



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

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

September 6, 2006

Dr. James L. Oblinger, Chancellor  
North Carolina State University  
Campus Box 7001  
Raleigh, North Carolina 27695

Dear Dr. Oblinger:

We received allegations through the State Auditor's Hotline concerning the misuse of computers in North Carolina State University's Dining Department. The following findings and recommendations are based on our investigation of these allegations.

Examination of Computers

Our investigation determined that four software applications for on-line gaming had been installed on a computer in the Dining Department. Further analysis indicated an employee participated in on-line poker games using this computer.

Use of University Computer for Gambling

During an interview with the employee, he admitted using his University computer to participate in on-line poker games after work hours. Computer activity logs indicated the gambling activity occurred primarily in the early evening. Our analysis of the employee's computer also indicated the games were played for "real money." A representative of the gaming website confirmed the games involve real money.

In response to the concern about the exchange of money, the employee said the funds in his account came from the gaming website. The employee said he had been playing on a free poker website before entering a tournament. When he won the tournament, the employee said the gaming website credited his account with approximately \$90. The employee said he used the \$90 to enter other tournaments that required an initiation fee of \$15 to \$20, and eventually increased his account value to about \$200.

The employee's computer history indicated that his available funds ranged from \$662 to \$5,262. The employee said these amounts were chip counts and not actual dollars. Our review of the computer history revealed that chip counts and dollar amounts appear interchangeably throughout the gaming logs. The employee said his account balance is now zero after participating in several tournaments and losing everything.

Violation of University Policy and State Law

The University's *Computer Use Regulation* policy permits personal use of computer resources with specific restrictions.

*Section II – Regulatory Limitations*

2.2 *Use of University computing systems and networks must comply with federal and state law.*

*Section III – Personal Use*

3.2 *The use does not result in commercial gain or private profit, (other than allowable under University intellectual property policies).*

North Carolina General Statute 14-292 prohibits gambling in North Carolina with specific exceptions.

§ 14-292. Gambling.

Except as provided in Chapter 18C of the General Statutes or in Part 2 of this Article, any person or organization that operates any game of chance or any person who plays at or bets on any game of chance at which any money, property or other thing of value is bet, whether the same be in stake or not, shall be guilty of a Class 2 misdemeanor. This section shall not apply to a person who plays at or bets on any lottery game being lawfully conducted in any state. (1891, c. 29; Rev., s. 3715; C.S., s. 4430; 1979, c. 893, s. 1; 1983, c. 896, s. 1; 1993, c. 539, s. 204; 1994, Ex. Sess., c. 24, s. 14(c); 2005-344, s. 3(e).)

Thus, the employee's use of a University computer to participate in on-line gambling appears to have violated the University's *Computer Use Regulation* policy as well as state law.

Recommendations

University management should take appropriate disciplinary action in accordance with the University's *Computer Use Regulation* policy. University management should ensure that all employees, faculty members and students are familiar with the University's *Computer Use Regulation* policy and the consequences of noncompliance.

Please provide your written response to these findings and recommendations, including corrective actions taken or planned, by September 20, 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 North Carolina State University during our review.

Sincerely,



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

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

**NC STATE UNIVERSITY**

919.515.2191 (phone)  
919.831.3545 (fax)

September 18, 2006

Mr. Leslie W. Merritt, Jr., CPA, CFP  
State Auditor  
2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Dear Mr. Merritt:

Attached please find our response to your draft letter dated September 6, 2006 regarding allegations of the misuse of computers in NC State University's Dining Department. University Dining and our information technology management, along with our Director of Internal Audit, have reviewed the report and recommendations.

All issues identified in your letter have been addressed. Please contact me if you require additional information.

Sincerely,



James L. Oblinger  
Chancellor

Enclosure: Report response

cc: Ms. Mary Elizabeth Kurz, Vice Chancellor and General Counsel  
Mr. Charles Leffler, Vice Chancellor for Finance and Business  
Dr. Thomas Stafford, Vice Chancellor for Student Affairs  
Mr. Samuel Averitt, Vice Provost for Information Technology  
Mr. Steve Keto, Associate Vice Chancellor for Resource Management and Information Systems  
Mr. Art White, Associate Vice Chancellor, University Dining  
Mr. Randy Lait, Business Officer, University Dining  
Ms. Ericka F. Kranitz, Director of Internal Audit

**NC State University**  
**Response to the Management Letter of the Office of the State Auditor**  
**Dining Department**

**State Auditor Finding:**

Our investigation determined that four software applications for on-line gaming had been installed on a computer in the Dining Department. Further analysis indicated an employee participated in on-line poker games using this computer. Thus, the employee's use of a University computer to participate in on-line gambling appears to have violated the University's Computer Use Regulation policy as well as state law.

**State Auditor Recommendations:**

University management should take appropriate disciplinary action in accordance with the University's Computer Use Regulation policy. University management should ensure that all employees, faculty members and students are familiar with the University's Computer Use Regulation policy and understand the consequences of noncompliance.

**NC State Response:**

University Dining has reviewed the findings of the Office of the State Auditor regarding use of a University computer for gambling activity. The department will take the appropriate disciplinary action against the employee for violation of the University Computer Use Regulation. In addition, we will remind other employees of the Regulation and its importance.

Resource Management and Information Systems (RMIS) currently notifies its customers of the University's Computer Use Regulation through the Information Technology Services components of Human Resources new employee orientation and the University's QuickStart Business Practices Program. RMIS also sends out an annual electronic reminder regarding the Computer Use Regulation to its customers. The Computer Use Regulation is also referenced in the Information Security Acknowledgement Form that every employee must sign and have on file before access to administrative systems are granted.

The Information Technology Division (ITD) begins to inform NC State students about the University's Computer use policy, regulation, and associated security, privacy and computer ethics issues during the one-hour information technology presentations at New Student Orientation. ITD includes the Computer Use Regulation in its components of New Employee Orientation, the QuickStart University Business Practices Program and other faculty and staff training. All students living on campus that sign up for residential networking services (about

7,000 each year) must click through an agreement to abide by terms and conditions which include the Administrative Regulations for Computer Use. Education efforts continue throughout the year with "Responsible Computing" and other workshops and numerous online, CD and paper publications. For example, the award winning 12-page "Computing@NC State" newsletter highlights safe and responsible computer use. It is distributed to all students living on campus and to staff, faculty, and students through the University Help Desk, the NCSU Libraries, computing labs, and many college departments.