



STATE OF NORTH CAROLINA  
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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April 17, 2006

Mr. Richard H. Moore, State Treasurer  
North Carolina Department of State Treasurer  
325 N. Salisbury Street  
Raleigh, North Carolina 27603-1385

Dear Treasurer Moore:

We received an allegation through the State Auditor's Hotline that the former Chief Deputy of the Department of State Treasurer (Department) used state resources for political purposes.

We have completed a special review of this allegation. The following findings and recommendations are based on our examination of relevant documentation including computer records, applicable statutes and agency policies, and interviews with current and former Department employees.

**Use of State Resources for Political Activities**

We determined the former Chief Deputy used the Department's computer resources to maintain and process documents related to political activities. Analysis of a segment of the Department's computer network specifically assigned to the former Chief Deputy revealed more than 450 files related to campaign activities. The files included mailings for fundraising events, campaign contribution mailing lists, campaign event invitations and response cards, thank you letters for contributions, contribution spreadsheets, operations outlines, voting precinct data, campaign event schedules, and letters to the media.

The former Chief Deputy said he conducted all campaign-related activities outside of his state employment and on a computer provided by the campaign. He offered the following explanation for the presence of campaign-related material on the Department's computer network. He said on occasion he would transfer documents he created on the campaign computer to his Department computer. The former Chief Deputy explained that he put certain political files on his Department computer so he would have ready access to them. He said he only did this for documents he believed were relevant to both the campaign and his position as Chief Deputy.

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The former Chief Deputy suggested the files may have been “backed up” onto the Department’s file server from his computer overnight without his knowledge. However, the Department’s Chief Information Officer explained that files from employee computers are not backed up onto the Department’s file server.

The Chief Deputy for the State Treasurer is an exempt position, and therefore not subject to most parts of the State Personnel Act including the provisions set forth in North Carolina General Statute 126-13. Still, in our opinion, the existence of hundreds of political documents on the Department’s computer system suggests that state resources were used for political activity.

**§ 126-13. Appropriate political activity of State employees defined.**

(a) As an individual, each State employee retains all the rights and obligations of citizenship provided in the Constitution and laws of the State of North Carolina and the Constitution and laws of the United States of America; however, no State employee subject to the Personnel Act or temporary State employee shall:

- (1) Take any active part in managing a campaign, or campaign for political office or otherwise engage in political activity while on duty or within any period of time during which he is expected to perform services for which he receives compensation from the State;
- (2) Otherwise use the authority of his position, or utilize State funds, supplies or vehicles to secure support for or oppose any candidate, party, or issue in an election involving candidates for office or party nominations, or affect the results thereof.

(b) No head of any State department, agency, or institution or other State employee exercising supervisory authority shall make, issue, or enforce any rule or policy the effect of which is to interfere with the right of any State employee as an individual to engage in political activity while not on duty or at times during which he is not performing services for which he receives compensation from the State. A State employee who is or may be expected to perform his duties on a twenty-four hour per day basis shall not be prevented from engaging in political activity except during regularly scheduled working hours or at other times when he is actually performing the duties of his office. The willful violation of this subdivision shall be a Class 1 misdemeanor. (1967, c. 821, s. 1; 1985, c. 469, s. 1, c. 617, s. 5; 1993, c. 539, s. 930; 1994, Ex. Sess., c. 24, s. 14(c).)

Although the former Chief Deputy was not subject to the above provisions of the State Personnel Act, the use of the Department’s computer system to maintain political files was an inappropriate use of state resources.

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**Recommendation**

Department management should create and implement an internal policy prohibiting the use of state resources for political activities by employees in order to avoid even the appearance of impropriety. Management should periodically reiterate appropriate use of Department resources, including computer resources, to all exempt and non-exempt employees particularly as it relates to political activity or other personal use.

Please provide your written response to these findings and recommendations, including corrective actions taken or planned, by April 24, 2006. In accordance with General Statute § 147-64.6(c) (12), the Governor, the Attorney General and other appropriate officials will receive a copy of this management letter. If you have any questions or wish to discuss this matter further, please contact us. We appreciate the cooperation received from employees of the Department of State Treasurer.

Sincerely,



Leslie W. Merritt Jr., CPA, CFP  
State Auditor

**Management letters and responses receive the same distribution as audit reports.**



RICHARD H. MOORE  
STATE TREASURER

## North Carolina Department of State Treasurer

325 NORTH SALISBURY STREET  
RALEIGH, NORTH CAROLINA 27603-1385

April 24, 2006

The Honorable Leslie W. Merritt, Jr.  
State Auditor of North Carolina  
20601 Mail Service Center  
Raleigh, NC 27699-0601

***Via hand delivery***

Dear Auditor Merritt:

The Department of the State Treasurer is disappointed that an employee of the Department used a state computer for personal use. That employee no longer works for the Department. The Department has a policy against personal use of state computers (North Carolina Department of State Treasurer Internal Operating Standards Policy 172-01) and will continue to educate employees on the proper use of state resources.

Sincerely,

A handwritten signature in cursive script that reads "Richard H. Moore".

Richard H. Moore.

RHM/sls