

Frequently Asked Questions (FAQs) Pertaining to Direct Deposit North Carolina Office of the State Controller

General Questions

Q: What is Direct Deposit?

A: Direct Deposit is an electronic payment method the State uses to pay all state employees employed by an agency serviced by a payroll system administered by the Office of the State Controller, by having their net pay (pay after taxes and other deductions) deposited directly into a bank or other financial institution of their choice.

Q: How does Direct Deposit Work?

A: On payday, your net pay is deposited directly into your account by electronic fund transfer based on information provided by you when you enroll. Funds are deposited directly to your checking or savings account.

Q: Why does the State provide Direct Deposit?

A: The State provides this service to employees because it is safe, fast, and convenient. Not only is it a valuable employee benefit, but it provides tremendous cost savings to the State. The cost of an electronic transaction is a fraction of the cost of issuing a paper check.

Q: What are some of the advantages of utilizing Direct Deposit instead of paper check?

A: Safety and convenience are big factors, as the pay is deposited directly to your account in a timely manner, even if you are absent from work on payday. You do not have to take time to go to the bank and wait in line to deposit your check. You no longer have to deal with the potential of a lost or stolen paper check, and associated stop payment. Withdrawals of your pay can normally be made at ATMs and check cashing fees are avoided.

Q: How reliable is Direct Deposit?

A: The State has been providing Direct Deposit to its employees since 1979. Over 90% of the employees paid through the Central Payroll System who are eligible for the service have enrolled in direct deposit and are benefiting from the service. Over the nearly 30 years of operation, there have been very few problems experienced with Direct Deposit.

Q: When can I withdraw money from payments deposited to my account using Direct Deposit?

A: Most financial institutions make the funds available for withdrawal when it opens for business on payday. Some institutions even make the funds available for withdrawal from an ATM earlier than the opening of the banking day.

Q: Do I have to use a particular financial institution for Direct Deposit?

A: No. You may use any financial institution in the United States that is a member of the ACH Network. Eligible institutions include banks, credit unions, and savings banks. Currently you can only designate a single "checking" or "savings" account. With the implementation of the new BEACON payroll system in 2008, employees will be allowed to choose multiple accounts.

Q: What if I do not have a bank account?

A: If you do not have a checking or savings account, go to several financial institutions and select the banking arrangement that is best for you in terms of convenience, safety, service, interest on your deposits, and cost of service. Many financial institutions now offer either a free or an economy type banking account to employees who receive their pay by Direct Deposit.

Q: How do I sign up for Direct Deposit?

A: To sign up for Direct Deposit, your Human Resources or Payroll Office will provide you with the appropriate Direct Deposit Enrollment Form. Fill the form out completely and provide it to your Human Resources or Payroll Office. The form may be downloaded from the State Controller's Website – <http://www.ncosc.net> .

Q: When is Direct Deposit effective after I enroll?

A: The first payment made by Direct Deposit will depend upon when the enrollment form is completed and submitted, and how often you are paid. Upon enrollment, the State initiates a test transaction, called a “pre-notification.” This test transaction ensures that the bank account information provided on and keyed from your enrollment form are valid numbers. If the test transaction is successful, your next scheduled pay will be by Direct Deposit.

Q: As a new enrollee, how will my first payment be made?

A: As a new enrollee, the first payment may be made by paper check, depending upon when you enroll, and depending upon how often you are paid. This is due to the need for a test transaction to be initiated before a Direct Deposit transaction can be made. In cases where you are paid at the end of the month, and you enroll early enough in the month, your first payment may be by Direct Deposit.

Q: What if I want to make a change in financial institutions?

A: To make a change, file a new authorization form available from your Human Resources or Payroll Office. If you want to change the bank and/or account to which your net salary is deposited, check the “Change” block and enter the new information. This must be completed even if you are remaining with the same financial institution but changing account numbers. Making a change will result in a new test transaction having to be performed. The Direct Deposit to your old bank account may continue until the change is effected. In the interim you may receive a paper check. Be sure to keep your old account open until you receive a Direct Deposit into your new account.

Q: I don’t want the joint owner of my checking account to know how much money I make. How can I participate in Direct Deposit?

A: The best way to keep transactions confidential from a joint owner is to open another single account. With the implementation of the new BEACON payroll system in 2008, employees will be allowed to choose multiple accounts.

Q: How does Direct Deposit affect my current payroll deduction?

A: Direct Deposit does not affect your current payroll deductions at all.

Q: Where can I learn more about Direct Deposit?

A: A good external resource on Direct Deposit is found at the Electronic Payments Association’s site: <http://www.electronicpayments.org/individuals/in.direct-deposit.php>

Questions About OSC’s Mandatory Direct Deposit Policy

Q: Is Direct Deposit a requirement of the State?

A: Effective July 1, 2007, the Office of the State Controller established a policy requiring all state employees paid through a payroll system administered by the State Controller, unless exempted by the State Controller, to be paid by Direct Deposit. The policy may be viewed at the State Controller’s Website – <http://www.ncosc.net>.

Q: Does the policy apply to all employees paid through the Office of the State Controller?

A: The policy recognizes two categories of employees: 1) those employed prior to August 1, 2007; and 2) those hired or rehired on or after August 1, 2007. The policy applies to both categories of employees.

Q: What is the purpose of recognizing two categories of employees in the policy?

A: Since the North Carolina Wage and Hour Law and related Administrative Code allows an employer to require Direct Deposit as a condition of employment, it was deemed appropriate that all newly hired and rehired employees be advised of this condition at the time of employment. This advisement is done through a “Notification of Mandatory Direct Deposit Form.” While employees employed prior to August 1, 2007 are subject to the policy, it is not necessary to advise them of the condition of employment, since they are already employed. Such forms are retained by the employing agency.

Q: Can a state require mandatory Direct Deposit as a condition of employment?

A: Each state has its own wage and hour laws by which employers in that state must adhere to. Some states' wage and hour laws allow mandatory Direct Deposit, and some do not. North Carolina is one of the states whose wage and hour laws allow for mandatory Direct Deposit as a condition of employment.

Q: What is the NC Department of Labor's position on Direct Deposit?

A: The NCDOL's position on Direct Deposit can be viewed at the Website referenced below. The State Controller's policy has been crafted to ensure compliance with the NC Wage and Hour Act (WHA). <http://www.nclabor.com/wh/fact%20sheets/dirdep.htm>

Q: Are there any Federal Regulations that apply to Direct Deposit?

A: Regulation E issued by the Board of Governors of the Federal Reserve System, issued pursuant to the Electronic Fund Transfer Act (15 U.S.C 1693 et seq.) is applicable. The Regulation specifies that Direct Deposit can only be required if the employee is able to select the financial institution of his/her choice.

Q: What types of exemptions are recognized?

A: There are two types of exemptions recognized by the policy: 1) Business; and 2) Personal.

Q: What is a business exemption?

A: The State Controller may allow for a "business exemption" from Direct Deposit to accommodate the payroll center's special needs, such as payment cancellations and re-writes, limited employment periods, categories of employees not eligible for Direct Deposit, etc.

Q: What is a personal exemption?

A: The State Controller may allow for a "personal exemption" from Direct Deposit. If an employee is unable to secure an account at an eligible financial institution, or if he or she believes that enrollment in direct deposit will result in an extreme hardship, the employee may request an exemption using the "Direct Deposit Exemption Request Form." The form may be downloaded from the State Controller's Website – <http://www.ncosc.net>.

Q: Can an agency grant an exemption?

A: No. Exemptions can only be granted by, and are at the discretion of, the State Controller based on the evidence provided by the employee.

Q: Why would an employee not be able to acquire a bank account?

A: The personal exemption provision is primarily to accommodate those employees considered to be "unbanked" and are unable to obtain a bank account. Some employees are unable to acquire a bank account due to a low credit rating or a history of writing non-sufficient funds (NSF) checks.

Q: What is considered an extreme hardship?

A: There may be unique unforeseen reasons that an employee may encounter that dictate special consideration by the State Controller. Such reasons should be rare. Personal preference is not considered an extreme hardship.

Q: Is not wanting to pay the costs associated with having a bank account considered an extreme hardship?

A: No. There are many financial institutions that offer either free or economy bank accounts to accommodate Direct Deposit. Such bank accounts normally limit the transaction activity. Additionally, any banking costs incurred for having a bank account are normally much less than the fees charged by check-cashing companies.

Q: Is not wanting my spouse or other joint account holder to know how much I am paid considered an extreme hardship?

A: No.

Q: When will OSC offer the multiple bank account option for Direct Deposit?

A: The multiple bank account option will be offered when the new BEACON payroll system is rolled out, which will be in phases. For most agencies this will occur in early 2008.

Q: As an employee hired prior to August 1, 2007, what will happen if I fail to enroll in Direct Deposit?

A: Failure of an employee hired prior to August 1, 2007 to enroll in Direct Deposit will not affect the employee's employment. However, beginning October 1, 2007, all paper checks will be mailed directly to the employee from OSC instead of being delivered to the agency for distribution. Checks will be mailed by OSC on payday. The employee is advised that the State assumes no responsibility for the delay in receiving a paper check via the United States mail or its equivalent. Should a paper check have to be reissued due to a lost check, the employee may have to wait up to seven days before a replacement check can be issued and mailed.

Q: As an employee hired or re-hired on or after August 1, 2007, what will happen if I refuse to enroll in Direct Deposit?

A: Refusal of an employee hired or re-hired on or after August 1, 2007 to enroll in Direct Deposit may possibly affect his/her continued employment. Until such employment status is determined, beginning October 1, 2007, all paper checks will be mailed directly to the employee from OSC instead of being delivered to the agency for distribution. Checks will be mailed by OSC on payday. The employee is advised that the State assumes no responsibility for the delay in receiving a paper check via the United States mail or its equivalent. Should a paper check have to be reissued due to a lost check, the employee may have to wait up to seven days before a replacement check can be issued and mailed.

Q: When should I enroll in Direct Deposit?

A: All employees not currently enrolled in Direct Deposit, and are eligible to do so, are required to enroll through their agency's Human Resources or Payroll Office no later than August 28, 2007, using the enrollment form provided. Your agency may specify an earlier cut-off time to ensure timely enrollment. However, it is highly recommended that you enroll in July, as this will allow any test transaction (pre-notification) to be submitted. The earlier the State learns of any problems that may be associated with your enrollment form, the earlier those problems can be corrected.

Q: When should I submit a Direct Deposit Exemption Request Form?

A: If you elect to submit a "Direct Deposit Exemption Request Form," it should be submitted to the Office of the State Controller (OSC) within 30 days of hire or re-hire. Existing employees should submit requests as soon as possible, but not later than August 28, 2007.

Q: What evidence should be submitted with the Direct Deposit Exemption Request Form?

A: If your request is due to not having a bank account and the inability to obtain an account, you should obtain a letter or other documentation from a local financial institution stating that you have been denied an account. If your request is due to a specific extreme hardship, you should address a letter to the State Controller explaining why you believe you should be granted a personal exemption. In either case, a letter/documentation should be attached to the request form.

Q: When will the OSC respond to my Direct Deposit Exemption Request Form?

A: OSC will respond directly to the employee within 15 work days of receipt of the request form. The earlier a request form is submitted the earlier the response will be made, allowing the employee to plan accordingly.

Q: If I am granted a personal exemption from Direct Deposit, how will I be paid?

A: You will be paid by paper check. The check will be mailed by OSC to the address specified by you. The check will be mailed on payday. The employee is advised that the State assumes no responsibility for the delay in receiving a paper check via the United States mail or its equivalent. Should a paper check have to be reissued due to a lost check, employee may have to wait up to seven days before a replacement check can be issued and mailed.

Q: If I am denied a personal exemption from Direct Deposit, can I still enroll in Direct Deposit?

A: Yes.

Q: What is the latest date that I can enroll in Direct Deposit in order to avoid having my check mailed directly to me instead of being available from my employing agency?

A: August 28, 2007 is the cut-off date for agencies to key enrollment forms into the Central Payroll System. Your agency may specify an earlier cut-off time to ensure timely enrollment. It is highly recommended that you enroll as soon as you can, preferably in July, as this will allow any test transaction (pre-notification) to be submitted. The earlier the State learns of any problems that may be associated with your enrollment form, the earlier those problems can be corrected.

Q: How will I know how much I've been paid by Direct Deposit?

A: You will still receive an employee's earnings statement (pay stub), which shows your hours, earnings, taxes, and deductions just like a regular paycheck. The earnings statement will be provided to you on payday by your employing agency. Plans are underway to provide employees access to this information through a secure Web site (under the new BEACON Payroll System). If you receive a paper check, the earnings statement will be attached to the check that is mailed directly to you.

Q: How will checks issued as the result of a business exemption be distributed?

A: Distribution of checks issued as the result of a business exemption may be distributed by various methods, depending upon the reason for the business need. Some will be mailed on payday, and some will be forwarded to the agency for distribution.

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