



OHIO FACILITIES CONSTRUCTION COMMISSION RETAINAGE/ESCROW BEST PRACTICES

In compliance with Ohio Revised Code Section 153.13, contracts of \$15,000 or more, require retainage to be withheld and deposited into escrow with a financial institution. The retainage must be withheld from the first 50% of payments made and equal 8% of the labor portion of those payments.

To ensure compliance and maintain consistency, please follow these recommended procedures for accounting for retainage in your OFCC construction project:

1. Set-Up Escrow Accounts:

Enter into an escrow agreement with a financial institution of your choice. Begin this process at the time of the first pay application to avoid delays once the 50% threshold is reached. A sample escrow agreement can be found on the [OFCC Treasurer's Resources](#) page under Escrow/Retainage. Provide Exhibit A to the District.

Note: The OAKS escrow account business process will be used to file the escrow agreement and information in OAKS-CI.

2. Deposit Retainage in Escrow:

When processing the invoice that brings the contract to or beyond 50% completion, deposit the total contracted retainage amount into the escrow account. OFCC project staff will notify the District when it is time to escrow funds.

Note: If retainage for multiple contracts need to be escrowed, a general escrow account or separate escrow accounts can be used. However, interest earned must be tracked and applied to each contract individually.

3. Enter the Retainage Voucher:

At the time of the escrow deposit, enter a stand-alone voucher for the retainage funds in both OAKS-CI and your District's accounting system. This ensures that

the District's financial system remains balanced and reconciled with OAKS-CI throughout the project. This voucher in OAKS-CI should **not** be linked to any pay application at this time.

4. Release Escrow to the Contractor:

Once the project is substantially complete, the OFCC project staff will notify the District to release the escrowed funds to the contractor, including any interest earned. A sample escrow release form can be found on the [OFCC Treasurer's Resources](#) page under Escrow/Retainage.

Note: When retainage is paid to the contractor, no additional voucher entries are required, as the funds were already vouchered in OAKS-CI and recorded in the District's financial system at the time of deposit into escrow. However, contractors must create a pay application in OAKS-CI at this time, which the District will link to the stand-alone retainage voucher created in step 3 and an additional voucher, if other funds are due.

For more information on retainage requirements, refer to ORCs 153.13, 153.14, and 153.63, as well as Auditor of State Bulletin 2002-004.