



State of North Carolina

Department of State Treasurer

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Memorandum # 1061

TO: Local Government Officials and Certified Public Accountants

FROM: Sharon Edmundson, Director, Fiscal Management

DATE: June 5, 2006

SUBJECT: Vendor Gifts

We have recently become aware of the giving of gifts by vendors to local government employees. The purpose of this memorandum is to clarify the statutory requirements in this area.

According to G.S. 133-32, it is unlawful for any contractor, subcontractor, or supplier who (1) has a contract with a governmental agency, (2) has performed under such a contract within the past year, or (3) anticipates bidding on such a contract in the future, to make gifts or to give favors to any officer or employee of a governmental agency who is charged with: (1) preparing plans, specifications, or estimates for public contracts; (2) awarding or administering contracts; or (3) inspecting or supervising construction. It also is unlawful for the officer or employee to accept any gift or favor.

G.S. 133-32 is not intended to prevent contractors, subcontractors, or suppliers from making donations to professional organizations, of which local governmental employees are members, to help with meeting expenses. The statute also is not intended to prevent governmental employees who are members of such professional organizations from participating in any meeting function that is available to all members of the professional organization.

Certain items are exempted from the statute, such as honorariums for participating in meetings, advertising items or souvenirs of nominal value, or meals furnished at banquets. Customary gifts or favors between employees or officers and their friends and relatives also are not subject to the statute. However, gifts and favors from friends and relatives who are covered contractors, subcontractors, or suppliers should be reported to agency heads. These gifts could include items such as gift cards, complementary event tickets, or other gifts of value from vendors.

Local governments should make sure their employees are aware of these statutory requirements. A discussion of this issue should be a part of the information provided to all new hires, and should be reviewed periodically with current employees. A discussion of this issue appears in the Purchasing section of the North Carolina State Treasurer's Policies manual (section 35).

It also is important for local governments to establish a good system of internal controls over their purchasing function to ensure that employees are not in violation of the statutes. Adequate separation of duties within the purchasing, receiving, and payables processes will help to eliminate the opportunity for employees to be influenced by vendors bearing gifts. A discussion of separation of duties can be found in the Policies Manual in the Purchasing section (section 35) and the Internal Controls (section 80), and in Memorandums # 568 and #569.