Compliance Environment Assessment

Governance & Audit Report No. 2020-11

Report Issued January 7, 2021

EXECUTIVE SUMMARY

Background

The FY 2020 Internal Audit Work Plan approved by the Governance and Audit Committee included an assessment of IndyGo's Compliance Process.

IndyGo's Compliance function is presently comprised of one FTE, the Director of Compliance and Civil Rights, who is also an attorney who reports to IndyGo's General Counsel. An additional FTE is budgeted for 2021, and a search is presently underway.

Overall, individual departments across the agency are responsible to maintain compliance within their areas. That said, the Compliance function is accountable for providing assurance that agencywide compliance is maintained. Compliance also acts as a resource for compliance-related questions and issues.

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, Scope, and Approach

Overall, our objective in assessing IndyGo's Compliance function was to understand the people and processes currently in place to fulfill its mission within the agency.

After initial discussions with Compliance leadership, we concluded that it made the most sense to limit the assessment's scope specifically to compliance with Federal Transit Administration (FTA) standards. It made further sense to limit the scope given the timing of the ongoing agencywide preparation supporting the forthcoming FTA triennial review.

We interviewed a total of 14 individuals across the agency, each responsible for one or more areas requiring FTA compliance. To further understand the process supporting IndyGo's required reporting into FTA's National Transit Database (NTD), we also interviewed the agency's representative responsible for that reporting process.

Overall Report Rating & *Observations*
(See Appendix A for definitions)

	Report Rating	Number of Observations by Rating		
		High	Medium	Low
Compliance Assessment	**Medium**	**0**	**1**	**0**

Overall Summary and Highlights

Given that our assessment scope was limited to FTA compliance, we attempted to specifically identify how IndyGo may be able to more efficiently manage its compliance requirements. In doing so, we considered potential improvement opportunities for both process owners and IndyGo's compliance function management.

As a result of our assessment activities, we have noted the potential opportunity for significant streamlining to what is currently a time-consuming process. A relatively straightforward compliance-focused technology solution could support both process owners and Compliance management alike. Such a solution could provide:

- A dashboard providing real-time visibility to compliance status across all areas and serve as a tool for more frequent compliance and quality monitoring and,
- A framework to streamline what is currently a once every three-year exercise to demonstrate FTA compliance, and
- A centralized portal that could retain agencywide compliance documentation.

Further detail is provided in the body of the report.

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.

Executive Summary (*continued*)

Observations Summary

Following is a summary of the observations noted. Definitions of the observation rating scale are included in Appendix A.

Governance and Audit Observations	
Recommendation Title	**Rating**
1. Compliance Program Technology Enablement	**Medium**

1. Compliance Program Technology Enablement		
Observation: There is opportunity to enhance the efficiency and information flow surrounding IndyGo's ongoing FTA compliance activities.	**Recommendation:** We recommend that IndyGo Compliance management consider options to provide technology enablement in support of the agency's ongoing FTA compliance efforts.	**Management's Response:** We agree that a compliance-focused technology would enhance our ability to monitor FTA compliance throughout the agency and result in a more efficient and effective process.

Observation Rating: Medium

Documenting agencywide compliance with FTA requirements, and supporting the triennial FTA compliance review process, is currently an arduous and time-consuming process. Hundreds of hours are consumed across virtually all IndyGo departments in preparation of each triennial review process.

Additionally, neither Compliance management nor agency Executives have ready access to any single source of information providing assurance that the agency is consistently maintaining compliance.

During our review we identified that the areas requiring FTA compliance could be split into two different categories – those requiring active compliance and those requiring passive, ongoing compliance.

- Active compliance refers to those areas requiring periodic reporting to either the NTD or otherwise to the FTA. Examples include ADA (Americans with Disability Act), DBE (Disadvantaged Business Entities), and Grant Award Management.
- Passive compliance refers to those areas that are simply required to consistently maintain

Web-based SaaS (Software as a Service) solutions exist that can help facilitate periodic compliance activities. Such solutions are also able to provide customizable dashboards for top-level Management and Board reporting.

Beyond dashboard reporting, such a solution could provide a customizable platform for periodic self-certification. Process owners could self-certify compliance on a periodic basis, i.e., quarterly or semi-annually. They could also upload their supporting documentation, i.e., the data reported into the FTA's NTD.

Benefits from such a system would include providing IndyGo leadership real-time visibility into both agencywide compliance status and drilldown capability into specific areas. It would provide a vehicle for timely and straightforward escalation of compliance challenges. It would also provide a way to convert FTA triennial preparatory activities from a once-every-three-years intensive effort to a streamlined, ongoing process.

Beyond FTA compliance, such a tool could also be used in the future for other areas requiring compliance,

Action Plan:

Management will work with Director of Governance and Audit and his consulting partner to identify and evaluate potential software solutions.

Responsible Parties:

Director of Compliance and Civil Rights

Due Date:

February 1, 2022

certain policies, procedures, or services. Examples include Procurement, Legal, and the Facilities & Fleet Maintenance.

Also, providing ongoing visibility over all compliance areas, whether requiring active or passive compliance, can enhance the long-term durability of the compliance processes. This would then lead to higher levels of confidence ahead of each FTA triennial review.

Finally, enhancing leadership visibility over compliance matters can also shed new light on challenges faced across the agency. This can, in turn, allow for the rapid channeling of resources when and where needed.

such as HIPAA (Health Insurance Portability and Accountability Act), primarily relating to maintaining the privacy of employees' health information) and PCI (Payment Card Industry, which requires the effective operation of certain IT controls intended to maintain privacy over credit card data).

Such systems exist in the market and could be easily procured and customized for this purpose. Costs of such systems range between $20,000 and $30,000, which would include all customization efforts and user training. Considering the potential savings of IndyGo staff hours over time combined with the enhancement of the agency's overall FTA compliance environment, return on investment may be swift.

It is important to note that in highly regulated industries, such as public transit which receives significant federal grant funding, Compliance functions often receive a significant internal focus. To illustrate where we recommend that IndyGo drive its Compliance function, we have included a Maturity Model in Appendix B. Presently IndyGo appears to be sitting relatively low on the maturity curve. With the implementation of a system like what we are recommending we feel it reasonable to expect significant iterative improvement, at a relatively low cost.
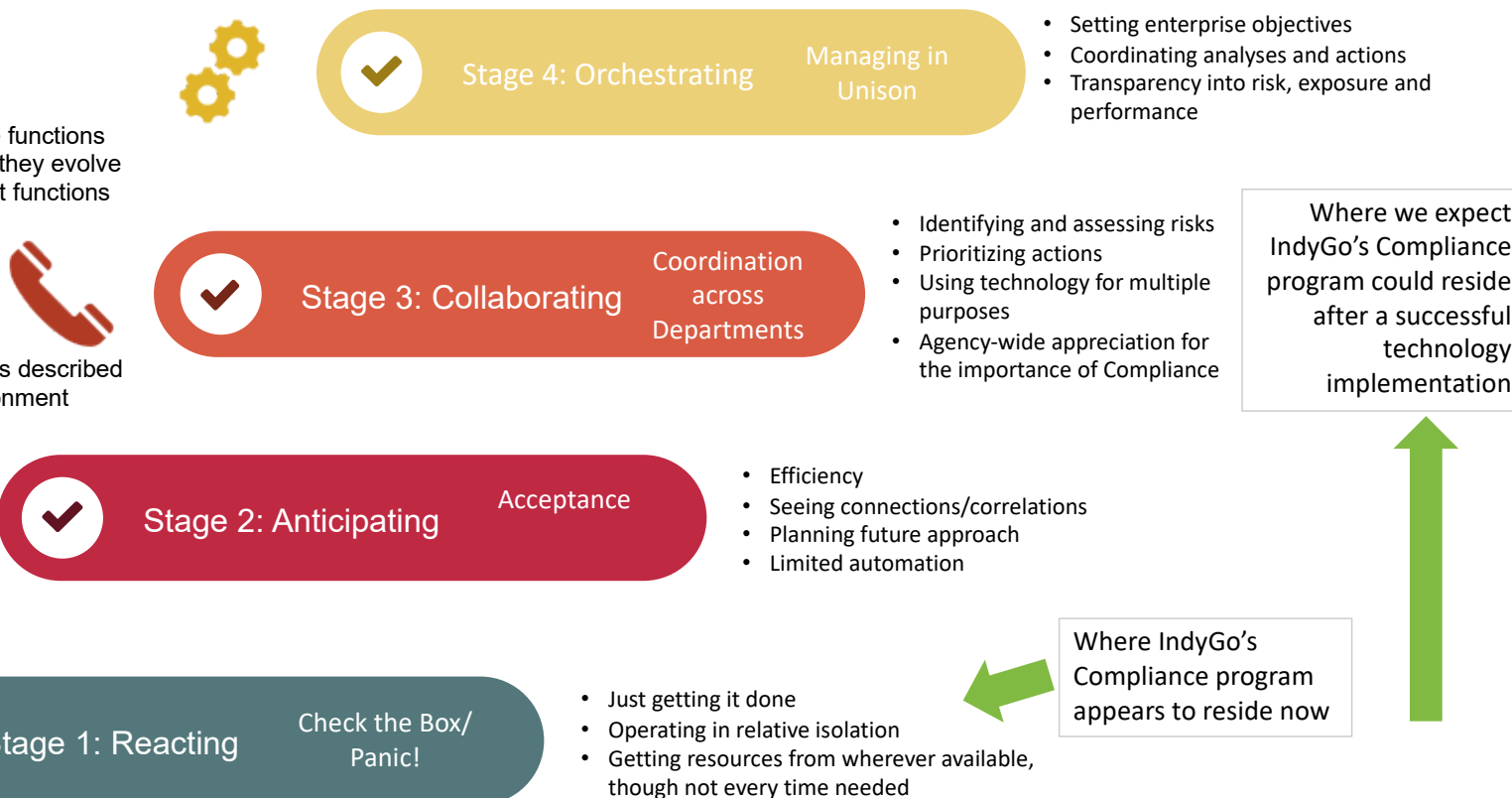
APPENDIX A – RATING DEFINITIONS

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 – MATURITY MODEL

Compliance Environment Maturity Model

In the illustration, Compliance functions move toward World Class as they evolve from Stage 1 to Stage 4. Most functions fall within Stages 2 and 3, with only the highest performing functions falling in Stage 4. It is reasonable to expect that with the implementation of a system as described in this report, given the environment otherwise in place, that IndyGo can move into Stage 3 over the next 12-18 months.

Stage 4: Orchestrating — Managing in Unison
- Setting enterprise objectives
- Coordinating analyses and actions
- Transparency into risk, exposure and performance

Stage 3: Collaborating — Coordination across Departments
- Identifying and assessing risks
- Prioritizing actions
- Using technology for multiple purposes
- Agency-wide appreciation for the importance of Compliance

Where we expect IndyGo's Compliance program could reside after a successful technology implementation

Stage 2: Anticipating — Acceptance
- Efficiency
- Seeing connections/correlations
- Planning future approach
- Limited automation

Stage 1: Reacting — Check the Box/ Panic!
- Just getting it done
- Operating in relative isolation
- Getting resources from wherever available, though not every time needed

Where IndyGo's Compliance program appears to reside now

Source: AMR Research