STATE OF NEW YORK
OFFICE OF THE STATE INSPECTOR GENERAL

Final Report
October 26, 2009

OGS WILL TIGHTEN SECURITY FOR RECYCLING PROGRAM

SUMMARY OF FINDINGS/RECOMMENDATIONS

The New York State Inspector General found that the New York State Office of General Services (OGS) lacks adequate control over its scrap-metal stock piles in Albany. Due to the dearth of controls and the absence of any inventory, the Inspector General could not ascertain whether a current and a former OGS employee had misappropriated recyclable precious metals from OGS facilities and sold them to scrap dealers as alleged. The Inspector General recommends that OGS strengthen oversight of its scrap metal recycling program.

ALLEGATION

The Inspector General received a complaint from an OGS supervisor, reporting that he had received a telephone call from someone who stated that he overheard an OGS employee bragging in a bar that he sold copper stolen from the state. In addition, the Inspector General received a complaint that a former OGS employee had misappropriated precious metals from OGS recycling operations and sold the metal to local scrap dealers.

SUMMARY OF INVESTIGATION

OGS's Capital Region Recycling Program

OGS is the agency primarily responsible for New York State government's vast recycling operations. Through its "3R's Program" ("Reduce It! Reuse It! Recycle It!"), OGS recycles a wide variety of materials: used equipment, paper, batteries, motor oil, plastics, ferrous (iron-based) metals, and non-ferrous metals including precious metals.

Precious metals, most often copper and bronze, are generated as scrap through construction, maintenance and repair projects conducted by OGS. Copper, in particular, is in high demand for residential construction and the automotive industry. In recent years, the value of copper has skyrocketed, exceeding $4 per pound in the summer of 2008.

The value of scrap metal is difficult to quantify without a scale due to its non-uniform nature and often damaged condition. It is sold by weight and type of metal.

During fiscal year 2007-2008 (April 1, 2007 to March 31, 2008), the OGS 3R's Program received more than $50,000 from scrap dealers for recycled metals. Of that amount, more than $13,000 was from the sale of scrap precious metals. For fiscal year 2008-2009, the 3R's Program received nearly $70,000 from metal recycling, of which about $23,000 was for precious metals.

The official recycling operations locations in the Capital Region are the P1 parking area at the Empire State Plaza (Plaza) and Building 18 at the Harriman State Office Campus (Harriman Campus) in Albany.

The Inspector General interviewed OGS Recycling Program Coordinator Richard Wall, Plaza Operations Director Thomas Casey, and Assistant Recycling Coordinator Lucia Mahler regarding the process by which OGS stores and recycles metals in Albany. According to these OGS officials, at the Plaza, recyclable metals are placed in bins and precious metals are kept in a locked room in the P1 parking area. Innumerable state and non-state personnel have access to the area. At the Harriman Campus, recyclable metals are placed in bins and precious metals are stored in separate locked bins within a locked fenced area behind Building 18. At both locations, when a bin is filled, it is taken by OGS personnel in OGS vehicles to scrap metal yards for sale. Precious metals are transported to Capital Scrap Metal Co. at the Port of Albany and weighed only at the recycling facility at the time of sale. Consequently, OGS was completely unable to provide the Inspector General with the amount of scrap metals, if any, that may have been pilfered from its facilities prior to transport to the recycling location.

The Inspector General examined OGS inventory controls over new construction materials and tools and compared such to any existing controls over valuable recyclables. While OGS maintains paper and computer records of inventory and requires employees to account for use of materials, OGS has no controls whatsoever in place for recyclable metals. Indeed, OGS has no policy or formal procedure for the handling of scrap metal of any type: no materials are catalogued, weighed or documented; no report is created documenting the amount of recyclables on hand or whether the supply is increasing or decreasing; the source of the recyclable material is undocumented; and, materials are sometimes dropped on the docks by unknown individuals from unknown origins.

The only ostensible safeguard maintained over the valuable recyclable precious metals at either the Plaza or the Harriman Campus is a lock and key (or keypad), but the use of the lock is, at best, sporadic. When interviewed, neither Wall at the Harriman Campus[1] nor Casey at the Plaza could advise whether access to precious metals was limited during the 7 a.m. to 3 p.m. or 3 p.m. to 11 p.m. work shifts. While both claimed that the area should be locked when no workers were present, the Inspector General observed the recyclable area at the Plaza during work hours and the precious metals room remained unlocked when no workers were in sight. Wall admitted that not only non-3R's

[1] While Wall's offices are located at the Harriman Campus, his responsibilities include supervision of the recycling activities at both the Plaza and the Harriman Campus. Casey is several levels of management above Wall; his offices are located at the Plaza.

employees but also non-OGS employees could obtain access to the recyclable materials at either location.

Investigation of Alleged Theft of Precious Scrap Metal

As noted, the Inspector General received allegations that a current OGS employee and a former OGS employee had each misappropriated precious scrap metal and sold it to scrap dealers. Scrap metal dealers are required by law to record the names of all individuals or entities which sell scrap metals to them.[2] The Inspector General visited a number of scrap dealers in the Capital Region, where both men live and work, to determine if either individual had sold scrap metal. Records revealed that the former employee sold aluminum, copper radiator components, and copper motors to Capital Scrap Metal Co. on three occasions in April 2008, receiving a total of $126.70. The former employee also sold copper wire to R. Freedman & Sons on February 2, 2008 for $108.65. The origins of the material sold by the former employee are unknown. The Inspector General's efforts to contact this individual proved fruitless.

An examination of records of the scrap dealers visited by the Inspector General reveals that the current OGS employee had not sold any scrap metal. However, the records did indicate that the employee's brother made 13 separate sales of recyclable copper or brass to Capital Scrap Metal Co. in 2008 totaling $2,872. When interviewed by the Inspector General, the OGS employee maintained that occasionally he obtains scrap metal from odd jobs he performs outside of his OGS employment and takes the metal to T A Predel & Co. Inc. in Schenectady for sale. However, T A Predel & Co has no record of such sales. Further, the OGS employee, who has worked for the agency for 30 years at the Plaza, including 11 years as a laborer and the last 20 years as a maintenance assistant, claimed that he did not know where the Plaza recyclables are stored. Asked about his brother's sales at Capital Scrap Metal Co., the OGS employee became defensive and advised the Inspector General that he and his brother rarely speak, and that his brother is employed as a maintenance worker at a local private business complex. The OGS employee suggested that his brother could be taking metal from his workplace and selling it. The source of the materials sold by the brother could not be ascertained.

The Inspector General also provided local scrap metal dealers the names of current OGS employees who, according to OGS, have been afforded official access to recyclables at the Harriman campus or the Empire State Plaza. The dealer records reveal that two of the employees made private sales of scrap metals, both totaling less than $50.

FINDINGS AND RECOMMENDATIONS

The Inspector General found that OGS failed to secure in a reasonable manner or have any meaningful inventory controls over its valuable recyclable materials. Therefore, the Inspector General is unable to determine with any certainty whether precious metals have been stolen from OGS property. In addition to investigating

[2] New York State General Business Law § 69-g.

allegations of criminal activity, corruption and abuse, the Inspector General has the responsibility to examine the policies and procedures of state agencies, such as OGS, regarding the prevention of criminal activity, corruption and abuse. The Inspector General found that OGS's controls over its recyclable scrap metal to be wanting and recommended that OGS institute a policy and procedure of internal controls over precious metals and/or scrap metals including the following measures:

(1) Locking the precious metal holding areas at all times.
(2) Limiting access to the precious metal holding areas to authorized OGS staff.
(3) Maintaining a log of ingress and egress for the precious metal holding areas.
(4) Reasonably assessing and documenting the approximate quantity of materials to be recycled, so that a comparison can be made with the amount recycled at the scrap yard.

Response of the Office of General Services to the Inspector General's Findings

By letter dated October 23, 2009, the Office of General Services advised the Inspector General that it has taken steps to better secure scrap precious metals, including installation of an electronic swipe card system at the Plaza site. After review, OGS stated it was satisfied with current security measures at the Harriman location. Additionally, OGS stated it will institute a tracking program for all recyclable metals that will include weighing of such metals prior to secure storage.