

State of Rhode Island  
Department of Administration

OFFICE OF ACCOUNTS AND CONTROL

**OAC-INTERAGENCY AGREEMENTS WITH FEDERAL FUNDS**

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**INTERAGENCY AGREEMENTS WITH FEDERAL FUNDS**

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**1. Purpose**

The purpose of this policy is to establish a policy for consistent and proper accounting and reporting of Interagency Agreements with Federal Funds (IAA-FF's), which refer to federal funds issued by a federal agency to a state agency that are then transferred to other state agencies. This policy also establishes rules for the setup of IAA-FF's in the Grant Management System (GMS).

**2. Background**

Unlike a subaward agreement, which legally binds two separate legal entities, with an IAA-FF agreement, both parties are state agencies. Therefore, both parties are part of the same legal entity, under the same federal tax identification number. Both parties are using the same financial system of record and are covered by the same annual single audit report. A transfer of federal funds to a state college or quasi-public corporation does not meet the definition of an IAA-FF.

Due to the unique nature of IAA-FF's, clear and specific policies and procedures are needed to ensure consistent compliance with Governmental Accounting Standards Board (GASB) by the State of Rhode Island.

For clarity, throughout this Policy:

- The prime recipient of federal funds shall be designated as "Prime Recipient Agency"; and
- The subrecipient of federal funds from a Prime Recipient Agency shall be designated as "Administering Agency."

The Prime Recipient Agency (working with Prime Recipient Agency's OMB budget analyst) shall be responsible for ensuring compliance with any state match requirements of a federal grant. Under no circumstances may a general revenue appropriation be paid from one state agency to another in conjunction with an IAA-FF between agencies.

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### 3. Applicability

This Policy shall apply to all departments and agencies of state government and to all federal financial assistance transferred from one state agency to another, unless excluded below or by written approval of the Controller. Agencies may submit a written request to the Controller for a program to be considered for exclusion from this Policy.

Existing IAA-FF agreements (executed prior to the effective date of this policy) are fully subject to sections 6(c), 6(g), and 6(h) of this Policy. Agencies are not required to modify agreements or change line sequences for existing IAA-FF's as a result of this policy. In all other respects, agencies shall make all reasonable efforts to bring existing IAA-FF's into compliance with this policy.

Exclusions:

- State Colleges
- Quasi-governmental entities
- Operating expenditure reimbursements (e.g. DPS police details for federally funded construction projects – such reimbursements are expenditure credits.)

### 4. Definitions

- Administering Agency:** Term used in this policy to mean a Rhode Island State Agency that receives federal funds from a Prime Recipient Agency to carry out part of a federal program; but does not include quasi-public corporations or state colleges. An Administering Agency may also be a recipient of other federal awards directly from a federal awarding agency.
- Assistance Listing:** The federal program number in the comprehensive list of federal assistance programs, available at SAM.gov. Previously known as “CFDA” or “Catalog of Federal Domestic Assistance.”
- Grants Management System (GMS):** Shall have the same meaning as is set forth in 220-RICR-20-00-2.5(A).
- Federal Award Identification Number (FAIN):** The unique identifier issued by a federal granting agency for each financial assistance award.
- Interagency Agreement with Federal Funds (IAA-FF):** Funds issued by a federal agency to a state agency (Prime Recipient Agency) that are then transferred in compliance with applicable federal award eligibility terms to another state agency (Administering Agency) to carry out part of the federal award received by the Prime Recipient Agency. Transfers to quasi-public corporations or state colleges are not considered as Interagency Agreements with Federal Funds.
- Prime Recipient Agency:** Term used in this policy to mean the Rhode Island state agency that is the direct recipient of the federal award.
- Rhode Island Grant Identifier (RIGID):** Unique state identification code automatically assigned by GMS to each award and each “child” sub-project created in GMS.

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### 5. Systems and Data Fields

This policy primarily involves identifiers and data in RIFANS (the State's financial system of record), GMS, and BFM (Budget Formulation and Management, the State's budgetary system of record). Data relationships among these three systems impact budgeting, accounting and reporting of federal funds, including funds covered by IAA-FF's. Relevant identifiers and data fields are set forth as follows:

- a) **CFDA or Assistance Listing** – Available in GMS, and BFM;
- b) **FAIN** – Available in GMS only (not in RIFANS, incomplete in BFM);
- c) **RIGID** – Available in GMS and partially available in RIFANS (not in BFM);  
and
- d) **Line Sequence** – Available in RIFANS, GMS, and BFM (does not align with FAIN).

NOTE: FAIN level data is not available in RIFANS, so additional steps (identifying RIGIDs and aggregating associated data) are required to get a complete picture of the federal award financial data. Agencies exempt from using GMS do not have RIGIDs assigned to their federal awards. Therefore, separate procedures will be needed to produce FAIN level data for GMS exempt agencies when such agencies issue IAA-FF's.

### 6. General Process and Respective Agency Responsibilities

- a) **Legal Agreement**
  - (i) State agencies shall use the Interagency Agreement with Federal Funds template, a copy of which is attached hereto, for all IAA-FF's. All IAA-FF agreements shall include all applicable federal award identifiers and terms and conditions, as required by 2 C.F.R. § 200.332 (2022). The Prime Recipient Agency is responsible for appending federal program specific terms and conditions to the IAA-FF agreement. Administering Agency's signature on the IAA-FF agreement is a written acknowledgement of federal program specific terms and conditions.
  - (ii) Prime Recipient Agency shall upload the fully executed IAA-FF agreement to the federal award (parent grant) in GMS. Prime Recipient Agency shall upload the fully executed IAA-FF agreement to the IAA-FF (child subproject) in GMS. A copy may be requested by OMB to support line sequence requests. Any special provisions regarding audit fee charges must be approved in advance and in writing by the State Controller.
- b) **Account String**
  - (i) Both Prime Recipient Agency and Administering Agency need to designate a line sequence for each federal award or IAA-FF received.
  - (ii) For each federal award, Prime Recipient Agency shall designate a line sequence for revenue, contra revenue, and any expenses incurred by Prime Recipient Agency.

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- (iii) Administering Agency shall designate a line sequence for revenue and expenses of each IAA-FF.
- (iv) Procurements by Administering Agency, including requests for proposals, shall be made using Administering Agency's line sequence for the IAA-FF.
- (v) Any subawards issued by Administering Agency shall be accounted for using Administering Agency's line sequence for the IAA-FF.

### c) Revenue Recording

- (i) Prime Recipient Agency shall record the receipt of all federal award funds as revenue, by:
  - (a) Debiting the cash account; and
  - (b) Crediting the appropriate Prime Recipient Agency revenue account.
- (ii) Using the GL Category of Interagency Agreements with Federal Funds and the contra revenue natural, Prime Recipient Agency shall transfer IAA-FF funds to Administering Agency by:
  - (a) Debiting the appropriate Prime Recipient Agency contra revenue account; and
  - (b) Crediting the Administering Agency federal revenue account.
- (iii) If Prime Recipient Agency and Administering Agency have different bank accounts maintained for them by the State Treasurer, the cash will reside in the bank account of the fund to which Prime Recipient Agency's account belongs, until such time as the next periodic "due to / due from" clearing occurs.

#### REVENUE RECORDING EXAMPLE

This example uses DOT and DPS.

Line sequence will be designated by the respective agency.

#### NATURAL DESCRIPTION

TO RECORD FEDERAL DRAWDOWNS PRIME RECIPIENT AGENCY	Debit	Credit
00.12.070.8300005.00.101020.00000	XXX	
23.12.070.XXXXXXX.02.462100.00000		XXX

Cash In Bank  
Rst/Fed:Fed:Grnts

TO RECORD TRANSFER TO ADMINISTERING AGENCY	Debit	Credit
23.12.070.XXXXXXX.02.562100.00000	XXX	
23.10.081.XXXXXXX.02.462100.00000		XXX

Contraa:Rst/Red:Fed:Grnts  
Rst/Fed:Fed:Grnts

If different bank accounts are maintained the system will create interfund and the cash settlement will happen at month end.	Debit	Credit
00.10.000.0000000.00.101710.00000	XXX	
00.12.000.0000000.00.201710.00000		XXX

Due From Fund- General  
Due To Fund- General

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- d) **Expenditure Recording**
- (i) Prime Recipient Agency is responsible for recording the expenditures of only federal award funds retained by Prime Recipient Agency, on the line sequence(s) established in accordance with Subsection 6(b)(ii), and ensuring all such expenditures are allowable, reasonable, allocable, and applicable under the federal award.
  - (ii) Administering Agency is responsible for recording expenditures of IAA-FF funds on the line sequence established in accordance with Subsection 6(b)(iii) hereof following the normal course of business, and ensuring all such expenditures are allowable, allocable, reasonable, and applicable under the federal award.
- e) **Audit Fees.** The IAA-FF (Administering Agency) will be assessed an audit fee charge by Accounts & Control at the standard percentage rate generally applied to federal programs. The IAA-FF agreement between Prime Recipient Agency and Administering Agency should anticipate and consider this fee in calculating the IAA-FF amount. In any event, Prime Recipient Agency and B may need to adjust the IAA-FF amount in the IAA-FF agreement, or a subsequent amendment, to have sufficient funds available to cover the audit fee charge.
- f) **GMS Setup** Prime Recipient Agency and Administering Agency shall follow the written guidance titled "Setting up Interagency Agreements with Federal Funds" available on the Grants Management Office website, [Resources for State Agencies](#).
- (i) Prime Recipient Agency is responsible for setting up the federal award in the GMS and marking funds available for allocation to Administering Agency. Prime Recipient Agency is also responsible for notifying Administering Agency in writing to proceed with setup of the IAA-FF. Use of the "GMS Sub-Project Setup Tool for Interagency Agreements with Federal Funds" is required for such notification.
  - (ii) Administering Agency is responsible for completing setup of the IAA-FF as a child/subproject in the GMS no later than 10 business days after receipt of the above notification from Prime Recipient Agency. In order for Administering Agency to issue subawards funded in whole or in part with any IAA-FF funds, Administering Agency must use the [GMS User Support Form](#) to initiate a funding source setup. The Grants Management Office in A&C processes User Support requests.
  - (iii) In the event that Prime Recipient Agency is exempt from using GMS, or GMS use has been waived for its federal award, Administering Agency should setup the IAA-FF in GMS as if it were a direct federal award.
  - (iv) In instances where Administering Agency is competing with non-state applicants for federal funds from Prime Recipient Agency, Administering Agency shall be subject to the same application requirements and processes as all other applicants. In the event Prime Recipient Agency awards funds to Administering Agency, Prime Recipient Agency shall:
    - (a) Reduce the solicitation funding by the amount awarded to Administering Agency;

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- (b) In the grant, reduce the allocation for pass-through by the amount awarded to Administering Agency; and
- (c) Follow Subsection 6(f)(i) hereof.

Note: Administering Agency shall complete the setup of the IAA-FF following 6(f)(ii) above. Such IAA-FF's remain subject to all other parts of this policy.

**g) Federal Reporting**

- (i) Prime Recipient Agency is responsible for reporting on the federal award to the federal government in accordance with all applicable federal reporting requirements.
- (ii) Administering Agency is responsible for reporting to Prime Recipient Agency in accordance with the terms and conditions of IAA-FF agreement and as may be required by Prime Recipient Agency in accordance with the federal award so as to allow Prime Recipient Agency to meet its reporting obligations.

**h) State Reporting**

- (i) Prime Recipient Agency is responsible for reporting on the federal award, including any amounts transferred to Administering Agency for the IAA-FF, but excluding data reported by Administering Agency in 6(h)(i) of this policy.
- (ii) Administering Agency is responsible for reporting on the IAA-FF, including all transfers received and all expenses.

**7. Consequences of Noncompliance**

Failure to comply will result in audit findings which may adversely affect eligibility for federal awards and/or IAA-FF's.

**Signatures:**

Dorothy Pascale  
**State Controller**

May 25, 2023  
**Date**

  
**Director of Administration**

5/25/2023  
**Date**