

Liability/Escrow Accounts and Related Controls

State of Rhode Island
Office of Accounts & Control
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Purpose of a Liability/Escrow Account

- Generally created to hold funds that are earmarked to be paid to a specific party or parties after certain conditions are met.
- Naming convention: the assigned name should adequately and concisely describe the source of the funds and to whom the funds will be distributed.
 - Examples: “Family Court Escrow Account” and “AASHTO Materials Conference 2017.”

Setting up a New Liability/Escrow Account

| FY | FUND | AGENCY | LINE ITEM SEQUENCE | LINE ITEM SOURCE | NATURAL ACCT | PROJECT |
|---|------|--------|--------------------|------------------|--------------|---------|
| 00 | AA | BBB | CCCCCC | 00 | 2 D D D D D | EEEE |
| Example: Family Court Escrow Account | | | | | | |
| 00.10.099.8301510.00.210010.00000 | | | | | | |
| 00 | 10 | 099 | 8301510 | 00 | 2 1 0 0 1 0 | 00000 |

Non-RI-FANS Subsidiary Ledgers

- A subsidiary ledger must be maintained by the responsible State agency.
 - Contains a detailed record of the sources of the funds and the parties to whom payment has been or will be made upon meeting certain conditions.
 - As funds come in and payments are made, subsidiary ledgers are updated.
 - Journal entries reflecting and summarizing the activity are made to RI-FANS on a periodic basis.

Reconciliation of RI-FANS and Sub-Ledger

- Agency CFOs are responsible for the reconciliation between the State's escrow/liability control accounts in RI-FANS and the related subsidiary ledgers.
- Reconciliations must be performed at least quarterly.
- Discrepancies, if any, should be corrected at the agency level. Staff from the Office of Accounts and Control may assist in the reconciliation, if necessary.
- The completed reconciliations must be submitted to Accounts and Control and are reviewed and kept on file by that Office.

Liability/Escrow Account Anomalies

- A liability/escrow account with a debit balance.
- An account with an inordinately large credit balance.
- An account with no activity for an unusually long time.

Liab./Escrow vs. Restricted Accts.

- Restricted accounts are used for monies paid or donated to the State which, pursuant to law, are to be expended for a specific purpose and not being held on behalf of a specific individual or party.
- Restricted accounts are included in the annual appropriation act.
- The Budget Office oversees restricted accounts.
- Administrative charges (Indirect Costs) do not apply to liability/escrow accounts, but do apply to most restricted accounts.