January 8, 2025

## 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 but deferred until FY 2023. It was revisited in 2024.

As of this update, IndyGo continues to operate both passenger and non-passenger facilities including: the West Campus on W. Washington Street headquarters, the East Campus headquarters, the Mobility Solutions and Customer Care Center on W Michigan Street, the Julia M. Carson Transit Center, and two end of route charging stations.

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 is primarily concerned with IndyGo’s planning and preparation around its bus storage and maintenance expansion activities, and future operation between two bus depots.

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, such as:

- Ability to operate multiple facilities simultaneously
- Impacts upon day-to-day staffing as well as workforce retention and attraction
- Consistency of agency policies and procedures across facilities
- Effective change management
- Budgeting for the daily operations and maintenance of these facilities, as well as future capital costs for the same
- Identification of opportunities to enhance performance and/or find efficiencies

### 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 update report covers project activity for the period from September 30, 2023 to January 1, 2025, and provides updates on all the original observations. The original ratings were based on data available at the time of the October 2023 report. Current updates have reduced all ratings to low and are addressed in this current report below.

After meeting with the Chief Development Officer, this report is now considered completed with no further updates deemed necessary unless a new Decentralized Operations project is determined by the Governance and Audit Committee.

Our original report included January 1 to September 30, 2023, observations and recommendations, on the following pages have been updated to reflect the current update review. The following observations were originally designed to support an effective transition to increased decentralized operations:

1. East Campus property acquisition and tenant relocation
2. East Campus Bus Storage and Maintenance Garage design and construction
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 this update review.

Questions should be addressed to the IndyGo Department of Governance and Audit at [batkinson@indygo.net](mailto: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 Property Acquisition & Tenant Relocation	Medium	TBD	<p><b>Original Observation:</b></p> <p>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>None. Future activities and deadlines are being managed, monitored, and reported on internally and with direct guidance from the Federal Transit Administration.</p> <p>Transitioning staff to the East Campus is complete. There are 120 employees working in buildings A and B. Building C is being used by the contracted paratransit operation.</p>

<p><b>2. East Campus Garage Construction</b></p>	<p><b>Medium</b></p>	<p><b>TBD</b></p>	<p><b>Original Observation:</b></p> <p>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><b>Update:</b></p> <p>IndyGo engaged a Master Planning and Design consultant in March 2023 for the future East Campus operations center, maintenance garage, and other tasks. The master planning phase was completed in early 2024. Included in that phase was 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>Continue the consultant oversight to support timely vendor project deliverables and IndyGo executive decision making.</p> <p>Consider seeking additional grant funding or rebate programs for one or more program elements (e.g., EV charging equipment) to support the existing \$33 million FTA grant award.</p> <p>The current IndyGo Capital Investment Plan for East Campus states: The longer-term plan is for building “C” to be demolished to accommodate IndyGo’s East Campus expansion (2025 Operations Budget). In addition to needing more on-site parking spaces at East Campus, the existing drainage system needs to be re-designed prior to constructing the proposed Fleet Storage, Maintenance Terminal, and Operations Center (i.e. the new garage). Once constructed, it is anticipated that this new build will accommodate the storage of 80 to 180 buses, maintenance bays, treasury, and some offices for staff.</p>
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Area	Risk Rating		Observation	Recommendation
	Sept 30, 2023	Future Date TBD		
3. Operating Budget	Low	TBD	<p><b>Original Observation:</b></p> <p>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&amp;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>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>The recently approved 2025 budget includes appropriations for operation of all IndyGo facilities including the East Campus.</p> <p>In the Fall of 2024, the IPTC Board of Directors has commissioned a fiscal sustainability study that will, among other things, examine operating and capital costs associated with the new facilities and expanded operations.</p>

<p><b>4. Facility Maintenance Plans</b></p>	<p><b>Low</b></p>	<p><b>TBD</b></p>	<p><b><u>Original Observation:</u></b></p> <p>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><b><u>Update:</u></b></p> <p>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. However, the need for a Facility Maintenance plan for the East Campus remains.</p> <p>Over the course of the next year, IndyGo hopes to be able to amend and restate the 2019 Interlocal Agreement with the City of Indianapolis, Department of Public Works, to account for all on-going maintenance associated with the BRT corridors.</p>	<p><b><u>Original Recommendation:</u></b></p> <p>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> <p><b><u>Update on Original Recommendation</u></b></p> <p>In preparation for the 2024 FTA Triennial Review an extensive maintenance plan was developed and published. This plan covers all IndyGo properties including:</p> <ul style="list-style-type: none"> <li>• 1501 West Washington</li> <li>• 9503 East Campus</li> <li>• 2453 West Michigan</li> <li>• Julia M. Carson Transit Center</li> <li>• Red and Purple Line Raptid Transit</li> <li>• North College Layover</li> <li>• Madison Layover</li> </ul> <p>Each section contains maintenance plans, related schedules and contracted service providers.</p>
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Area	Risk Rating		Observation	Recommendation
	Sept 30, 2023	Future Date TBD		
5. Property Management	Low	TBD	<p><b><u>Original Observation:</u></b></p> <p>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><b><u>Update to Observation:</u></b></p> <p>IndyGo has an expanding portfolio of diversified real estate assets and related needs. The Blue Line project includes the Eastside Mobility Hub, which will require personnel and resources once constructed.</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><b><u>Original Recommendation:</u></b></p> <p>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> <p><b><u>Updated Recommendation:</u></b></p> <p>Although a specific property manager position has not been created, a new Director of Facilities was hired in October 2024. This position reports within the Operations Division.</p>

<b>6. Change Management</b>	<b>Low</b>	<b>TBD</b>	<p><b><u>Original Observation:</u></b></p> <p>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"> <li>• New customer interaction on BRT routes and in Mobility Services</li> <li>• Employee office relocation</li> <li>• Potential revised policies and procedures</li> <li>• Changing internal communications due to new office locations</li> <li>• Employee turnover in management, administrative, and operator positions</li> </ul> <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><b><u>Original Recommendation:</u></b></p> <p>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> <p><b><u>Update to Recommendation by Department of People:</u></b></p> <p>In 2024, we made significant improvements across various areas of the agency. One of the major changes was hiring a new Chief HR Officer (CHRO) in May 2024. The new CHRO is dedicated to enhancing People, Culture, and Operational Excellence. Within his first six months, we have already seen positive outcomes. His key initiatives include:</p> <ul style="list-style-type: none"> <li>• <b>Reducing Turnover:</b> Turnover remains a challenge in the transportation industry, particularly in operations. To address this, IndyGo hired a Director of Talent Acquisition in August 2024, focusing on recruiting quality candidates. Additionally, we hired another recruiter to meet demand and hired a Data Analyst to understand the reasons behind turnover better. In 2025, HR will collaborate with operations leaders to develop an action plan to reduce turnover.</li> <li>• <b>Developing Policies and Procedures:</b> In August 2024, HR hired a Manager of Policies, Compliance, and Process Improvement to create clear and consistent policies across all locations. This includes updating the employee handbook, which will be communicated in 2025.</li> <li>• <b>Change Management:</b> The new CHRO has implemented a change management strategy designed to impact the entire agency positively.</li> </ul>
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## APPENDIX A — RATINGS AND DEFINITIONS

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

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