



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

GOVERNANCE:

Observations on the Company's Lost and Found Program


OIG-MAR-2021-011 | August 27, 2021

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Memorandum

To: Scot Naparstek
Executive Vice President / Chief Operations Officer

From: Jim Morrison 
Assistant Inspector General, Audits

Date: August 27, 2021

Subject: *Governance: Observations on the Company's Lost and Found Program*
(OIG-MAR-2021-011)

From January 2020 through March 2021, Amtrak (the company) customers filed about 14,700 reports of items they lost or left behind on trains and in stations. These include sensitive items, such as identification and credit cards, and valuable items, such as cash, jewelry, and electronic devices. The company operates Lost and Found areas at approximately 150 of its 516 U.S. stations—primarily larger, staffed stations at the end of each route. In so doing, it entrusts its employees to safeguard these sensitive and valuable items and return them to customers in a timely manner. In October 2020, however, we reported that a Lost and Found clerk responsible for the program at Chicago Union Station abused this trust by stealing 13 state and government customer identification cards and 21 social security cards from the program's inventory, exposing these customers to potential identity theft¹.

We initiated a review of the company's Lost and Found program to identify the internal control weaknesses that allowed this theft to occur and to assess the company's processes for overseeing and safeguarding items at selected stations. To understand how the company operates the Lost and Found program, we visited three of the six largest stations with Lost and Found areas and conducted structured phone interviews at four medium and smaller stations, speaking both to Lost and Found employees and station managers who oversee the program at each station. We also interviewed 13 senior officials in the Customer Service, Onboard Services, Transportation, and Mechanical departments to obtain their perspectives on the Lost and Found program. Additionally, we reviewed and analyzed data from Chargerback—a third-party software system the company began using in 2018 to digitize the management and tracking of its Lost and Found inventory. We conducted our work in accordance with standards we developed

¹ *Employee Terminated for Stealing Customer Property from Lost and Found*, (OIG-WS-2021-326), March 29, 2021.

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for alternative products. For additional details on our scope and methodology, see Appendix A.

ENSURING CONSISTENT PERFORMANCE OF THE LOST AND FOUND PROGRAM

Since the incident in Chicago, the company has added controls at Chicago Union Station to help prevent any further theft from the Lost and Found inventory at that station and taken other steps across the program to better secure, track, and manage items. More broadly, reports from the Chargerback system show that the company successfully returned about 31 percent of items that customers reported as lost. This generally aligns with the 30 percent average found at comparable organizations, according to officials from the Chargerback company. Nonetheless, based on our limited review, the company has opportunities to better monitor the program to ensure that it is working across stations and that items found on trains or in maintenance yards are safeguarded until they are entered into the program's inventory. These opportunities could help the company better protect sensitive and valuable customer items, return them in a timely manner, and help protect the brand.

Improvements to the Program

The company has taken the following steps to strengthen its Lost and Found program:

- **Addressing issues in Chicago.** The company has addressed the issues that allowed the theft we identified in Chicago to occur. When this incident happened, the practice in the Lost and Found area of the Chicago station was to retain identification cards indefinitely. This is contrary to company policy, which requires Lost and Found clerks to destroy these items within 48 hours if unsuccessful in contacting the owner. In addition, the station manager at that time was not ensuring that the Lost and Found clerk was following established procedures for safeguarding and disposing items. In January 2020, the company hired a new Lost and Found clerk in Chicago and, the following May, hired a new station manager. We confirmed during our site visit that the new clerk was following the retention policy. In addition, the station manager was performing monthly inventory checks and more frequent random spot checks of items in the Lost and Found area to confirm that all items were accounted for.
- **Securing sensitive and high-value items.** At the three large stations we visited—Chicago, Philadelphia, and Washington, D.C.—we similarly observed Lost and Found clerks following the company's policy of securing the most

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sensitive and valuable items in the station safe or locked areas. The Lost and Found personnel we spoke with from four other medium and smaller stations explained the steps they took to secure these items, which also complied with this policy.

- **Automating inventory controls.** Station managers, Lost and Found clerks, and other customer service officials confirmed that the Chargerback system the company began using in 2018 is significantly better at tracking lost items and facilitating their return to customers than the previous manual processes, which were largely paper based.

Additional Opportunities for Improvement

At the seven stations we reviewed, we found opportunities for station managers to ensure that staff are safeguarding customer property, are well trained on their duties, and have the tools necessary to monitor program performance. These opportunities, in keeping with company policy, could help improve the company's ability to serve its customers and reduce the risk of employee fraud, as occurred in Chicago:

- **Improving monitoring.** Most station managers were not monitoring the activities of Lost and Found clerks to ensure that they were returning items to customers or disposing of them in a timely manner, as company policy requires. For example, station managers did not consistently confirm that employees were entering accurate and timely data about lost and found items into Chargerback to help the company track performance.²
- **Ensuring that staff are well trained.** The majority of Lost and Found clerks and station managers told us they did not receive the training they need to perform their duties as expected. Four of the seven Lost and Found clerks told us they knew how to perform their duties only to some or a moderate extent. Six of the seven told us that the informal training that station managers provided was not adequate for them to perform their assigned duties.³ At the station manager level, all seven told us they were not provided training on how to use the Chargerback

² We assessed the company's Chargerback data and found that it was sufficiently reliable for the purpose of assessing company-wide return rates on lost items.

³ Our response categories for this question contained a five-point scale of the relative extent to which Lost and Found clerks know how to perform their duties. The scaled responses were 1) to a very great extent, 2) to a great extent, 3) to a moderate extent, 4) to some extent, and 5) to little or no extent.

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system to monitor how well their Lost and Found areas are returning and disposing items.

- **Resuming monthly reporting.** The company stopped providing station managers with monthly reports from the Chargerback system. These reports allowed station managers to monitor program performance, such as the number of items returned and disposed of for each of their stations and make any needed adjustments. Until March 2019, the Director of Service and Standards in the Station Services department generated and distributed these reports to station managers, but no one has continued this practice since they retired.
- **Better safeguarding items found at maintenance yards and on trains.** Most of the employees and managers we interviewed told us they did not think the company adequately ensured that items found in maintenance yards or on trains were safeguarded and promptly turned in at the Lost and Found. Ten station managers and Lost and Found clerks who have maintenance yards attached to their stations told us they were, at most, “moderately confident” that Mechanical employees, including coach cleaners, are diligent in returning items they find in the yards or on trains to the Lost and Found area.⁴ In addition, 11 of the 13 officials in the Customer Service, Onboard Services, Mechanical, and Transportation departments, as well as four of the seven station managers, told us the company does not have a process for safeguarding and transporting the items or holding yard employees accountable for doing so. Further, the company has not provided guidance to employees for how quickly they should return items to the Lost and Found area, leaving that to employee discretion.

Since we initiated our audit, the company began implementing new processes in Philadelphia and Chicago to safeguard items that employees find in the yards or on trains and transport them to a Lost and Found area. Specifically, in Philadelphia, the company is implementing a chain-of-custody log to track lost items as employees transfer them from the yard to the Lost and Found area in the station. In Chicago, the company designated a locked shed in the yard where maintenance employees can store items they find, and Lost and Found employees can retrieve them. It is too early to tell if these new processes will prove effective, but, if successful, the company may want to consider

⁴ We asked this question of 14 station managers and Lost and Found clerks. Of those, four answered “Not Applicable” because they did not have a maintenance yard attached to their station.

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similar options at other high-volume stations to help increase the number of items the company safely returns to customers.

Considerations for Management

Based on our observations, the Executive Vice President / Chief Operations Officer, may want to consider taking the following actions:

- Have station managers conduct onsite monitoring, such as performing regular inventory checks or random spot checks and ensuring that employees are entering accurate data about items into Chargerback. The company may want to increase onsite monitoring as appropriate based on the relative level of risk at a given station.
- Confirm that Chargerback users are fully trained on their duties, such as Lost and Found clerks inputting accurate and timely data into the system and recording the return or disposal of lost items.
- Request Station Services, or another relevant office, to resume generating and distributing Chargerback reports to station management so they can monitor program performance for their individual stations.
- Provide guidance on how employees should safeguard items found on trains and in yards, and how quickly they should transfer them to the Lost and Found area. The company may want to adjust these standards based on the relative level of risk at a given maintenance yard and the unique operational circumstances at each yard, such as those that are long distances from stations.

In commenting on a draft of this report, the Executive Vice President / Chief Operations Officer noted the importance of our observations and agreed with all four of our considerations for management. He then described the company's plans to address each of them, along with expected completion dates. Planned company actions include implementing more robust on-site monitoring by District Managers and Station Managers, ensuring relevant employees and new hires are properly trained on Chargerback and Lost and Found policies and procedures, and ensuring Chargerback reporting is consistently distributed and monitored. In addition, the company agreed to develop standard operating procedures on how to secure Lost and Found items in Mechanical facilities and transfer them to station management personnel.

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APPENDIX A

Objective, Scope, and Methodology

This report provides the results of our audit of the company's Lost and Found program. Our objective was to identify the internal control weaknesses that allowed a potential identity theft crime to occur in Chicago and to assess the company's processes for overseeing and safeguarding items at selected stations. Our scope focused on Lost and Found processes from January 2020 through March 2021.

To assess Lost and Found processes, we visited three of the six largest stations with Lost and Found areas (Chicago, Philadelphia, and Washington, DC). During our site visits, we conducted interviews with Lost and Found employees and station managers who oversee the program at each station, using a structured data collection instrument. We also verified the accuracy of items reported in the Chargerback inventory by conducting physical inventory checks. We conducted phone interviews at four medium and smaller stations (Emeryville, California; Lorton, Virginia; Kansas City, Missouri; and Greensboro, North Carolina) using a semi-structured data collection instrument, speaking to Lost and Found employees and station managers who oversee the program at each station. We selected the larger stations based on reported ridership levels; the number of lost item reports in Chargerback; those that serve as terminal points for long-distance, state supported, and Northeast Corridor service; and those with large maintenance yards. We selected the medium and smaller stations to reflect a range of the number of lost item reports processed at each station in a variety of geographical locations across a range of divisions in the Transportation department.

We also interviewed 13 senior officials in the Customer Service, Onboard Services, Transportation, and Mechanical departments, using a structured data collection instrument to obtain their perspectives on the Lost and Found program. We are only reporting on observations made at the stations we visited or talked to. Additionally, we reviewed and analyzed data from Chargerback® a third-party software system the company purchased and implemented in 2018 to digitize the management and tracking of its Lost and Found inventory.

We performed our audit work from December 2020 through July 2021. We conducted our work in accordance with standards we developed for alternative products

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Computer-processed Data

To assess the accuracy of Chargerback data and understand Chargerback's reporting capabilities, we interviewed Amtrak officials and Chargerback representatives. We then used Chargerback's "Enhanced All Items" report to analyze the number of "lost" reports from January 1, 2020, through March 15, 2021. To ensure that this report was reasonably complete, we reconciled the total lost reports with Chargerback's "Success and Effectiveness" report for the same period. We discussed the differences between the two reports with personnel from Chargerback and ultimately identified only immaterial differences, which did not affect the overall accuracy of the data. We used Chargerback's reporting tool to identify inventory levels for the stations we visited. We then compared the data on the reports to the actual inventory at the stations we visited.

We concluded that the Chargerback data were reliable for the purposes used during the audit, such as for station selection criteria and Lost and Found inventory checks.

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APPENDIX B

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OIG MISSION AND CONTACT INFORMATION

Mission

The Amtrak OIG's mission is to provide independent, objective oversight of Amtrak's programs and operations through audits and investigations focused on recommending improvements to Amtrak's economy, efficiency, and effectiveness; preventing and detecting fraud, waste, and abuse; and providing Congress, Amtrak management and Amtrak's Board of Directors with timely information about problems and deficiencies relating to Amtrak's programs and operations.

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