MEMORANDUM

Date: July 17, 2013

To: All State Agency Payroll and Personnel Administrators and Chief Financial Officers

From: Ricky Bejarano, Deputy Cabinet Secretary

Subject: Automatic Direct Deposit of State Employees’ Salary and Wages

A new Department of Finance and Administration (DFA) rule, 2.20.7 NMAC, “Governing the Automatic Direct Deposit of State Employees’ Salary and Wages”, will become effective on July 31, 2013, when it is published in the New Mexico Register. (A copy of the new rule is attached.) Under this rule, State employees:

- May only have one direct deposit account at a time (2.20.7.8(A) NMAC);
- Must own, in whole or in part, the direct deposit account they designate (2.20.7.8(B) NMAC);
- Must have 100% of their net salary and wages deposited into their direct deposit account (2.20.7.8(C) NMAC);
- If they do not want to participate in the direct deposit program, must affirmatively decline to participate “upon being hired by a state agency and during such other times as may be required by” DFA’s Financial Control Division (2.20.7.9(A) NMAC); and
- Must use DFA prescribed forms and agreements to affirmatively decline or enroll in the direct deposit program (2.20.7.9(B) NMAC).

Agency Chief Financial Officers are “responsible for ensuring that direct deposit forms are filled out correctly and completely, that the state employee has demonstrated the state employee’s ownership interest in the account, and that direct deposit information is properly entered into the central payroll system.” 2.20.7.9(E) and 2.20.5.8(C) NMAC.

This memorandum explains the reasons for the rule and the three phases of implementation, two of which require immediate action by your agency.

Reasons for the rule. First, limiting employees to one direct deposit account will enhance
the stability and processing speed of SHARE by removing over 7,000 pieces of banking data from SHARE and eliminating over 7,000 banking transactions each payday. Second, splitting pay among multiple accounts is a banking service, which the State is not well-equipped to do and which diverts resources from the State's core payroll functions. Moreover, eliminating multiple direct deposit accounts should cause no harm to employees, since automatic payments to other accounts or businesses is a common banking service available through most (if not all) financial institutions. Third, requiring employees to have an ownership interest in the account designated and demonstrate that ownership interest through documentation reduces the risk of fraud to employees and the State. It also reduces the risk of payments being made to the wrong account. Fourth, multiple direct deposit accounts increase the difficulty presented by payroll errors. Fifth, multiple direct deposit accounts increase the cost of administering the direct deposit system. Sixth, requiring employees to affirmatively decline to participate in the direct deposit program should hopefully reduce even further the number of employees who do not participate in the direct deposit program, which is a win-win program for the State and employees.

**Implementation.** Implementation will be divided into the following phases.

**Agencies must eliminate multiple direct deposit accounts by August 1, 2013, 2.20.7 NMAC is effective July 31, 2013.** The next payday after July 31 is August 8, 2013. Multiple direct deposit accounts must be eliminated on or before August 1, 2013, to avoid interfering with payroll processing for this payday. We are writing now so as to provide you with as much time as possible to eliminate multiple direct deposit accounts by August 1.

Beginning July 17, 2013, all agencies will have access to the following public query in SHARE, HRP_AGY_DIRECT_DEPOSIT. This query will identify the number of direct deposit accounts each of your agency’s employees have. (The query will not produce account numbers or financial institution information. In addition, your agency will have direct deposit account totals for its employees only.) Your agency must notify its employees with more than one direct deposit account of the new rule and provide them with a copy of the current Direct Deposit Authorization and Agreement or Declination form, a copy of which is attached and a .pdf fillable version of which is available at the following web page, http://nmdfa.state.nm.us/SHAREHCM_Tips.aspx. The deadline established for your employees with multiple direct deposit accounts to return this form to your agency must allow your agency adequate time to change their direct deposit information in SHARE on or before August 1, 2013. For information on how to change or delete an existing direct deposit account, please refer to the following web page, http://nmdfa.state.nm.us/SHAREHCM_Tips.aspx.

To provide your agency’s employees with multiple direct deposit accounts ample time to make alternative banking arrangements before the August 9, 2013, payday, your agency should notify employees with multiple direct deposit accounts no later than July 19, 2013 of the new rule and what they must do to reenroll in the direct deposit program. These employees should be instructed to contact their financial institution with questions about how to set up automatic transfers and payments from their accounts.

Apply the new rule to and use the current direct deposit form for new employees, new direct deposit enrollees, and current employees changing their direct deposit account designations. Effective immediately, your agency should require all new hires, including interagency transfers, to complete the current Direct Deposit Authorization and Agreement or Declination form. Again, under the new rule, all employees must affirmatively decline to participate or enroll in the direct deposit program upon being hired.
Effective immediately, current employees enrolling in direct deposit for the first time or changing their direct deposit account designation should use the current Direct Deposit Authorization and Agreement or Declination form.

Taking these steps now will avoid your agency from having to reenroll these employees at a later time.

Enrollment of employees that are not currently enrolled in direct deposit and reenrollment of current employees with only one direct deposit account. At a later date, employees with only one direct deposit account will have to be reenrolled using the current Direct Deposit Authorization and Agreement or Declination form, which requires that they document that they own, in whole or in part, their direct deposit account. In addition, employees who are not currently enrolled will either have to affirmatively decline to participate in the direct deposit program or designate a direct deposit account.

DFA will separately communicate with agencies regarding this implementation phase, after we consult with agencies regarding implementation procedures and deadlines.

Questions. If you should have any questions, please do not hesitate to contact the Central Payroll Bureau Chief, Gilbert T. Kometa. Mr. Kometa’s phone number is 476-8535; his email is GilbertT.Kometa@state.nm.us.

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Thank you for your assistance and cooperation in implementing this important initiative, which will help stabilize SHARE, focus the State on its core missions with respect to payroll, and reduce the risk of fraud to employees and the State.
TITLE 2  PUBLIC FINANCE
CHAPTER 20  ACCOUNTING BY GOVERNMENTAL ENTITIES
PART 7  GOVERNING THE AUTOMATIC DIRECT DEPOSIT OF STATE EMPLOYEES' SALARY AND WAGES

2.20.7.1 ISSUING AGENCY: Department of Finance and Administration.
[2.20.7.1 NMAC - N, 7/31/2013]

2.20.7.2 SCOPE: All state agencies utilizing the central payroll system operated by the financial control division of the department of finance and administration, pursuant to Section 6-5-2.1(I) NMSA 1978.
[2.20.7.2 NMAC - N, 7/31/2013]

2.20.7.3 STATUTORY AUTHORITY: Section 9-6-5(E) and Section 10-7-2(B) NMSA 1978.
[2.20.7.3 NMAC - N, 7/31/2013]

2.20.7.4 DURATION: Permanent.
[2.20.7.4 NMAC - N, 7/31/2013]

2.20.7.5 EFFECTIVE DATE: July 31, 2013.
[2.20.7.5 NMAC - N, 7/31/2013]

2.20.7.6 OBJECTIVE: The objective of this rule is to provide state employees with the convenience of the direct deposit of their salary and wages while minimizing the burden on the state’s central payroll system and human resources and protecting the state and state employees from potential fraud.
[2.20.7.6 NMAC - N, 7/31/2013]

2.20.7.7 DEFINITIONS:
A. "Direct deposit account" means a checking or savings account with a financial institution designated by a state employee to receive direct deposits of the state employee’s net salary and wages.
B. "Direct deposit" means an electronic fund transfer whereby a state employee’s net salary and wages are credited to an account designated by the employee.
C. "Division" means the financial control division of the department of finance and administration.
D. "Financial institution" means a financial institution located within the United States that is part of the electronic fund transfer network used by the division to make direct deposits.
E. "Net salary and wages" means the remainder due a state employee after all authorized payroll deductions have been taken from a state employee’s gross wages. Authorized payroll deductions include state and federal taxes paid by the state employee, state employee contributions toward retirement programs administered by the public employees retirement association and educational retirement board, and state employee premiums for group benefits offered through the risk management division of the general services department.
F. "Salary and wages" means remuneration for personal services rendered by a state employee to a state agency, payment for authorized paid leave taken by a state employee, payment for accumulated annual leave and compensatory time upon separation from employment with the state, and payment for sick leave pursuant to Section 10-7-10 NMSA 1978.
G. "State agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and every office or officer of any of the above that utilizes the central payroll system operated by the division, pursuant to Section 6-5-2.1(I) NMSA 1978.
H. "State employee" means an employee of a state agency, including a person holding an elected office.
[2.20.7.7 NMAC - N, 7/31/2013]

2.20.7.8 LIMITATIONS ON DIRECT DEPOSIT ACCOUNTS:
A. A state employee may only have one direct deposit account at a time.
B. A state employee must own, in whole or in pari, the direct deposit account designated by the state employee.
C. One hundred percent of the state employee’s net salary and wages must be deposited into the direct deposit account designated by the state employee.
2.20.7.9 DIRECT DEPOSIT ACCOUNT PROCEDURES AND RESPONSIBILITIES:
A. Upon being hired by a state agency and during such other times as may be required by the division, a state employee must either:
   (1) affirmatively decline to participate in the direct deposit program; or
   (2) designate a direct deposit account.
B. State employees shall use forms and agreements prescribed by the division to affirmatively decline to participate in the direct deposit program, designate a direct deposit account, and change their direct deposit account designation.
C. State employees shall demonstrate their ownership interest in the direct deposit account designated by them by submitting with their direct deposit account designation form a voided, preprinted check, a current statement from their financial institution, or other acceptable evidence of ownership as determined by the division.
D. State employees shall submit direct deposit forms to the designated individual within their state agency employer.
E. Pursuant to Subsection C of 2.20.5.8 NMAC, state agency chief financial officers are responsible for ensuring that direct deposit forms are filled out correctly and completely, that the state employee has demonstrated the state employee's ownership interest in the account, and that direct deposit information is properly entered into the central payroll system.

HISTORY OF 2.20.7 NMAC: [RESERVED]
State of New Mexico – Department of Finance and Administration
DIRECT DEPOSIT AUTHORIZATION AND AGREEMENT OR DECLINATION

EMPLOYEE INFORMATION
EMPLOYEE NAME: ____________________________ PEOPLESOFT ID#: ____________________________

DISBURSEMENT CHOICE – CHECK AND SIGN ONLY ONE OPTION

☐ DIRECT DEPOSIT ENROLLMENT OR CHANGE AUTHORIZATION AND AGREEMENT

Type of action (select one): ☐ New Enrollment ☐ Account Change

Financial institution and account information:

<table>
<thead>
<tr>
<th>Financial Institution Name and Address</th>
<th>Type</th>
<th>Routing Number</th>
<th>Account Number</th>
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<tbody>
<tr>
<td></td>
<td>Checking = C</td>
<td>(from your financial institution)</td>
<td>(employees may have only one direct deposit account)</td>
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Proof of ownership: For the single account that you own, in whole or in part, and to which you want 100% of your net salary and wages directly deposited, please attach one of the following forms of documentation. For a checking or savings account, you may attach the first page of the most recent bank statement for the account showing your name on the account and the account number, with all financial information (e.g., balances and transactions) redacted. Alternatively, for a checking account, you may attach a voided, preprinted check listing you as an account owner.

Authorization and agreement:
I authorize the State of New Mexico (State) to directly deposit my net salary and wages to the account designated above and my financial institution to accept such deposits and credit them to this account. I understand and agree that:

- 100% of my net salary and wages will be electronically transferred to my financial institution and credited to the account designated above on paydays designated by the State;
- this direct deposit authorization and agreement supersedes and replaces any prior direct deposit authorizations and agreements, which I hereby revoke, and will continue in effect until I designate another account or I or the State cancel my enrollment in direct deposit;
- if the State is notified that the account designated above has been closed, I will receive payroll warrants until I designate a new direct deposit account;
- the State may, without liability to me, cancel my enrollment in direct deposit at any time, either temporarily for one or more pay periods or permanently, in which event I shall receive payroll warrants for the effected pay periods;
- in the event that my financial institution does not accept the direct deposit of my net salary and wages for any reason, the State has no obligation to process a supplemental salary and wage payment until my financial institution returns the non-accepted payment to the State; and
- I can cancel my enrollment in direct deposit or change my direct deposit account at any time. I understand and agree that it may take some time for the cancellation or change to take effect, during which time my net salary and wages will continue to be directly deposited in the account designated above.

In the event that more money is deposited into my account than is due me, I authorize the State to deduct from the account designated above all amounts deposited to the account in error and authorize my financial institution to allow such deductions and return the erroneously paid amounts to the State.

Employee Signature: ____________________________ Date: ______________

☐ PAYROLL WARRANT Notwithstanding that direct deposit is quicker (i.e., enrolling in direct deposit would mean my net pay would be in my account on payday), safer (i.e., payroll warrants can be lost or stolen), and convenient (i.e., by enrolling in direct deposit, I would not have to cash or deposit a payroll warrant or worry about being out of the office on a payday), I decline to participate in the State of New Mexico direct deposit program and hereby revoke any prior direct deposit authorizations and agreements. I understand that payroll warrants will be delivered to my employer on paydays and that I must retrieve the warrant from my employer and cash or deposit the warrant to have access to my pay.

Employee Signature: ____________________________ Date: ______________