



State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

August 27, 2004

MEMORANDUM

TO: Chief Executive Officers
University Chancellors
Community College Presidents

FROM: Ms. Molly Corbett Broad, President, The University of North Carolina
Mr. H. Martin Lancaster, President, North Carolina Community Colleges System
Mr. David McCoy, State Budget Officer
Mr. Robert L. Powell, State Controller
Mr. Thomas H. Wright, State Personnel Director

SUBJECT: Payments and Compensation to Aliens Within State Government Entities

The Office of the State Controller has been leading a collaborative statewide initiative to review the State's current business practices associated with the processing and payment of employee wages, scholarships, fellowships and grants, payments to independent contractors, and other compensation made by a state entity to an alien (often referred to as a foreign national). Generally every person born or naturalized in the United States, and subject to its jurisdiction, is a citizen. All other individuals are referred to as "aliens" for immigration and taxation purposes and are classified as either "nonresident aliens" or "resident aliens."

Recognizing the existence of problems within the current environment, and understanding the State's vulnerability to the potential liabilities and other risk-related exposures, the Office of the State Controller initiated the formation of a work group, consisting of representatives from the University of North Carolina – General Administration, North Carolina Community Colleges System, North Carolina State University, Western Carolina University, Office of State Personnel, Office of State Budget and Management, and Office of the State Controller. The work group examined the related issues and, through a collaborative process, developed measures that should be followed by all state entities when paying or compensating an alien.

Although primarily focused on payments and compensation to aliens, the work group noted the integral relationship that exists between payments and compensation to aliens and the employment of aliens. The work group also recognized that there was limited resource availability within the State to help sort through the myriad of federal regulations associated with employing and paying aliens. Penalties (both financial and programmatic) imposed for non-compliance of these regulatory requirements may be significant.

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The Office of the State Controller brought these concerns to the attention of the executive and legislative leadership and sought support for additional resources within the central management agencies to advise state entities on immigration and related taxation matters, provide statewide training, and to purchase an enterprise software solution which would be used to assist state entities in monitoring the residency status of aliens and for complying with the complex tax rules that apply to payments made to aliens. The General Assembly authorized funds in the Appropriations Bill to the Office of the State Controller for the purchase of an enterprise software solution, and to the Office of State Personnel for model training and a contract position to ensure compliance with federal laws. The University of North Carolina and the North Carolina Community Colleges System were directed to also take appropriate measures, with their existing funds, to ensure compliance with applicable federal laws.

The next steps of this initiative will be to provide training to all state agencies on the attached policy and procedures authored by the work group and adopted by the Office of the State Controller, as well as for the selected enterprise software solution. This statewide training will be held at North Carolina State University's McKimmon Center on October 12, 2004. The details of the training aspect of this initiative are in the process of being developed. You will be receiving additional information regarding the training aspect of this initiative very soon.

We believe that the work group did an excellent job identifying the issues and making recommendations for improvement to the current business practices. We support and commend the work group's efforts on this initiative and trust that you will take the necessary measures within your organization to ensure compliance with the attached policy and procedures issued by the Office of the State Controller, as well as all other applicable federal and state regulations regarding employment of or payments/compensation to aliens.

cc: Chief Fiscal Officers
Vice Chancellors
Business Managers
Human Resources Directors
Chief Information Officers
Fiscal Research