



STATE OF NORTH CAROLINA  
Office of the State Auditor

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

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June 12, 2006

Ms. Carmen Hooker Odom, Secretary  
North Carolina Department of Health and Human Services  
Adams Building  
101 Blair Drive  
Raleigh, North Carolina 27699-2001

Dear Secretary Odom:

We received an allegation through the State Auditor's Hotline concerning a conflict of interest related to secondary employment within the Physical Activity and Nutrition Branch of the Division of Public Health Division. Allegedly, a Branch Head within the Division operated a business related to the same program areas administered through her state position. In addition, the employee allegedly provided consulting services for a program the Division developed. The following findings and recommendations are based on our investigation of this matter.

**Substantiation of Allegation**

The Branch Head acknowledged that she created a business to provide consulting services to groups outside state government and North Carolina. The Branch Head indicated that since 2001, she provided consulting services through her business on five occasions. The Branch Head provided instruction to customers outside of North Carolina, on the materials the Branch is responsible for initiating within North Carolina. The Branch Head indicated that on those occasions, vacation time was taken and upper management was aware of the purpose for the time taken. However, a secondary employment form was neither completed nor approved by management prior to performing these services.

**Department of Health and Human Services (DHHS) Policies and Procedures**

Section V of the DHHS Policy and Procedures Manual states that;

*"It is the policy of DHHS that any full-time or permanent part-time employee must have prior approval from his/her respective division/institution director before engaging in any secondary employment. Secondary employment requests shall be initially reviewed by the division/institution director and reviewed at least annually thereafter by the division/institution director or designee. The review of the secondary employment request is to ensure that secondary employment does not create a direct or indirect conflict of interest with Department employment and does not adversely affect or impair the employee's judgment and ability to perform assigned duties and responsibilities in a satisfactory manner..... For the purposes of this policy, secondary*

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*employment is defined as any activity involving the production or sale of goods, the provision of services, the performance of intellectual or creative work for pay in either an employer/employee relationship or in a self-employment capacity such as an independent contractor.”*

The Human Resources Manager reinforced this policy for the Division on December 9, 2005 in an e-mail sent to all section chiefs. The e-mail reminded all section chiefs about the importance of properly filing these documents as well as issues addressing conflicts of interest.

### **Recommendations**

The Branch Head should submit a secondary employment form for management approval. We also recommend that management reinforce the requirement to have secondary employment forms completed and updated each year for employees that participate in outside employment. Updating these forms, at least annually, will ensure compliance with the above policy.

Please provide your written response to these findings and recommendations, including corrective actions taken or planned, by June 27, 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 the employees of the Department of Health and Human Services.

Sincerely,



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

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



**North Carolina Department of Health and Human Services**

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Michael F. Easley, Governor

Carmen Hooker Odom, Secretary

June 26, 2006

Mr. Leslie W. Merritt, Jr., CPA, CFP  
State Auditor  
2 South Salisbury Street  
Raleigh, North Carolina 27699-7500

Dear State Auditor Merritt:

In response to your findings with regard to an allegation to the State Auditor's Hotline concerning a conflict of interest related to secondary employment (within the Physical Activities and Nutrition Branch), corrective action has been taken. The Branch Head has submitted a Secondary Employment Form which has subsequently been reviewed and approved by management. Under this particular circumstance, the Branch Head will initiate a Secondary Employment Form for review and approval on an occurrence-by-occurrence basis since her secondary employment is sporadic and involves different vendors requesting her services. The Secondary Employment Policy will continue to be reinforced along with a request for an updated form on an annual basis from all Division of Public Health employees.

We appreciate having the opportunity to provide information and take appropriate action to resolve this concern. Please contact Dan Stewart at 919-733-4534 or [Dan.Stewart@ncmail.net](mailto:Dan.Stewart@ncmail.net) if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Carmen Hooker Odom".

Carmen Hooker Odom