

## Section 3.2: Interagency Service Agreement (ISA)

### PURPOSE AND POLICY

Some state grantor agencies have very specific goals or tasks that must be completed and the required activity is carried out exclusively by another state agency. In these scenarios, the most efficient funding instrument would be an interagency service agreement (ISA) between the funding agency and the agency providing the service. An ISA is the contract between state government agencies whereby one agency provides a service to another, and the second agency pays the first for the service. In some cases, the ISA may exist between two divisions of the same state agency.

Arizona Revised Statute (A.R.S.) 35-148 authorizes interagency service agreements and how the funds are managed:

*Interagency service agreements entered into between budget units may provide for reimbursement for services performed or advancement of funds for services to be performed. In either instance, monies received by the budget unit performing the services shall be credited to its appropriation account for its use in performing the services. If funds are advanced, the agency performing the services shall make an accounting of expenditures and return any advances not used to the appropriation account of the advancing agency.*

The ISA includes:

- the funding agency's expectations, including deliverables (usually services or intellectual property, but may include tangible goods as well)
- the expected timeline (usually includes milestones)
- reporting requirements
- outcome measures to determine that the funded project or product met expectations
- All associated costs (salary, ERE, etc.).

Also included in the ISA are the terms by which the agency providing the service receives payment, such as whether the funding is a reimbursement and the schedule of payments (monthly, quarterly or semi-annual). Payments and accounting for the funds must adhere to applicable statutes and State of Arizona Accounting Manual policies and procedures.

ISAs are written and signed by the highest agency or organizational representatives and are binding agreements that will carry out the main objective of the funding source. The signed ISA should be uploaded in the corresponding eCivis program folder.

### Requirements for Federal Funding

In addition to the information outlined above, if federal monies are included in the funding source, then grant program managers should include any and all applicable elements from the Uniform Guidance list of information contained in a federal award ([200.210](#)).

A non-federal entity that receives federal funds as part or all of a grant or a subaward is responsible for complying with all requirements of the federal award. For all federal awards, this includes the provisions of Federal Funding Accountability and Transparency Act (FFATA), which includes requirements on executive compensation, and also requirements implementing the Act for the non-Federal entity at 2 CFR part 25 Financial Assistance Use of Universal Identifier and System for Award Management and 2 CFR part 170 Reporting Subaward and Executive Compensation Information. See also statutory requirements for whistleblower protections at 10 U.S.C. 2409, 41 U.S.C. 4712, and 10 U.S.C. 2324, 41 U.S.C. 4304 and 4310. Grant program managers should review [Uniform Guidance Subpart D Post Federal Award Requirements](#) to ensure compliance with applicable federal laws and regulations.