

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

OFFICE OF ACCOUNTS AND CONTROL

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<b>SECTION</b> Accounting	<b>POLICY/PROCEDURE NO.</b> A-10	/	<b>FORMERLY</b> /
<b>SUBSECTION</b>	<b>EFFECTIVE DATE</b> July 1, 2003	/	<b>PAGE NUMBER</b> 1 of 3
<b>POLICY/PROCEDURE</b> <b>COOPERATIVE AGREEMENTS AND</b> <b>PURCHASE CONTRACTS BETWEEN</b> <b>STATE ENTITIES</b>	<b>AMENDMENT</b>	/	<b>REVISION</b>

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The term "state agency" used herein refers to all departments and commissions of Rhode Island State Government but does not include quasi-public authorities (with the exception of the Lottery Commission) and the three state institutions of higher education (University of Rhode Island, Rhode Island College and Community College of Rhode Island).

1. When one state agency acts as the grantor of federal funds that are to be transferred to another state agency, the preferred method is for the grantor agency to draw the money down directly into the federal revenue account of the grantee. In this case, the grantor agency will prepare a RI-SAIL journal entry debiting the grantee's cash account and crediting the grantee's federal revenue account.

Under this method, the grantor agency will not need a separate federal account number of its own, since nothing will post on the grantor's books. Also, under this method, the grantee agency will be assessed the 0.1% audit fee charge automatically, unless the cooperative agreement specifies otherwise.

The Office of Accounts and Control does not automatically receive a copy of cooperative agreements, nor should it. However, any agreement containing a special provision regarding audit fee charges as described in the above paragraph should be sent to the Accounting Section supervisor.

2. If the preferred method outlined in item #1 cannot be followed for some compelling reason, the next preferred method is for the grantor agency to a) prepare a RI-SAIL journal entry to deposit the funds in its own federal revenue account, and b) prepare a RI-SAIL funds transfer document to transfer the revenue from its own federal revenue account into that of the grantee. The entry for the journal entry will be a debit to the grantor's cash account and a credit to the grantor's federal revenue account. The entry for the funds transfer document will be a debit to the grantor's federal revenue account and a credit to the grantee's federal revenue

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account. The grantor agency will department approve and sign the document and will then forward it to the grantee agency for signing by its own authorized agent. The grantee agency will then forward the document to the Accounting Section for final approval.

Under this method, the grantor agency will record both a credit and a debit to its federal revenue account, ultimately netting to zero. The grantee agency will record both the receipt of the grant and the ultimate expenditure of the funds for the purposes for which the grant was awarded. If the two agencies involved have different bank accounts maintained for them by the State Treasurer, the cash will reside in the bank account of the fund to which the grantor's account belongs until such time as the next periodic "due to / due from" clearing occurs.

Under this scenario, the grantee is ultimately assessed the 0.1% audit fee charge, unless the cooperative agreement specifies otherwise. See the procedure outlined in item #1 above if special handling of the audit fee charges is required.

3. When one state agency acts as the grantor of restricted funds that are to be transferred to another state agency, the grantor agency will a) prepare a RI-SAIL journal entry to deposit the funds in its own restricted revenue account, and b) prepare a RI-SAIL funds transfer document to transfer the revenue from its own restricted revenue account into that of the grantee. The entry for the journal entry will be a debit to the grantor's cash account and a credit to the grantor's restricted revenue account. The entry for the funds transfer document will be a debit to the grantor's restricted revenue account and a credit to the grantee's restricted revenue account. The grantor agency will department approve and sign the document and will then forward it to the grantee agency for signing by its own authorized agent. The grantee agency will then forward the document to the Accounting Section for final approval.

Under this method, the grantor agency will record both a credit and a debit to its

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restricted revenue account, ultimately netting to zero. The grantee agency will record both the receipt of the grant and the ultimate expenditure of the funds for the purposes for which the grant was awarded. If the two agencies involved have different bank accounts maintained for them by the State Treasurer, the cash will reside in the bank account of the fund to which the grantor's account belongs until such time as the next periodic "due to / due from" clearing occurs.

Under this scenario, the grantee is ultimately assessed the 7% indirect cost recovery on restricted accounts, unless a) the cooperative agreement specifies otherwise, or b) the funds originate from a charitable organization, or c) the funds are exempt under current law.

4. Under no circumstances may a state appropriation be paid from one state agency to another in conjunction with a cooperative agreement between the agencies. Situations involving state matches of grant funds should be worked out with the grantor agency's budget analyst.
5. In any case in which any of the three state institutions of higher learning is to be the recipient of money from a state agency for either grants or purchases, the agreement must be supported with a purchase order issued to the institution and all payments must be processed using invoice payment documents.