



# State of North Carolina

## Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

July 5, 2007

### **MEMORANDUM**

**TO:** Agency HR Directors and Payroll Officers

**FROM:** Robert L. Powell, State Controller 

**SUBJECT:** Mandatory Direct Deposit Policy

Effective July 1, 2007, the Office of the State Controller (OSC) will require all state employees paid through the Central Payroll System to be paid by direct deposit, unless exempted by the State Controller. Attached is the policy pertaining to mandatory direct deposit, and related documents. Note that there are two categories of employees, those employed prior to August 1, and those employed on or after August 1. All direct deposit enrollments/transactions for affected employees must be in place by October 1, 2007.

There are currently certain cycles for which OSC has granted a "business exemption" to the direct deposit requirement, as direct deposit is not currently available to employees paid under the following Central Payroll cycles:

- H – Cancellation / Refunds
- J – Supplemental
- Q – Specials (Flat Tax Rate)
- S – Rewrite / Special
- Y – National Guard (May be offered Direct Deposit in the near future)

Should your agency have any employees who are not currently enrolled in direct deposit, you should ensure that they are enrolled in direct deposit prior to August 28, 2007. Enrollment prior to this date is necessary to accommodate the direct deposit notification schedule. Each agency should specify the cut-off times for your employees to complete and submit the enrollment forms to you, prior to August 28, 2007.

All employees employed on or after August 1, 2007 should be provided the "Direct Deposit Notification" form to be signed. Since the North Carolina Wage and Hour Law and related Administrative Code allows an employer to require direct deposit as a condition of employment, this form provides the agency with a mechanism to ensure that newly hired and re-hired employees are advised of this condition. The notification form is to be retained by the agency.

MAILING ADDRESS  
1410 Mail Service Center  
Raleigh, NC 27699-1410

Telephone: (919) 981-5454  
Fax Number: (919) 981-5567  
State Courier: 56-50-10  
Website: www.ncosc.net

LOCATION  
3512 Bush Street  
Raleigh, NC

Employees employed prior to August 1, 2007 are not required to sign this notification form, even though they are subject to the new policy.

If an employee is unable to secure an account at an eligible financial institution, or if he or she believes enrollment in direct deposit will result in extreme hardship, the employee may request an exemption using the exemption request form (see enclosures). **Exemptions will only be granted at the discretion of the State Controller based on the evidence provided by the employee.** Personal preference is not considered a hardship. If any employee desires to submit a "Direct Deposit Exemption Request Form," it should be submitted to OSC within 30 days of hire or re-hire. Existing employees should submit requests as soon as possible, but no later than August 28, 2007. OSC will respond to each submitted exemption request within 15 work days of receipt.

Please note that beginning October 1, 2007, all paper checks will be mailed directly to employees from OSC instead of being delivered to the agency for distribution. **Checks will be mailed by OSC on payday.** It is therefore important that all employees' mailing addresses be entered into the payroll system correctly. The mailing of paper checks on payday will apply to both types of exemptions (business and personal). There may be certain cases where a check issued for a business exemption reason may be delivered to the agency for distribution.

Your assistance is requested in implementing this policy. Implementation will vary from agency to agency, depending upon the nature of the employees and the number of current employees receiving a paper check. We suggest that you devise a plan to educate the affected employees on the advantages of direct deposit, not only for the employee but for the State.

Enclosed are packets for each of your employees who are currently being paid by paper check. Please distribute the packets, which contain a notification memo, the policy and enrollment form, to the affected employees. You should also provide a packet to any employees that may be hired during the transition month of July. The packet materials are also available at OSC's Website - [http://www.ncosc.net/sigdocs/sig\\_docs/payroll/Payroll\\_Forms.html](http://www.ncosc.net/sigdocs/sig_docs/payroll/Payroll_Forms.html).

The North Carolina Department of Labor's position on direct deposit may be viewed at the following site: <http://www.nclabor.com/wh/fact%20sheets/dirdep.htm> .

Questions concerning this policy may be addressed to John Morgan, telephone (919) 871-6480, email [john.morgan@ncosc.net](mailto:john.morgan@ncosc.net); or Edith Cannady, telephone (919) 981-5422, email [edith.cannady@ncosc.net](mailto:edith.cannady@ncosc.net).

Thank you for your assistance with this process.

Enclosures