



Department of Energy
Washington, DC 20585

August 17, 2011

MEMORANDUM FOR THE SECRETARY

A handwritten signature in cursive script, appearing to read "Greg Friedman".

FROM: Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Impact of Copper Thefts on the Department of Energy (OIG Case No.: I11IG002)

A series of news articles during the last several months have reported increased thefts of copper nationally, including several that have interrupted electrical distribution and telephone service in communities across the country. These thefts have also adversely impacted new construction projects, irrigation systems and other infrastructure projects. In fact, the Federal Bureau of Investigation reported in an unclassified intelligence assessment that copper thefts threaten the critical infrastructure of the United States. Further, an October 2010 report by the Department of Energy's Office of Electricity Delivery and Energy Reliability entitled, "An Updated Assessment of Copper Wire Thefts from Electric Utilities," revealed that U.S.-based utility companies suffer several million dollars worth of copper thefts yearly.

The Department's laboratories, environmental remediation sites, generating stations and other facilities have not been immune to this problem. Over the last few years, the Office of Inspector General has successfully investigated numerous reports of copper thefts from Department sites nationwide. These investigations involved quantities of copper ranging from relatively small amounts to tens of thousands of pounds. Not surprisingly, the extraordinary increase in the value of copper, nearly 50 percent in the last five years, has made it an exceptionally attractive target.

Investigative Trends

We have recently seen a troubling increase in the number of cases involving the theft of copper from Departmental facilities. Although some of the reported thefts occurred at isolated Power Marketing Administration utility substations, a significant number have also taken place at Department operating facilities and environmental management sites. In some cases, the thefts were perpetrated by individuals with no affiliation to the Department. We have found that, in many instances, the copper had not been secured in any way and that at some facilities only minimal access controls were in place where copper was stored.

Examples of Office of Inspector General investigations in the copper theft arena include the following:

- In New Mexico, one investigation found that up to 30,000 pounds of copper were stolen by Department contractor employees working at the Los Alamos National Laboratory's (LANL) Manufacturing Recycling Facility (MRF). The MRF is a fenced facility that is locked after hours and has access controls in place. Four individuals were convicted. In another investigation at LANL, a former contractor employee was found to be stealing spools of copper wire from a secure storage area after his employment was terminated. The person, who was subsequently convicted, had gained access to the site to commit the thefts by using an access badge he failed to turn in when his employment was terminated.
- In Texas, we found that hundreds of pounds of copper were stolen by multiple contractor employees from the Pantex Plant. This copper was scheduled to be recycled and was stored at a generally secured location. However, the gate to the actual storage site was unsecured because other contractor employees were performing work in the area. The investigation resulted in two convictions.
- In Colorado, we have an ongoing copper theft investigation. The subjects, who have been arrested, had no affiliation with the Department. They were involved in multiple thefts of copper at an isolated Power Marketing Administration power substation. The Department lost about \$50,000 in the value of the stolen copper and damage to Department property during the theft itself.
- In Washington, we are part of an ongoing multi-agency investigation concerning a metal recycling company purchasing stolen Government property, often copper. This investigation has, to date, resulted in multiple convictions.
- In Oregon, a Department contractor security guard admitted to stealing approximately \$3,000 worth of copper from a Department building undergoing demolition. The guard, who was convicted, was in possession of methamphetamine at the time he was questioned about the theft.
- In Tennessee, multiple subjects with no Department affiliation cut down telecommunication lines located at the Oak Ridge Reservation. The lines were cut, rolled up and hauled away so the insulation could be removed, exposing the raw copper, which could then be sold. A second investigation at Oak Ridge revealed a contractor employee, who has been arrested, stole approximately 1,400 pounds of copper from a Department demolition project.

Challenge

As long as the price of recycled copper remains high, the Department's operations will be vulnerable to continued theft attempts. Nonetheless, securing hanging power lines, remote substations and materials meant for recycling from individuals intent on stealing copper is a significant challenge, raising legitimate cost/benefit concerns. However, we believe that there are practical, cost-effective steps that the Department can take to manage the risk posed by those attempting to pilfer copper inventory. These include:

- (1) Sensitize the Federal and contractor workforce to the copper theft problem to ensure that: (i) reasonable theft preventive steps are in place and are operating as intended; and, (ii) apparent thefts are reported to authorities promptly;
- (2) Where areas of high vulnerability have been identified, encourage the implementation of enhanced inventory and access controls, and related safeguards, to minimize the opportunity for copper theft; and,
- (3) Work with local and regional law enforcement to ensure that Department and contractor managers are aware of localized threats to copper inventories and that there is an effective level of communication between the parties to maximize crime prevention efforts.

The Office of Inspector General will continue its work in this area. We look forward to sharing additional information in the future in an effort to work with management in addressing these issues.

Please let me know if there are any questions.