



ADOA – General Accounting Office

QUICK REFERENCE GUIDE: PROPER ACCOUNTING FOR STATE MONIES DEPOSITED INTO ESCROW ACCOUNTS





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Overview

Escrow is an arrangement under which money and/or legal documents are deposited with an agent—the escrow agent—to be delivered to the parties to an exchange when some condition or conditions are met. For example, an escrow might be used to hold the proceeds of an option to buy property until the sale is effected or the option expires.

From time to time, an agency possessing the authority to do so enters into an arrangement under which the agency deposits money into an escrow account or enters into a similar agreement in anticipation of the purchase of an asset, most frequently real estate of some sort. This deposit, though not available for other uses, is still cash and not the land or other asset that is the target of acquisition until the escrow closes. This quick reference guide outlines the appropriate entries for accounting for both the deposit of state monies into escrow accounts or similar arrangements and the closing of the escrow upon the completion of the acquisition or the expiration of the option.

Depending upon events, the amount deposited into the escrow may:

- Represent a complete or partial payment for the acquisition.
- In part, be applied to charges, such as attorney's fees, related to the acquisition.
- Be forfeited upon expiration of an option.
- Be returned in whole or part to the state.

Examples of the appropriate accounting transactions of all of these situations are given below.

The following pages give examples of the types of entries to be entered into AZ360 for the situations described. The transactions shown assume the agency will book the expenditures to the escrow account using the same chart of account elements used in the original claim. In the event that a new accounting distribution needs to be used, follow the steps below and then process an intra-agency transfer to move the expenditures. These types of entries should be originated and processed in AZ360, according to the situation that applies.



Escrow ID

Establish an Escrow ID

The Escrow Definition (ESCROW) page in AZ360 provides the ability to define and track escrow activities. Each record on this page has a unique escrow ID by department.

Log in to the AZ360 **Home Page**. Establish an escrow ID.

1. Click the **Expand** caret next to the **Global Search** field.
2. Select the **Page Code** option.
3. In the **Global Search** field, enter *ESCROW*.
4. In the drop-down menu that generates, select **ESCROW Escrow Definition (Financial)**. The Escrow Definition page will generate.
5. Click the **Create** action.
6. Enter the appropriate information in the **Department**, **Escrow ID**, **Escrow Name**, **Escrow Short Name**, and **Escrow Agent** fields.
 - a. The **Escrow Description**, **Escrow Extended Description**, and **Escrow Type** fields are optional. If needed, enter in the appropriate information.
7. Select **0080** in the **Escrow BSA** field from the pick list.
8. Click the **Save** action.

Locate an Escrow ID & Create a Transaction

Log in to the AZ360 **Home Page**. Locate the escrow ID.

1. Click the **Expand** caret next to the **Global Search** field.
2. Select the **Page Code** option.
3. In the **Global Search** field, enter *ESCROW*.
4. In the drop-down menu that generates, select **ESCROW Escrow Definition (Financial)**. The Escrow Definition page will generate.
5. Enter the escrow ID from the above **Establish an Escrow ID** section.
6. Click **Search**.
7. From the results in the grid, locate the desired Escrow line and create the transaction.



- a. On the Escrow line's **3-dot** menu, select **Create Transaction** from under Related Actions.

Continue to the Instructional Scenario section to proceed with the transaction setup.

Instructional Scenarios

The purpose of this section is to call out the distinct differences between general transaction creation and creating a transaction *when referencing an escrow ID*. For information on how to create a General Accounting Expense (GAX) or Cash Receipt (CR) transaction, see the **Accounts Payable** or **Accounts Receivable** training manuals respectively, which are available at <https://gao.az.gov/resources/training/gao-training-resources>.

A. An agency needs to make a deposit into an escrow or similar arrangement.

Cash on Deposit with Other Fiscal Agents (BSA 0080) should be *debited* and Cash on Deposit with Treasurer (BSA 0070) should be *credited* when money is deposited into an escrow.

1. On the **Create Transaction** page, select **GAXB1** in the **Transaction Code** column.
2. In the **Transaction Dept** field, enter the department 3-digit code.
3. Select **Auto Numbering** check box.
4. Select **Continue**.
5. On the **Accounting** tab, in the **General Information** section's **Event Type** field, select **APZ7** from the pick list to create a claim and generate a warrant to be deposited into the escrow account held by a fiscal agent.

B. The escrow account is used as full payment for the acquisition.

Book the appropriate cash expenditure and clear the balance in the Cash on Deposit with Other Fiscal Agents (BSA 0080).

1. On the **Create Transaction** page, select **GAX** in the **Transaction Code** column.
2. In the **Transaction Dept** field, enter the department 3-digit code.
3. Select **Auto Numbering** check box.
4. Select **Continue**.
5. On the **Accounting** tab,
 - a. On the Accounting line, enter the object (such as 8111, etc.) in the **Object** field.
 - b. In the **General Information** section, in the **Event Type** field, select **GA23** from the pick list.



- c. In the **COA** section, select **0080** in the **BSA** field.

C. The escrow account is used as a partial payment for the asset.

Create two transactions, a GAX and a CR.

1. For the amount used as payment for the asset:
 - a. On the **Create Transaction** page, select **GAX** in the **Transaction Code** column.
 - b. In the **Transaction Dept** field, enter the department 3-digit code.
 - c. Select **Auto Numbering** check box.
 - d. Select **Continue**.
 - e. On the **Accounting** tab,
 - i. On the Accounting line, enter the object (such as 8111, etc.) in the **Object** field.
 - ii. In the **General Information** section, in the **Event Type** field, select **GA23** from the pick list.
 - iii. In the **COA** section, select **0080** in the **BSA** field.
2. To reverse the excess amount of the escrow account (i.e., to **increase** Cash on Deposit with Treasurer (BSA 0070) and **reduce** Cash on Deposit with Other Fiscal Agents (BSA 0080):
 - a. Create a CR transaction.
 - b. On the **Accounting** tab,
 - i. In the **General Information** section, in the **Event Type** field, select **ARZ1** from the pick list.
 - ii. In the **COA** section, select **0080** in the **BSA** field.

D. The escrow account is forfeited or used in part to pay legal fees or other costs.

Book the appropriate cash expenditure and clear the balance in the Cash on Deposit with Other Fiscal Agents (BSA 0080).

For the appropriate amount:

1. On the **Create Transaction** page, select **GAX** in the **Transaction Code** column.
2. In the **Transaction Dept** field, enter the department 3-digit code.



3. Select **Auto Numbering** check box.
4. Select **Continue**.
5. On the **Accounting** tab,
 - a. On the Accounting line, enter the object (such as 6222, etc.) in the **Object** field.
 - b. In the **General Information** section, in the **Event Type** field, select **GA23** from the pick list.
 - c. In the **COA** section, select **0080** in the **BSA** field.

E. The escrow deposit is refunded.

The third party returns the funds and the state creates a CR transaction to reverse the entire amount of the escrow account and **increase** Cash on Deposit with Treasurer (BSA 0070) and **reduce** Cash on Deposit with Other Fiscal Agents (BSA 0080).

1. Create a CR transaction.
2. On the **Accounting** tab,
 - a. In the **General Information** section, in the **Event Type** field, select **ARZ1** from the pick list.
 - b. In the **COA** section, select **0080** in the **BSA** field.

If the warrant was never cashed, the originating transfer warrant may be cancelled in AZ360.

F. The escrow account is insufficient and additional monies is due to the vendor.

The funds owed to the vendor is more than the established balance in the escrow account. Issue a GAX transaction directly to the vendor for the additional amount owed.

1. On the **Create Transaction** page, select **GAX** in the **Transaction Code** column.
2. In the **Transaction Dept** field, enter the department 3-digit code.
3. Select **Auto Numbering** check box.
4. Select **Continue**.
5. On the **Accounting** tab, in the **General Information** section's **Event Type** field, select **AP01** from the pick list.