

State of Rhode Island  
Department of Administration

OFFICE OF ACCOUNTS AND CONTROL

<b>SECTION</b> <b>Accounting</b>	<b>POLICY/PROCEDURE NUMBER</b> <b>A-64</b>
<b>SUBSECTION</b>	<b>EFFECTIVE DATE / PAGE NUMBER</b> <b>January 27, 2014 / 1 of 2</b>
<b>POLICY / PROCEDURE</b> <b>Liability/Escrow Accounts and Related Controls</b>	<b>AMENDMENT / REVISION</b> <b>March 18, 2016</b>

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Purpose of a Liability/Escrow Account

The purpose of a liability/escrow account in the State's RI-FANS accounting system is generally to hold funds that are earmarked to be paid to a specific party or parties once a specific condition or set of conditions is met.

Each liability/escrow account in the RI-FANS accounting system should be assigned a name that adequately but concisely describes the sources of the funds and the parties to whom the funds will eventually be distributed. In addition, the agency responsible for the account should maintain complete subsidiary records relating to all pertinent facts concerning the account.

Setting up a New Liability/Escrow Account

A liability/escrow account in the RI-FANS accounting system is always of the form 00.AA.BBB.CCCCCC.00.2DDDDD.EEEEE. The first, or "fiscal year" segment, is always 00, as is the fifth, or "source" segment. The fourth, or "line item sequence" segment, is assigned by staff of the Accounting and Financial Reporting Section of the Office of Accounts and Control. The sixth, or "natural account" segment, must always start with the number 2.

Non-RI-FANS Subsidiary Account Ledgers

In essence, a RI-FANS liability/escrow account serves as a control account whose balance at any time must be reconcilable to the sum of the balances of subsidiary accounts maintained by the State agency to which responsibility is assigned. For example, the State courts may maintain a sub-ledger of defendants who have paid a certain amount into escrow pending the outcome of their cases. Upon disposition of a case, the court will clear out the subaccount for the particular defendant involved, either by a refund of money back to the defendant, a payment to a third party, or some combination of the two. The court must ensure that its internal accounting system is maintained in such a way that a RI-FANS journal entry is also

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prepared to reflect the total of all such transactions affecting the control liability/escrow account over a specific period of time.

Reconciliations between RI-FANS and Subsidiary Ledgers

It is the responsibility of the chief financial officer of each State agency to reconcile, at least once a quarter, the balances in each of the State's liability/escrow accounts with the subsidiary records that his/her agency maintains. Completed reconciliations shall be submitted to the Accounting and Financial Reporting Section of the Office of Accounts and Control and, if necessary, staff from that section may assist with the reconciliation. The Accounting and Financial Reporting Section is particularly concerned with obtaining explanations from the agencies for any liability/escrow account with a debit balance, with a credit balance that seems to be inordinately large, or for any liability/escrow account that has not had RI-FANS transactions posted to it for an unusually long time. If an agency cannot provide a satisfactory explanation for such anomalies, the Accounting and Financial Reporting Section may then prepare and post reasonable adjusting entries to the liability/escrow account or take other appropriate action.

Liability/Escrow Accounts versus Restricted Accounts

***Liability/escrow accounts are not to be considered as interchangeable with restricted accounts.*** Restricted accounts are for monies paid or donated to the State which, pursuant to law, are to be expended for a specific purpose **not** directly on behalf of the specific payers and which are included in the annual appropriation act. Liability/escrow accounts are **not** under the purview of the State Budget Office, whereas restricted accounts are.