

LIABILITY/ESCROW ACCOUNTS AND RELATED CONTROLS

STATE OF RHODE ISLAND

OFFICE OF ACCOUNTS & CONTROL

MAY 2018

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
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Example: Family Court Escrow Account						
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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 RIFANS AND SUB-LEDGER

- Agency CFOs are responsible for the reconciliation between the State's escrow/liability control accounts in RIFANS 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.

LIABILITY/ESCROW VS. RESTRICTED ACCOUNTS

- 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.