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# Paratransit Fare Collection Review Report

Governance & Audit Report No. 2024-04

Issued on April 4, 2024

## EXECUTIVE SUMMARY

### Background

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

IndyGo Access Service is the IndyGo’s service to paratransit users. This service is contracted to a third-party vendor for the purpose of managing rides, collecting fares, fleet maintenance and assess eligibility of riders.

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

Our scope was to examine the policies, procedures, and controls in place for the collection of fares from riders of the IndyGo Access Service. Considerations included:

- Assess internal controls of fare collection.
- Cash fare collection procedures.
- Fares adequately collected from all paratransit passengers.
- Fares accurately recorded and forwarded to IndyGo Finance.

### Overall Report Rating & Observations

*(See Appendix A for definitions)*

	Report Rating	Number of Observations by Rating		
		High	Medium	Low
<b>Paratransit Fare Collection Review</b>	<b>Medium</b>	<b>0</b>	<b>2</b>	<b>1</b>

### Overall Summary and Review Highlights

This report covers the process of fare collection, dropping fares at the vendor dispatch office, reconciling fares, deposit creation/banking and reporting to IndyGo Finance.

Governance and Audit selected two sample periods to review all collections and deposits. These samples included all work in October 2023 and February 2024.

This report for this period included three observations and recommendations on the following pages. These observations are designed to improve accuracy of fare reporting and strengthen internal controls around deposit transport.

1. Fare Reconciliation Process
2. Recognition of Revenue/Invoice Credit
3. Security of Fare Drop and Deposits

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

Our overall report rating for this Paratransit Fare Collection Review is a “Medium” risk.

We would like to thank IndyGo staff, paratransit vendor 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. Fare Reconciliation Process**

<p><b><u>Observation:</u></b>          IndyGo does not have a formal reconciliation process of the fares received compared to the deposit journal kept by the paratransit vendor.</p>	<p><b><u>Recommendation:</u></b>          It is recommended that IndyGo review copies of actual deposit slips prepared by the vendor along with the vendor deposit journal to the bank records.</p>	
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**Observation Rating: Medium**

<p>The paratransit vendor prepares the weekly fare deposit which is collected by armor car service and deposited into an IndyGo bank account.</p> <p>On a daily basis, IndyGo posts to the D365 financial system the file received from the bank that includes all deposits. This file will match deposits that are received by the bank. This does not verify the bank amounts with the vendor deposit journal. IndyGo would not be able to verify if there is a missing deposit due to relying on the bank records.</p> <p>The deposit journal is used by the vendor to reconcile fares and tickets collected compared to the Operator Run Manifest.</p> <p>During our review, errors were discovered in the vendor deposit journal (for the sample period) when comparing to the IndyGo bank records.</p>	<p>It is recommended that the paratransit vendor provide a copy of the deposit slip prepared weekly as the deposits are made into an IndyGo owned account. IndyGo staff can then compare actual deposit slips to what is received on the bank file. This would eliminate the possibility of not realizing if a deposit is missing or not coded correctly by the receiving bank.</p> <p>IndyGo should be provided a copy of the vendor deposit journal to ensure deposits received on the bank file would match what is expected as well as verifying the vendors reconciliation to the Operator Run Manifest.</p>	<p><b><u>Management Action Plans:</u></b></p> <p>Accounting receives copies of deposits slip on a weekly basis and will continue to work diligently to verify that deposits received by the bank match with the deposits slip prepare by the vendor.</p> <p>Outside Accounting Area          (The vendor deposit journal is an internal process perform by the vendor and the contract owner is responsible for reviewing, reconciling and authorizing vendor invoices; I assume the verification of expenses and revenue is part of the review process before approving payment)</p> <p><b><u>Responsible Parties:</u></b></p> <p>Rebecca Ball – AR Accountant          Donnisha Davis – Accounting Manager          (Mobility Services – Contract owner)</p> <p><b><u>Due Dates:</u></b></p> <p>04/15/2024</p>
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**2. Recognition of Revenue/Invoice Credit**

**Observation:**  
 IndyGo needs post invoice credits as Fare Revenue in the accounting system.

**Recommendation:**  
 Separately post total expenses and any credits in the corresponding revenue or expense account.

Observation Rating: Medium

The contractual agreement with the Paratransit vendor is to credit IndyGo with any daily collection variances that are short. If there is a variance that is over, it is included in the weekly deposit to IndyGo.

As part of the vendor’s monthly reconciliation, the daily variances are netted for the month. If there is an overage for the month, it is kept by IndyGo. If there is a shortage for the month, the vendor is required to credit the monthly invoice of charges billed.

In the review, it was noted that the vendor provides IndyGo with a fixed cost invoice and a variable cost invoice. In a month with a shortage or unauthorized rides, the actual credit amount is listed in the detailed breakdown on the variable invoice.

If there is a credit due listed on the variable invoice, the IndyGo accounting department is posting the net total as an expense in the Purchased Transportation Account. The credit amount is not being posted separately in the Fare Revenue Account.

Likewise, if the charges listed on the invoice have a credit, the accounting department is posting the net amount rather than the full expense in Purchased Transportation Account.

Although the total dollars in the bank are not affected, the monthly financial report currently does not recognize the total purchased transportation amount or the total fare collection amount for the given month.

It is recommended that IndyGo start posting the total expenses prior to any credits as in the Purchased Transportation Account.

It is also recommended that IndyGo start posting the Fare Revenue Account with any fare collection shortage credits as well as credits for unauthorized trips. These credits are listed in the detail on the monthly variable cost invoice.

It is recommended that IndyGo change the posting process for the monthly variable expense invoice. This process change will allow the amount to be posted to fare revenue account for proper reporting in the IndyGo financial reporting process.

Being early in the financial year, it would be possible to make correcting journal entries for the prior few months to categorize the credits correctly in the financial system.

**Management Action Plans:**  
 Accounting will proceed immediately to account for fare revenue received by the vendor and credited against the monthly expenses reflected on the invoice.  
 Correction to previous months, if apply, will be made immediately.

**Responsible Parties:**  
 Donnisha Davis – Accounting Manager

**Due Dates:**  
 04/15/2024



Fare collection numbers are an area of question regularly. In some instances, fare collection totals are reported when applying for federal grants. IndyGo should be identifying the most accurate amount of fare collection.

In addition, recognizing the full expense of purchased transportation is beneficial to IndyGo as many expenses are reimbursable through the federal grant process. Purchased transportation was an allowable expense for many of the Cares Act Grant reimbursements.

**3. Security of Fare Drops and Deposits**

<p><b><u>Observation:</u></b> The fare drops and armored courier processes were reviewed.</p>	<p><b><u>Recommendation:</u></b> Improve deposit transport process when the armored courier service is not available.</p>	
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Observation Rating: Low

<p>The process is for drivers to drop their fare collection at the intake window in the dispatch office. This office is secured only allowing entrance by authorized personnel. Drivers come to the window to drop their fare collection after a trip. There is an intake person who logs the receipt of fares and places them into a drop box safe. Only authorized finance employees have access to open the safe for the purpose of posting the fares and creating a deposit.</p> <p>During this review, it was verified that there is proper security maintained around the fare drop process and the storage of deposits until collected by the armored courier.</p> <p>Additionally, it was determined that on a few instances, the armored courier did not arrive to pick up deposits. In some cases, the deposit was given to an IndyGo staff member to transport to the IndyGo Treasury Department. The staff member transporting the deposit was not an IndyGo Treasury or Finance employee.</p>	<p>Governance and Audit do not have any recommendations for the fare drop process and security of the deposit while in the vendor dispatch office.</p> <p>It is recommended that a higher level of security be implemented when the armored courier service does not arrive as expected.</p> <ul style="list-style-type: none"> <li>The vendor could hold the deposit in the safe in the dispatch office until the next scheduled pick up by the armored courier.</li> <li>In the event the deposit must be transferred to IndyGo Treasury, it is recommended that this transport be done by an authorized IndyGo Treasury or Finance employee. A log should be maintained with signatures to verify the pickup and delivery of the deposit.</li> </ul>	<p><b><u>Management Action Plans:</u></b> Accounting does not control this process. As far as Accounting is aware, only one time the vendor transported fare revenue from its East Campus location to its operation at the retail desk in the Transit Center due to Brinks drivers' shortage. Later IndyGo Treasury staff picked it up.</p> <p><b><u>Responsible Parties:</u></b> Paratransit Vendor</p> <p><b><u>Due Dates:</u></b> April 15, 2024</p>
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## APPENDIX A – RATINGS 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: <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>
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. <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>
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.