

**PERFORMANCE OF NYC TRANSIT LOST PROPERTY UNIT**

**MTA/OIG Report #2007-9**



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The Office of the Metropolitan Transportation Authority Inspector General (OIG) has concluded an audit of MTA New York City Transit's (NYC Transit) Lost Property Unit (LPU). The LPU is the agency's central lost and found office which inventories and stores for claim articles lost on buses and subways.<sup>1</sup> LPU and Administration and Employee Services (AES) personnel were highly cooperative and responsive to audit inquiries, with several OIG concerns addressed prior to the issuance of this report.

Our primary audit objective was to determine if NYC Transit's procedures are effective in facilitating the acceptance, transfer, storage and return of property found on agency premises. To accomplish this objective OIG staff observed LPU work processes, analyzed the database of lost articles, and interviewed upper management, supervisors, and staff. Auditors tested the security of items and the system for storing lost property by conducting a physical inventory. We also analyzed internal logs to account for the location and transfer history of all Lost Property Bags. Seven months of financial records were traced from the intake of lost money through to account reconciliation performed by NYC Transit Accounts Receivable staff.<sup>2</sup>

### SUMMARY OF FINDINGS

The LPU management estimates that it receives over 8,000 lost articles a year and that approximately 18 percent of these articles are eventually claimed by their owners. While conducting the audit, we observed laudable individual efforts being made, we believe this "recovery rate" is needlessly low because of operational problems and only limited resources being dedicated to the lost property program. A detailed review of LPU operations has revealed significant lapses in three major areas: item security, operational efficiency and financial tracking. The LPU currently has only one funded position and borrows three or four employees from other programs in order to field inquiries and process new items. Operating an effective and efficient program for lost property requires a real commitment from the agency including a commitment of resources.

Lost property stored at LPU is open to the risk of theft due to poor safeguarding and loose inventory controls. Individuals not on LPU staff were observed in the areas where lost articles are stored. Personal identification is left in wallets located in unlocked drawers while several years worth of passports were found in unlocked file cabinets. Upon finding the passports, the auditors recommended that all passports be forwarded to the U.S. Department of State, and LPU immediately instituted such a procedure. (See pages 4-7.)

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<sup>1</sup> Another report "Subways and Buses Handling of Lost Property, MTA/OIG #2007-5" focused on recovery and processing of lost property in the field.

<sup>2</sup> This audit was conducted in accordance with Generally Accepted Government Auditing Standards. See Appendix A for Audit Objectives, Scope and Methodology.

Unit operations were hampered by a poor computer system and software. The computer software had no quality control features and a search of the database could erroneously indicate that items actually on LPU shelves are not there. LPU management has been very responsive to these concerns and dedicated resources to develop a new database which has been in use since the spring of 2007. (See pages 7-9.)

NYC Transit's unnecessarily long retention policy adversely affects both the organization of the storage area and the speed and accuracy with which clerks can locate an item being claimed. At one point, it took an LPU employee almost four hours to locate a sample of 10 items selected by the auditors from the inventory. In order to retrieve items, staff often climbed shelves, moved large parcels and generally exerted notable efforts to search through piles of lost items. The items were ultimately found but it is not practicable to spend so much time on every request. (See page 9.)

There was no mechanism or tracking system that would identify whether lost property was successfully transported from stations and depots to the LPU. Auditors analyzed three months of data and the results suggest that the LPU did not receive property with any regularity from field locations. Approximately 25 percent of designated field locations had not sent a lost property bag to the LPU during the three-month period. LPU staff members were not tracking the bags in circulation, a procedure that would provide more security and highlight problems in the field. (See pages 11-12.)

As part of the audit, seven months of financial data were carefully traced from intake of lost money to deposit and account reconciliation. While no money was found to be missing, we are concerned with the convoluted bookkeeping system used by the LPU Supervisor and the risk of intentional or unintentional manipulation of financial records in the future. (See pages 12-15.)

The lost property process fulfills both a public service and a legal obligation. NYC Transit's procedures, however, do not appear to be in strict compliance with statutory requirements. (See pages 3, 9-10.)

NYC Transit officials were briefed on these findings throughout the audit and, as explained in the report, LPU officials have already implemented several recommendations including those addressing the computer system, the handling of passports, and general security of items.

A list of the audit recommendations can be found on pages 17 and 18.

## BACKGROUND

A detailed process sets out the required steps for objects such as passports, wallets, and digital cameras to make their way from bus and subway Control Locations to the Lost Property Unit located at 34<sup>th</sup> Street, where they are stored until disposition.<sup>3</sup> By agency policy, lost articles are sent to the nearest Lost Property Control Location, of which there are 41 in Subways and 18 at Buses (one in each depot). The staff at these locations is responsible for the intake of lost articles during which stage the property is logged and assigned a unique numerical identifier by attaching a receipt (referred to as a "D receipt" with a "D number"). The items are then secured in locked Lost Property Bags. Couriers for Buses and Revenue Agents for Subways then transport the locked, canvas bags from the field locations for eventual delivery to the Lost Property Unit at Penn Station. Once at the LPU, the contents are inventoried, each item is entered into the Lost Property master spreadsheet (Master Record), and then stored. If any currency accompanies an item, the amount is noted and the currency secured in one of the LPU safes until it can be deposited with NYC Transit's Treasury.

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<sup>3</sup> See "Subway and Buses Handling of Lost Property, MTA/OIG #2007-05" for specifics on field procedures.

Two to three Subway employees answer customer phone calls, inventory new items, enter data into the Master Record and assist walk-in customers under the direction of a supervisor. Walk-in customers can enter the reception area of the LPU and inquire about their lost items through a window. Clerks take the description and time period the item was lost and initially search the Master Record of lost items to see if there is a match. If a possible match is identified, the customer may be asked to provide identification and further descriptive information before an attempt is made to locate the item on the shelves. When a customer calls, the same process occurs but if there is a likely match, the unique D number associated with the article is given to the caller to assist in recovering the item when they appear in person. It is LPU policy to retain items for six months and then dispose of most items through auction.<sup>4</sup>

### Legal Requirements for Lost Property

Due to agency-wide budget cuts throughout the 1990s, NYC Transit officials considered divesting the agency of its lost and found responsibilities by turning the function over to the New York Police Department as mandated by statute. Such a transfer would have brought the program into compliance with the New York State Personal Property Law (Personal Property Law) § § 252 (1) and (4) which require individuals or owners of premises where lost articles have been found to transfer items to the appropriate police department in a certain amount of time. In anticipation of such a transfer, NYC Transit officials cut LPU staffing to one funded position after 1999. In addition, the hours during which the office is accessible to the public were reduced to less than 25 hours per week. However, the transfer never occurred and while NYC Transit never ceased handling customers' lost property, it did not restore the program's original funding levels.

Why the transfer never happened is not clear to either those currently operating the program or those we interviewed from NYC Transit's legal department. One official recalled that "someone" spoke to the New York City Police Department (NYPD) and that entity was very reluctant to undertake the responsibility. Various agency officials defended the lost property program by pointing out that NYC Transit customers expect the agency to have a lost and found operation and wondered if customers would know which local police precinct to approach about their lost item if the function were to be turned over to the NYPD.

We recognize that strict compliance with all relevant provisions of the Personal Property Law may well be impractical. A centrally located lost and found operation within NYC Transit provides a useful and important public service which we believe is in the best interest of the riding public. Complying with the strict letter of the current law would likely result in a decline in service to NYC Transit customers. Other similarly situated entities such as the New York State Office of Parks, Recreation and Historic Preservation, the State University of New York, and the New York State Office of General Services were faced with this dilemma and Article 7-B of the Personal Property Law was amended to allow their own police departments to administer lost property programs on their facilities.<sup>5</sup> In our view, NYC Transit is perfectly positioned and equipped to fulfill this role, and continuing to do so would provide the riding public with a central location from which to recover its property. Therefore we recommend that NYC Transit take appropriate administrative action in coordination with the Metropolitan Transportation Authority, the Metropolitan Transportation Authority Police Department and/or the New York City Police Department to come into compliance with the law, or seek an amendment to the Personal Property Law.

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<sup>4</sup> Some items are donated for charitable purposes. Others are discarded after six months.

<sup>5</sup> Personal Property Law §252 (1).

## NYC Transit Policies and Procedures on Lost Property

Lost Property procedures for the Department of Subways are set out in two documents. *The Division of Station Operations, Notice No. 180-05* provides direction on intake of items for token booth and station personnel. *The Division of Rapid Transit Operations, Notice No. 70-05* is essentially the same but is directed to dispatchers. The Department of Buses relies on Department of Buses Rules and Regulations, Rule 34 “Lost Articles” (Rule 34) as its procedure for handling lost property. These procedures set out how lost items are to be handled and secured in the field, but provide very little in regards to the functioning of the LPU.

While all three procedures (Rule 34, Notices 180-05 and 70-05) refer to the LPU as the location to which recovered items are to be forwarded; only a few sections mention the functioning of the LPU itself. The three procedures all state that LPU staff will make a final notification to owners – when identifiable – if their belongings are still unclaimed at the end of six months. (Identifiable owners are notified initially but many never come to claim their property.) The Subway Notices also state that the LPU will return lost articles to customers if they can give an accurate description of the article, produce proper identification, and sign the back of the receipt.

### SECURITY FOR LOST PROPERTY

The Lost Property Unit is located in Penn Station on the mezzanine below the A line. It includes a secured entryway, an administrative area used for clerk and supervisory work, and two large storage areas furnished with shelving, file cabinets, and lockers. Three cabinet-sized safes line one wall and hold smaller, high value items and currency.

#### Access to the LPU’s Interior

During our initial tour, we observed security arrangements that appropriately restricted public access to the reception area/entryway of the LPU. However, within the LPU, items were generally not secured. During discussions with the LPU Supervisor about the potential for items to be stolen once they arrive, she assured us this was not a concern because only a few full-time employees work in the Unit. We observed, however, during our audit work that more people had access to the interior of the LPU than a few, regular employees.

On several occasions, non-LPU employees were observed unsupervised in the storage areas. In one instance, a supervisor from an office nearby came to “cool off” in front of the LPU fans and was left unattended within close proximity to wallets. On another occasion, the OIG observed two teenage girls alone in the kitchen area. When the LPU supervisor was asked about the girls, she was not sure but thought they were the daughter and friend of a new LPU staff member. We also noted that Bus couriers and Subways personnel transport lost property to the LPU and are shown into the LPU storage area through the back door. OIG staff observed that the couriers were free to move about the LPU storage area unaccompanied.

We also found out there is a high degree of staff turnover and use of temporarily assigned employees at the LPU. Staffing can vary from day-to-day but usually two or three Subway employees assist customers and answer phones. Between May and August of 2006, three new people were introduced to the Unit. Moreover, the Supervisor of the Unit is not always present. At times she leaves the office to deposit money in the LPU Treasury account or to attend meetings.

OIG recommends that management restrict access beyond the reception area of the Lost Property Unit to those who have business to transact. Those who do not work in the LPU should be escorted at all times.

*Transit reported that it has implemented this recommendation and that no unauthorized employees are now allowed to enter the LPU.*

### **Wallet Contents and Personal Information**

Given our concerns about internal security, we conducted several tests of LPU inventory. When a wallet is received in the LPU, a description of the contents is entered into the Master Record. Money is removed from the wallet and the amount is noted in the appropriate column of the Master Record and on the receipt that accompanies the wallet from the field. The wallet and any remaining contents are then stored in unlocked drawers, sorted by month of LPU arrival. Because these articles are not kept secured, and may contain personal information, we were concerned that wallets or their contents could be removed from the LPU without authorization.

The OIG conducted two tests related to the security of wallets and their contents and did not find evidence of anything missing. One test was to locate or account for 13 wallets included in the Master Record, while the other determined if the contents of 41 wallets were intact when compared to the description in the spreadsheet.<sup>6</sup> We checked to see if personal identification had been removed. Results of the first test found that all 13 wallets were either claimed or located on premises. In the second test of 41 wallets, contents were consistent with the descriptions included in the spreadsheet. However, we found many other valuable items in the wallets that were not listed in the spreadsheet. For example, wallets contained credit/debit cards but these were often not noted in the Master Record description. LPU staff stated that they usually only copy the description of contents that accompanies the item from the field in the spreadsheet. The quality and completeness of these initial descriptions, however, vary greatly.

While we did not find any evidence of theft in the LPU, we believe the ability to remove a wallet, or its contents, is too easy and too tempting. The items are left in unlocked drawers to which anyone in the LPU has access. Since the content inventory in the spreadsheet is not comprehensive and the items are unsecured, it would also be a simple matter to remove selected items from each wallet without detection. In particular, we are concerned about personal identity theft. In the event that items of personal identification are undetected, lost or stolen from the LPU, their absence would likely go undetected.

OIG recommends that all valuable and identification-related contents found in wallets, purses, etc., be itemized in the computerized inventory file upon receipt at LPU.

*Transit reports that it has implemented this recommendation and created a new Access database which tracks all articles, including personal identification. Wallets have been moved to a more secure location for storage.*

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<sup>6</sup> Samples for both tests included wallets lost within the last 6 months that contained potentially attractive contents, such as credit cards, gift cards and movie tickets.

### Passports Are Left Unsecured for Long Periods

OIG staff attempted to locate three passports listed in the Master Record. Two of these passports were found during our initial search; however, a U.S. passport received in the LPU three weeks prior to our search could not be located. Approximately one month after our search, the LPU Supervisor informed us that she found the missing passport while searching for another document. Though it was ultimately located, the lost passport had been “lost” in the lost and found for at least 30 days.

Additional observations and tests of the LPU inventory found that passports were handled no differently, and arguably with even less formality, than wallets which are at least stored according to the month received. The passport holding area is comprised of an upright, unlocked file cabinet with shallow drawers located at the entrance to the main storage room. In these drawers, we found passports from numerous countries, including Belgium, Haiti, and Mexico, with loss dates going back to November 2004. Several passports were also observed in burlap sacks kept on LPU shelves. When the Supervisor of the LPU was asked about the policy for handling passports, she explained there is no separate procedure. We were concerned about the vulnerability of such documents, particularly in the post 9/11 climate.

Accordingly, OIG recommended that all passports be forwarded to the Passport Services-Consular Lost and Stolen Passport Section of the U.S. Department of State in consultation with NYC Transit counsel. Such process, according to NYC Transit officials has now been established.

*The LPU changed its procedures and now holds passports for only one week and then forwards them to the State Department. As of August 2007, an Operational Directive that would require passports to be hand delivered to the LPU was circulating for comment with the Department of Buses.*

### Recovered Cell Phones are sold by NYC Transit with Personal Information Intact

OIG concern for the protection of personal information also extends to the sale of cell phones. Cell phones often contain information about the owner (i.e., name), a contact directory, and possible notes of a private nature. The misuse of information contained in lost phones could result in harm to the owner.

In 2003, MTA Audit Services issued a memo recommending *against* Transit’s sale of unclaimed cellular telephones. Although officials were aware of the recommendation, 3,287 unclaimed cell phones were sold at a 2005 auction. The buyer later exported the phones overseas. Information contained in the cell phones was left intact at the time they were sold. According to the Asset Recovery employee responsible for the 2005 LPU auction, the buyer provided NYC Transit with a letter asserting that the phones had been stripped of all personal information prior to being shipped overseas. However the responsibility, in our opinion, needs to reside with NYC Transit and not with the buyer.

OIG recommends that LPU staff ensure that all personal information is cleared from cell phones prior to auction.

*NYC Transit has not indicated acceptance or rejection of this recommendation.*

### Valuables Can Be Unsecured

Security of small but valuable items is often compromised by the inconsistency of LPU storage and retention practices. Items perceived as valuable (e.g., digital cameras, jewelry) are identified upon entry to LPU for storage in one of the three safes. Yet in practice, many of these items are routinely left unsecured. Auditors found items such as MP3 players on shelves and on a table located directly across

from the three locked safes. The LPU Supervisor explained that items are typically stored on shelves when space in safes is unavailable.

When items have been held in the LPU for six months, staff will prepare them for auction. Tags with D numbers are removed from unclaimed items and a list is compiled by type of time. These items are then aggregated and stored in a labeled cardboard box. We observed that these open, clearly-labeled boxes of small valuables were stored on open shelves. Boxes remain on shelves until they are sold at auction. Historically this has taken as long as two years. Since the D receipt numbers are removed from all pre-auction items, such items could be removed from the LPU with no risk of detection.

Valuables secured in the LPU safe are also vulnerable at the time items are prepared for auction. Valuables are taken out of one safe, D tags removed, and inventoried for auction, and then stored in another safe. There is no final reconciliation performed between items prepped for auction and the Master Record to ensure that all items are accounted for. Ultimately, each item on the Master Record should either be claimed or sold at auction. If however, an item were removed during the transfer process, its disappearance could go unnoticed.

OIG recommends the creation of a more sophisticated database that will track items from entry to final disposition including auction.

*In response, Transit developed an Access database which allows staff to reconcile an item valued at \$100 or more back to its original record before it leaves LPU. A physical inventory check of such items is reportedly performed prior to auction. Transit has also purchased new secured cabinets which now store small valuable items until they are returned to customers or forwarded to Asset Recovery for auction.*

## OPERATIONAL INEFFICIENCIES

Although several NYC Transit documents set out lost property policies and procedures for field staff, there are no written protocols for LPU staff and operations. The OIG thus reviewed and tested the operating performance of the unit itself.

### Inadequate Data Entry/Search Techniques Risk False “No Match” Results

When a lost article is initially brought to the LPU, a description of the item along with the date the item was found is entered into the Master Record maintained in a Microsoft Excel spreadsheet. Customers contacting the LPU to retrieve lost articles supply employees with information such as a description of the item and approximate dates of loss. LPU employees search the spreadsheet based on the customers’ information, and attempt to match their search words with the information previously entered. They do this by using the “find” feature in Excel. This feature will search a spreadsheet for an exact match with the word or words entered and will highlight the location where a match is found. A slight modification in an article search, a word or a spelling error in the item’s description, will prevent a match from occurring. Human errors made while entering dates and D-numbers can also cause the results of a search to return with “no matches” for an object that is actually in inventory.

Since there are neither established protocols about how data is to be entered nor controls that limit choices or typographical errors, there is a high risk that the spreadsheet contains problems. We scanned the 10,780<sup>7</sup> lost article descriptions in the Master Record for terminology that could compromise the lost item

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<sup>7</sup> Tally represents number of articles received in LPU and recorded in Master Record from March 2005 through May 2006.

retrieval process. We also scanned the lost article descriptions for spelling and other data entry errors that would defeat the word search process. The following problems were found:

- There were many abbreviations used and variations in text are evident. For example “black” was also listed as “blk,” “ring” was also listed as “band,” and “New York State” was also listed as “N.Y.S.” as well as “NYS.”
- Many spelling errors were found in the item description field, e.g., “burgandy,” “biege,” “braclet,” “pefume.”
- At least 148 dates (1.37 percent) were entered incorrectly. Some dates listed in the spreadsheet had not yet occurred. In addition, dates of when articles reached the LPU were sometimes listed as occurring before the dates these items were found.
- Approximately 5 percent of all lost articles had D-number errors. Some D numbers had only four digits when five is required. The letter “O” was also used instead of a zero, a switch which cannot be translated by Excel. Further, one D number was erroneously allocated to 17 different items.

The current system is used by numerous employees, each of whom enters information using his/her own terminology, abbreviations and spelling variations. Employees then search for items using the customers’ terminology, and do not know the exact terminology, spelling variants or abbreviations that have been used for the original data entry. As a result, it is impossible for employees to be certain of the appropriate search word/phrase for each case.

With information for over 10,000 lost articles entered manually into the LPU spreadsheet, errors are bound to occur. Consequently, protocols are needed to limit data input errors and restrict employees to a smaller range of terminology. With appropriate database software, categorical dropdown boxes can be used so that clerks select pre-determined descriptions. Such features can be used to conduct searches, eliminating spelling errors and confusion caused by the use of abbreviated words and synonyms.

OIG recommends the use of a more sophisticated database with built-in internal controls that minimize data variation and error.

*Transit reports that an Access database has been developed which includes tools such as drop down menus and mandatory entry in certain fields. These measures which standardize terminology and information should allow searches to be more productive.*

### **Excel Spreadsheet Is Inadequate**

Due to practical limitations of Excel, LPU staff cannot enter data into the spreadsheet simultaneously. Therefore, it is LPU practice to have new inventory entered into separate Excel spreadsheets independently maintained by each clerk. According to the LPU Supervisor, these individual spreadsheets are then combined with the Master Record once a week through a process of copying the new material and pasting it onto the bottom of the existing list.

This practice introduces new risks in managing the lost property inventory. Through field work observations, the OIG noticed that the Master Record is the main file employees use to search for lost articles. Although employees’ individual spreadsheets are sometimes searched as well, this is not consistently done. OIG auditors also found that lost item entries are not copied from employees’ individual Excel files to the Master Record Book file in a timely manner. Consequently, lost items that

appear only on the individual spreadsheets (the most recently lost items) are less likely to be found when customers call to retrieve them. Of the 10,780 lost articles in the spreadsheet, the previous week's new entries or approximately 2 percent of all lost articles were yet to be transferred into the Master Record.

We recommend a database which allows for real time input of lost articles in order to improve search results.

*To that end, LPU staff report that the new database allows for data entry by multiple users to be posted directly to the central database so no time is lost in transferring data. Additional features have been added to improve data integrity.*

### **Retrieving Stored Items Is Excessively Time Consuming**

Various factors in addition to technological inefficiencies make the retrieval of items stored in the LPU difficult. OIG staff conducted a test to see if unclaimed, small valuables on the Master Record could be located on LPU storage shelves. Among the information entered in the Master Record for each item is a specific "location code." We used this code to assist in the selection of 39 sample items. The sample was selected based on one or more of the following criteria: monetary content, value of item, size of item in relation to inconspicuous removal from LPU; and finally, items with little or no risk of being traced back to their owner.

Approximately 72 percent, or 28 items, were located by OIG during its initial visit. To find 10 additional items, we had to solicit assistance from the LPU staff. The senior LPU clerk searched for 3 hours and 45 minutes with occasional assistance from the LPU Supervisor to locate the 10 items. In order to retrieve certain items, staff – including OIG auditors – often climbed shelves, moved large parcels and generally exerted notable physical efforts to search through items of varying retention age. LPU staff may engage in this process numerous times during the course of a given week.

The inconsistency of where items are stored in the LPU is due in part to staff turnover. Due to budget constraints since 1999, employees are temporarily assigned to LPU from other areas within the AES Division. The most senior clerk reports that these transient employees, uninformed on the storage system, make frequent mistakes that are often discovered after the individual has left the Unit. All of these factors contribute to lengthy searches and may prevent claimants from retrieving their property.

OIG recommends adequate training and supervision regarding storage system and location codes for all new and temporary Lost Property Unit employees.

*Transit has stated that new storage and retrieval systems have been introduced and all employees have received appropriate training. LPU management cited a need for additional funding to increase the number of staff for the LPU so that temporary personnel can be replaced with more permanent employees.*

### **State Law Allows for More Frequent Disposal of Low Value Items**

The Property Law specifies the length of time that lost articles must be kept by the appropriate police department depending on the value of the lost item as shown in the table below.

**TABLE 1: NYS Personal Property Law Retention Schedule for Lost Property**

Having a Value of	Length of Time Held
Less than \$100	3 months
More than \$100 but less than \$500	6 months
More than \$500 but less than \$5000	1 year
More than \$5000	3 years

NYC Transit policy, however, does not follow the standards set by the Property Law. NYC Transit holds onto all property for six months at which time all unclaimed LPU items – regardless of value – may be auctioned or offered for sale. In practice, items are kept far beyond six months as arranging for auction has been time consuming. Historically, the LPU staff handled the auction themselves using an auctioneer. The last auction, which handled two years worth of lost items, was conducted online by NYC Transit’s Asset Recovery unit.

Although both AES and Asset Recovery officials have expressed a desire for more frequent auctions, miscommunication seems to have hindered any progress in that direction. The accumulation of property awaiting disposal contributes to excessive clutter that staff must sort through to find items during the claiming process. As previously mentioned, this may result in an inability to find items that are actually on the premises. More frequent auctions would also take into account the rather quick evolution of computer technology and increase the likelihood of recovering top dollar for computer-related items. Presently, the technology becomes obsolete while sitting on LPU shelves.

OIG recommends the timely disposal of items as per the Property Law to reduce clutter in storage areas.

*NYC Transit reports that articles are now being held according to the NYS Personal Property Law retention schedule.*

### **The Property Law Does Not Allow Employees to Claim Items as “Finder”**

LPU management calculates that in 2005, lost items were successfully claimed by their “owners” at the rate of 18 percent. Included in that figure, however, are cases where lost articles are not claimed by the original owner but by the “finder.” NYC Transit policy provides that if the owner does not claim the article after six months, the finder has a two-week window to claim the property. After that period expires, NYC Transit holds on to the item until it is auctioned by “lot” with the proceeds being split between the Asset Recovery unit (which executes the auction) and Administration and Employee Services (which runs the LPU).

While a policy allowing a finder to eventually take possession of lost property is permissible under the Property Law, NYC Transit’s procedures extend the policy to NYC Transit employees.<sup>8</sup> Property Law § 256 states that if the finder is an officer or employee of the state or of a public corporation and takes possession of the “lost” property in the course of his official duty, the “*state or public corporation shall be deemed to be the finder.*” NYC Transit should address whether the current practice, which permits

<sup>8</sup> Subways Station Notice No. 180-05, RTO Notice 70-05 and Buses Rule 34.

employees to claim lost property in the same manner as a customer, is in accordance with the Property Law.

We recommend policies and procedures regarding employee “finders” be revised so that they are in compliance with the Property Law.

*NYC Transit reports that it is awaiting a response from its Law Department.*

### **No Oversight of the Lost Property Bag Cycle**

Lost Property Bags undergo a complicated system of transport from Control Locations throughout the five boroughs to LPU offices at 34<sup>th</sup> Street in Manhattan. The LPU Supervisor explained that each Control Location is assigned two to three numerically sequenced property bags, depending on historical volume. Revenue collection agents pick up bags from Subway locations and bring them to Revenue Offices in Queens. The cargo is transported from Queens to Brooklyn where additional bags are picked up, verified and loaded onto a NYC Transit van. All bags are then delivered to LPU in Manhattan. Couriers with the Department of Buses pick up Lost Property Bags from depots and deliver them to the LPU.

LPU records the receipt of Lost Property Bags manually in five separate bag logs. According to interviews with staff, these bag logs are maintained in case a problem is reported and they need to trace a particular item and D number to a location. These bag logs are the only source that connects an item (through connection with a particular bag) with where it was found in the field. The data contained in the bag logs is not analyzed for information on lost property operations. For example, LPU staff could use the data to determine if field locations retain articles for excessive periods prior to forwarding them.<sup>9</sup> If an entire bag were lost or stolen, LPU staff would be unaware. Regular analysis of bag log data, however, would proactively detect that a particular bag had not been received on its expected schedule.

OIG auditors analyzed three months of logs to determine whether Lost Property Bags from each Control Location could be accounted for and how frequently the assigned bags cycle into the LPU. OIG found that a significant number of property bags do not appear at the LPU with any regularity: 15 of 59 total Control Locations (about 25 percent) had not sent a lost property bag to the LPU during the 3-month period analyzed. While the 15 locations were subway locations, according to our data, some Lost Property Bags from bus depots still had long, inexplicable gaps of several weeks.<sup>10</sup>

We discussed our results and raised related questions with the LPU Supervisor who could not readily ascertain the status of the bags assigned to those 15 locations. The LPU Supervisor hypothesized that some of these locations may not have articles to forward. While this is possible, it does not explain all the unseen bags. Two of the locations were sites we had previously visited as part of our field work and found that lost items were present, just not being transferred. Articles are generally not retrievable during the time bags are held at subway stations and bus depots. If a potential claimant knows to contact a specific depot, for example, he/she may locate his/her property. Otherwise all contact is handled by the LPU whose staff is unaware of items held in the field. It is not until lost property is transferred to the LPU and logged into the Master Record that customers can realistically retrieve their property. Thus, the prompt transfer of items to the LPU is an important performance measure for this program.

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<sup>9</sup> In a previous analysis of the entire Master Record, we noted that 37 percent of individual items took three or more weeks to be transferred to the LPU.

<sup>10</sup> See “Subway and Buses Handling of Lost Property,” MTA/OIG #2007-5 for more detail on tracking Lost Property Bags from the field to the LPU.

OIG remains concerned about delays in transferring items and the risk that entire bags could be stolen. At present, there is no mechanism or tracking system that would identify a bag which does not appear at the LPU. In view of the number of people who come into contact with Lost Property Bags in depots, stations, the Revenue Office, Mailroom, and Station Command, LPU should proactively account for the location of each bag as it is cycled to and from the field.

OIG recommends that LPU proactively track the cycle of Property Bags and take effective action in regard to those exhibiting irregular rotation frequencies. In general, we recommend that LPU establish written policies and procedures for its operations.

*In response, the agency reports that the LPU Supervisor will monitor bag activity on a bi-weekly basis and follow up accordingly with the Revenue Department as well as field personnel. NYC Transit indicated that a procedure manual will be completed by the end of 2007.*

### **FINANCIAL TRACKING OF LOST MONEY**

Contrary to popular belief, wallets and purses containing money are regularly turned into the LPU. During the period of April 2005 to March 2006, approximately \$59,050 in lost money was received by LPU. When a lost item contains money, LPU staff notes the total value on the upper right corner of the buff "D receipt" and also in the Master Record. A petty cash fund is maintained by LPU to provide an easy way to immediately return money to claimants. Claimants can be given cash at the LPU window in an amount up to \$100. If the amount sought is larger, a request is made to the Treasury Department of NYC Transit's Office of the Controller for a check payable directly to the customer. According to NYC Transit policy, funds that are not claimed after six months become the property of NYC Transit.

LPU clerks generally handle the initial intake of monies. The LPU Supervisor is responsible for depositing the lost money and maintaining financial records that track the intake of money, deposits, disbursements to claimants, and the calculation of what amount represents unclaimed funds after six months. OIG auditors reviewed financial records associated with lost money received in the LPU from January 2006 through July 2006. While the auditors could eventually determine that all the money listed as received in the LPU was deposited with Treasury during that time period, the examination found that records are needlessly complex, misleading, and vulnerable to error. There are no written policies and procedures for handling lost money thus creating a system where only one individual, the LPU supervisor who set up the system, can track cash flow through the Unit. We are also concerned that the lack of segregation of duties for those handling cash and financial records heightens the inherent risk of intentional or unintentional manipulation of records.

#### **Financial Records are Problematic, Reports Misleading**

Information as to lost money that has been turned in to NYC Transit is maintained in three distinct LPU spreadsheets: the Master Record, the Money Record and the Receipt Book. As discussed previously, the Master Record is the inventory of all lost property. A dedicated column in the spreadsheet records whether money was included with the lost item. In addition to the Master Record, individual lost items that include money are typed into the Money Record spreadsheet and later copied into the Receipt Book. The additional two spreadsheets include information already typed into the Master Record but retyped (or copied) to isolate just those lost articles with money. The Money Record is primarily used to keep track of check requests LPU staff makes to Treasury when a claimant cannot be paid from the petty cash fund. The Receipt Book is primarily used by the LPU Supervisor to track the receipt of claimant checks she receives from the Treasury department.

Entering data, copying and reformatting are time-consuming and make the process vulnerable to errors or mistakes. As a result, the benefit of maintaining two spreadsheets that are essentially subsets of the Master Record (or which could be if so designed) was not apparent. When the LPU Supervisor was asked about why the record keeping was designed this way, she explained that upon transfer to the LPU Unit, she was directed to automate the LPU records which had been historically maintained in hard copy ledgers. The Supervisor reportedly received instructions that automated files should remain consistent with their manual predecessors in presentation and format. Examination of the hardcopy ledger and Receipt Book indicate that these instructions were followed in spite of the redundancy and inefficiency it caused.

There are two main reports on monetary transactions produced by the LPU Supervisor. The first is the Weekly Money Transmittal report (Weekly Report) which documents how much money was received each day by LPU and lists claimant disbursement checks issued by Treasury since her last deposit. The itemization of claimant disbursement checks on this report was requested by the Accounts Receivable division to facilitate its monthly reconciliation of the LPU account. The second is a Monthly Report that aggregates previously reported weekly totals and disbursements for seven consecutive months. The purpose of this report is to identify how much unclaimed money should be transferred to the NYC Transit General Fund.

### ***Weekly Report***

The Weekly Report shows a list of five consecutive workday “dates” with corresponding dollar figures. The list is aggregated and equals the total being deposited with Treasury for the previous “week.” In practice, however, the dates listed on the report are not related to the dollar figures nor is the deposit always done weekly. Instead, ten or so entries on the Money Record are copied into a workspace on the spreadsheet, summed, and then the result is temporarily linked to a date on the report, regardless of when the money was received. For example, OIG auditors observed the LPU Supervisor attribute money received from 7/4 to 7/14 to one day in July. When we questioned the report format and the need for daily sums, the LPU Supervisor agreed there was no obvious business value to LPU’s process but that was the way it had been done before she assumed the position. At a later point, we confirmed with Accounts Receivable that it does not require a daily breakdown of the information. As a result, this process of copying and pasting is unnecessary and at best makes tracking the financial information difficult, at worst introduces the risk of new errors if mistakes are made in the process. If a claimant disbursement check has to be reissued or replaced, sometimes the LPU Supervisor lists this activity on the Weekly Report and sometimes she does not. The lack of a clear and consistent system for reporting returned or replacement checks was found to contribute to potential discrepancies in monthly account balances. In one instance, a replacement check valued for \$265.11 was reported on the Weekly Report twice with no indication that the second check was a replacement for the first.

### ***Monthly Report***

The purpose of the Monthly Report is to identify how much money is unclaimed after six months so the funds can be assumed by Transit’s General Fund. In our review of these records, we successfully traced how the figures were derived; however, given the problems already identified, we found the dates are only approximate, not definitive. The Monthly Report is based in part on the Weekly Reports, summing four Weekly Reports to produce a “monthly total intake.” Funds claimed are summed by month and subtracted from the “monthly total intake.” The LPU Supervisor attempts to attribute claimed money back to the month the money was first received in LPU. Unfortunately, though the initial “monthly total intake” is not a true reflection of the month for reasons we previously described, so the difference of the two, (monthly total intake minus monthly amount disbursed to claimants) produces a figure that is close but not the true figure for unclaimed funds in the 7<sup>th</sup> month.

One major problem for an external audit is that the data in the Weekly and Monthly Reports are often overwritten for each successive reporting period. As such, only hard copy files exist for the time period prior to the current reporting period. This compromises the auditing process as it impedes verification of data. Although the Director of Administration and Employee Services (AES) acknowledged the unnecessary complexity of the system on at least two separate occasions, no consistent efforts were made to effectuate improvements. We also determined that the LPU Supervisor was provided no technology assistance which could have resulted in a more efficiently designed database. As a result, the current configuration depended upon the proficiency level of the current Supervisor who, though knowledgeable, was not a database expert.

### **Development of a New Database**

These findings were discussed early in the audit with the Director of AES who responded by having a new database developed with the potential to address many of the problems observed with the current tracking mechanism. An appropriately-designed database can:

- Allow for data to be inputted one time and in one file.
- Produce reports automatically showing the information needed for a Weekly or Monthly Report, attributing the money to specific days, weeks or months as needed.
- Track the request for disbursement checks from Treasury and the receipt of such checks.
- Track the source of the disbursement i.e., petty cash or Treasury to facilitate accounting.

Most important, this new system should reduce the amount of time spent by the LPU Supervisor on repetitive tasks while increasing the quality of the information produced. Once established, such a database would only require a general knowledge of data entry from LPU clerks to run the system.

OIG recommends that the new database be designed to provide for timely financial reports that meet the needs of LPU and NYC Transit Accounts Payable.

*Management responded that the new computer system now being used by LPU has this capability.*

### **The Non-Segregation of Duties Creates a High Risk of Misappropriation**

A single LPU clerk handles money directly and performs data entry duties to record how much was received. The clerk has to be trusted to record and turn over the correct amount. After that point, all internal recording of cash flow is handled by the single LPU Supervisor who has access to the money itself and “write access” to all the financial records. Weekly and monthly compiled reports and their distribution to AES, Treasury and Accounts Receivable are solely handled by the LPU Supervisor. While we did not find any misappropriation of funds during our review, the lack of segregation of duties creates a significant risk and is not consistent with acceptable accounting practices. Much of this is due to the small satellite nature of the LPU office. (The LPU is located in Manhattan while the rest of AES is located in Brooklyn.) However, separating the functions so that the same individual is not involved with both financial tracking and reporting is essential to creating a minimally acceptable control environment.

Some of the weak controls at the LPU could, in theory, be offset by additional oversight by the Director of AES or his designee. The Director, who oversees the LPU Supervisor, limits his review of the financial accounting to checking automated calculations in the reports. No one authenticates the information in the report by using source data. Treasury staff, responsible for the accurate recording of

cash deposits and replenishment of petty cash funds, does not scrutinize reports. One Treasury staff person stated that her responsibility is only to process the aggregated amounts reported by LPU. Periodic auditing of records for a period of time or for a selection of entries by a competent, impartial party that does not work in the LPU would provide additional quality control.

We recommend close monitoring of financial reports and coordinated spot checks of all financial records by an outside party.

*Although officials accepted the recommendation, it is has not yet been determined who will perform these functions.*

### **UNIT MANAGEMENT AND PROCESS COORDINATION**

The success of the lost and found operations relies heavily on cooperation between the Lost Property Unit, Station Command, Bus depots, Revenue and Controller departments, Control Locations, and Mail Room employees. A coordinating entity is vital to ensure compliance, accuracy and accountability throughout the entire process.

#### **Performance of Field Operations Needs to Be Measured and Tracked**

While the journey of lost items can commence at any point throughout the Subway or Bus system all items are logged in at specific Control Locations, directly responsible for their transport to the LPU. An OIG field test was conducted at the onset of the audit, in which 26 items were placed throughout the system. After four months, only three items had arrived at the LPU office. Although all of the items were handed in to MTA personnel, the missing 23 items were never recorded at the Control Locations. While this breakdown is unrelated to LPU operating efficiency, it exposes significant security issues, specific to the field, directly impacting the success of the NYC Transit entire lost and found effort.

As discussed in the "Subway and Buses Handling of Lost Property," MTA/OIG #2007-5, field infractions of operating procedures can be egregious in some instances. However, LPU is only aware of this anecdotally; staff does not track or analyze key performance measures in the lost property process that would reveal indications of problems. Both the LPU Supervisor and an AES official expressed a desire to address field procedures in an attempt to prevent some of the errors and discrepancies observed in the field, but stated that they did not have time. Implementation of a quality database as recommended in this report can significantly reduce the amount of time expended by the LPU Supervisor on producing reports and tracking money, thus providing the time to identify and address other problems. Gathering and analyzing information together with greater communication with department heads is needed to improve coordination. Data on the performance of each step in the lost property process (which can be captured with the appropriate software) could serve to identify the areas in which managers could improve their respective field operations. This would require the collection, tracking, and reporting of such data as the:

- Number of items collected per site
- Frequency in which locations transmit their property bags from field to LPU
- Frequency and nature of discrepancies related to items sent by the field<sup>11</sup>

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<sup>11</sup> MTA/OIG #2007-5 discusses in more detail the problems encountered by LPU staff in trying to resolve discrepancies between what is supposed to be forwarded to the LPU and what actually arrives.

Essential to the effectiveness of such an improved system is the regular delivery of this information to key stakeholders. A status report could provide a vehicle for participants to discuss the challenges faced by field staff and share solutions and corrective measures that have proven successful in the past.

OIG recommends increased monitoring of field performance and the issuance of status reports to identify problems experienced in the field.

*NYC Transit has indicated that the Access database can now identify locations from which bags have been received as well as instances where there are discrepancies between the items reported and those forwarded to LPU. Such information will be included in status reports. Discrepancies will be brought to the attention of the Division of Special Investigations and Review for Buses as well as elevated along the chain of command by the Director of Administration and Employee Services for Subways.*

### ***LPU Site Operations Require Monitoring***

The implementation of LPU performance measurements designed to evaluate Unit operations can also improve field operation management. Although many OIG inquiries regarding observed site inefficiencies were met with claims of excessive workload and inadequate staffing, there is no structured process in place to measure and monitor workload and business needs. As shown in this report, there are opportunities to increase efficiency and ways to make better use of technology to reduce the burden on staff. For example, our previously discussed observation regarding retention periods and their effect on item retrieval strongly suggests that minimizing inventory can alleviate the effort needed to find items.

The Long Island Rail Road (LIRR) operates a lost and found office that receives more lost items annually than NYC Transit but operates with only two employees. Its facility is also open to the public 60 hours per week in contrast to the 24 hours per week the LPU is open to the public.

AES officials indicate that the tracking of Unit workload measures such as the monthly volume of phone inquiries and forwarded articles has recently begun. Here again, an appropriately designed database can accurately capture and augment such data, thus simplifying the monitoring and execution of Unit operations. For example, the LPU Supervisor can track whether items are ready for disposal and monitor individual clerk productivity. A database designed to respond to the issues identified in this report would capture most of the data needed to produce both field and LPU performance measures. Metro-North Railroad (MNR) has developed several aspects of its lost and found operations that could prove beneficial to LPU. Innovations include the use of customer service employees who screen customer inquiries about lost items; an inquiry system that allows customers to complete an inquiry form and send it to the lost and found unit via the internet; and the use of handheld computer devices that allow designated staff to enter items into the central database as they are being retrieved from the field. LPU and AES officials are encouraged to familiarize themselves with LIRR and MNR lost and found systems in order to identify opportunities to improve practices.

OIG recommends that management establish performance measures to track key facets of the lost property process.

*In response NYC Transit has reiterated that measures, such as the number of phone calls and items received, are now being tracked.*

### ALL RECOMMENDATIONS

New York City Transit's Lost Property Unit should:

1. Restrict access to the interior of the Lost Property Unit to those who have a business purpose. Those who do not work in the LPU should be escorted at all times.
2. Assure that field personnel handle passports as "valuable items" and, upon receipt in the Lost Property Unit, assure that passports are promptly forwarded to the State Department.
3. Ensure that all personal information is cleared from cell phones prior to auction. Otherwise, they should be destroyed.
4. Require that all valuable and identification-related contents found in wallets, purses, etc., are itemized in the inventory of lost property.
5. Create a more sophisticated computer system that will:
  - a) Quickly and accurately produce financial reports for timely submissions;
  - b) Provide appropriate built-in internal controls over data input so protocols minimize data variation;
  - c) Proactively monitor property bag activity;
  - d) Facilitate more accurate searches for lost articles;
  - e) Incorporate real time updates of new articles;
  - f) Provide appropriate internal controls to ensure accurate and timely financial reporting;
  - g) Track Lost Property Unit workload and process indicators; and
  - h) Monitor field performance and issue status reports that identify problematic field issues.
6. Deliver adequate training and supervision on storage system and location codes to all new and temporary Lost Property Unit employees.
7. Dispose of unclaimed articles more frequently, as permitted by the Property Law, in order to reduce the clutter in the storage area.
8. Track the cycle of Lost Property Bags and act on those not arriving at LPU with regularity.
9. Produce weekly and monthly reports that accurately reflect the Unit's business needs and those of Accounts Receivable.
10. Reconcile unclaimed valuables back to the original record, prior to their auction.
11. Take appropriate steps, including possibly seeking, if necessary, an amendment to the current Personal Property Law, in order to ensure that it is in compliance with the law.

Administration and Employee Services officials should:

12. Closely monitor financial reports and coordinate spot checks by an outside party of all financial records.
13. Develop policies and procedures for Unit operations, financial recordkeeping and the reconciliation of valuables before final disposition.
14. Establish performance measures to track key facets of the lost property process.
15. Revise policies and procedures regarding employee “finders” to be consistent with Property Law.

## APPENDIX A

### **Performance of NYC Transit Lost Property Unit MTA/OIG #2007-9**

#### **OBJECTIVES, SCOPE AND METHODOLOGY**

OIG's primary objective was to determine if NYC Transit's procedures are adequate to facilitate the acceptance, transfer, storage and return of property found on agency premises. Therefore, we reviewed the operations and performance of the LPU by observing work processes, analyzing the database of lost articles, and interviewing upper management, supervisors, and staff. We tested the security of items and the system for storing lost property by conducting a physical inventory of items. We also analyzed internal logs to account for the location and transfer history of all Lost Property Bags. Auditors traced seven months<sup>12</sup> of financial records from the intake of lost money through to account reconciliation performed by NYC Transit Accounts Receivable staff.

Auditors also reviewed applicable NYC Transit policies and procedures as well as relevant state statutes regarding lost property. Representatives of the Department of Buses, the Department of Subways and Treasury were interviewed regarding their experiences with the LPU.

This audit was conducted in accordance with Generally Accepted Government Audit Standards.

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<sup>12</sup> Auditors elected to review the current year's files through to the present which, at the time, represented January through July 2006.