

70.6 Create and Maintain Deals

This document is a draft and subject to change

Table of Contents

| | |
|--------------------------------------|---|
| Table of Contents..... | 2 |
| Business Process Name | 3 |
| General Information..... | 3 |
| Dependencies and Constraints..... | 3 |
| Business Process Overview | 3 |
| Subprocess Flow Details | 4 |
| Ledger Impacts..... | 6 |
| Reports..... | 7 |
| Terminology..... | 8 |
| Business Process Flow Diagrams | 8 |

DRAFT

Business Process Name

General Information

This document describes and depicts the process steps and supporting information for the identified State business process. Within the *Process Flow Details* section, included for each process step are:

- **Process Step ID** – A unique number assigned to each process step
- **Process Step Title** – A short description assigned to each process step
- **Description of Process** – A detailed narrative description of the process step
- **Ledger Impacts ID** – The number assigned to the documented accounting entry associated with the step

Also described below are the Ledger Impacts and *Reports*, which are displayed as icons on the *Business Process Flow Diagrams*. Finally, included in the *Terminology* section are definitions of terms which will help the reader to better understand the document.

Dependencies and Constraints

- The Custodial Bank receives detailed individual security information from the external investment managers
- The Custodial Bank provides detailed individual security information for updates to investments held by the State of Florida, including updates to market rates and coupon payment dates
- The Treasury Master data is available from the Custodial Bank for automated retrieval and import

Business Process Overview

Section 17.57, Florida Statutes (F.S.), establishes the Chief Financial Officer's (CFO) responsibilities to deposit and invest State money, and establishes the types of investment securities that can be purchased. Section 17.61, F.S., establishes the CFO powers and duties in the investment of certain funds, which include General Revenue, trust, and agency funds, as well as, funds from certain boards, associations, or entities created by the State Constitution or law that are a part of the Special Purpose Investment Account (SPIA).

The Department of Financial Services (DFS), Division of Treasury (Treasury) records investment security information by the following portfolios: Liquidity, Ultra-short Duration, Short Duration, Intermediate Duration, and Long Duration. The Liquidity, Ultra-short Duration, and Short Duration investments are purchased and managed by the Treasury Investment Section. The Intermediate and Long Duration portfolios are purchased and managed by contracted external investment managers.

The Create Deals process describes the processes in which trade information from internal and external trading is recorded in the Custodial Bank and interfaced to Florida PALM. Trade information is recorded in detail at an individual security level and accounting is generated. The

This document is draft and subject to change

Maintain Deals process documents the process for calculating investment transactions based on updated investment information. Interest and maturities payments, amortization, and interest and discount accruals are recorded. At a minimum of monthly, balances are reconciled across Florida PALM and the Custodial Bank and investment data is available to support the annual Comprehensive Annual Financial Report (CAFR) process.

Subprocess Flow Details

The table below describes steps in the business subprocess as reflected on the Process Flow diagrams. The table also reflects information associated with each step describing the intent of the specific process.

The Business Process Flow Diagrams use horizontal swim lanes to depict where activities are performed by different parties or systems. Each swim lane is titled with a role, either agency-based or enterprise-based, and in some cases, are representative of an external party or system. The swim lanes may change from page to page within a single business subprocess as more or fewer roles are required to execute sections of the business subprocess. Optionally, the process flow diagram may reflect vertical swim lanes to further designate information such as systems or time intervals.

| 70.6.1 - Create Deals | |
|--------------------------------|--|
| Swim Lanes – Definition | <p>DFS Investment Section: DFS Treasury role responsible for managing investments</p> <p>DFS Investment Accounting Processor: DFS Treasury role responsible for accounting for investments</p> <p>Custodial Bank: external roles at banks which have bank accounts where investments are managed</p> <p>External Managers: external investment managers responsible for managing investments</p> |

| Process Step ID | Process Step Title | Description of Process |
|-----------------|---|---|
| 1 | Internal Managers Execute Trades | Daily, Treasury invests any new cash transferred to the Custodial Bank account as well as performs routine trading to maximize investment earnings. The investments are based on maturities described in Maintain Deals and cash needs described in Manage and Forecast Bank Cash Position. |
| 2 | Record Internal Trade Information in Custodial Bank | Trade tickets are printed or documented from the external trading platforms and are used to record each trade in the Custodial Bank's system. |
| 3 | External Managers Execute Trades | External Managers execute trades and send the trade data to the Custodial Bank. |

This document is draft and subject to change

| Process Step ID | Process Step Title | Description of Process |
|-----------------|-------------------------------------|---|
| 4 | Trade Transaction Data | The Custodial Bank records the internal and external trades in their system. |
| 5 | Inbound Treasury Master Interface | The Custodial Bank transmits internal and external trade transactions to Florida PALM after the market closes. |
| 6 | Import Treasury Master Transactions | Each day, the Inbound Treasury Master Interface data is automatically imported after the file is received from the Custodial Bank. To track and maintain investment data, all daily trade activity is recorded in Florida PALM at the individual security detailed level. |
| 7 | Generate and Distribute Reports | The daily balancing reports are generated and distributed to the appropriate users. |
| 8 | Approve Settlements | New investments automatically generate a cash flow transaction within Florida PALM to represent the purchase of the investment. This settlement matches to the corresponding disbursement from the bank account at the Custodial Bank and is approved in Florida PALM. |
| 9 | Dispatch Settlements | Approved cash flow transactions are dispatched to record that the cash flow occurred. |
| 10 | Generate Treasury Accounting | Florida PALM generates accounting entries for accounting events associated with investments recorded in Florida PALM. Florida PALM creates accounting for the cash flow supporting the purchase or maturity of the investment. |

70.6.2 - Maintain Deals

| | |
|--------------------------------|---|
| Swim Lanes – Definition | <p>DFS Investment Section: DFS Treasury role responsible for managing investments</p> <p>DFS Investment Accounting Processor: DFS Treasury role responsible for accounting for investments</p> <p>Custodial Bank: external roles at banks that have bank accounts where investments are managed</p> <p>External Managers: external investment managers responsible for managing investments</p> |
|--------------------------------|---|

| Process Step ID | Process Step Title | Description of Process |
|-----------------|-----------------------------------|--|
| 1 | Inbound Treasury Master Interface | As changes to trade value occur, those changes are recorded and accounted for in Florida PALM. The Inbound Treasury Master Interface provides those changes. |

This document is draft and subject to change

| Process Step ID | Process Step Title | Description of Process |
|-----------------|---|--|
| 2 | Import Treasury Master Data | The Import Treasury Master Data automatically imports the changes to investments recorded in Florida PALM. |
| 3 | Calculate Interest, Revenues and Loses | Interest, revenues and losses, maturities, and other investment lifecycle transactions are recorded daily on a modified accrual basis. |
| 4 | Approve Settlements | Interest payments, coupons, and maturities automatically generate a cash flow transaction within Florida PALM. This settlement matches to the corresponding disbursement from the bank account at the Custodial Bank and is approved in Florida PALM. |
| 5 | Dispatch Settlements | Approved cash flow transactions are dispatched to record that the cash flow occurred. |
| 6 | Generate Treasury Accounting | Florida PALM generates accounting entries for accounting events associated with investments recorded in Florida PALM. These entries will be included in the monthly reconciliation described in the Analyze and Reconcile Accounts process. |
| 7 | Review Investment Totals | The Investment Accounting Processor reviews investment totals on a daily and monthly basis, including the income summary report. |
| 8 | Review Investment Maturities and Earnings | Treasury's Investment Management reviews investment maturities and earnings. Earnings are used to decide if a purchase or sell of trades is required. If Treasury is buying or selling, these trades are captured as described in Create Deals subprocess. Maturity information is an input to the Manage and Forecast Bank Cash Position process. |
| 9 | Provide Monthly Reconciliation Report | The Custodial Bank provides monthly reports of investment activity containing the security balance and earnings summary information. |
| 10 | Monthly Reconciliation | The Investment Accounting Processor compares the monthly report from the Custodial Bank to the information in Florida PALM. |
| 11 | Generate Monthly Reports | Reports of investment activity recorded in Florida PALM are generated to support daily, weekly, and monthly reconciliation between the Custodial Bank and Florida PALM. On an annual basis, investment information captured as part of this process, supports the creation of the CAFR as described in the Close General Ledger and Consolidate Results. |

Ledger Impacts

This document is draft and subject to change

| Ledger Impact ID | Ledger - Ledger Impact Title | Ledger Impact Description |
|------------------|-----------------------------------|---|
| LI1 | Actuals Ledger – Buy Trade | Decreases Available Custodial Cash Increases Invested Balance Increases Interest Receivable |
| LI2 | Actuals Ledger – Sell Trade | Decreases Invested Balance Decreases Interest Receivable Increases Interest Income Increases Available Custodial Cash Increases/Decreases Gain/Loss on Sale |
| LI3 | Actuals Ledger – Maturity | Decreases Invested Balance Increases Investment Income Decrease Interest Receivable Increase Available Custodial Cash |
| LI4 | Actuals Ledger – Interest Accrual | Increases Interest Receivables Increases Investment Income |
| LI5 | Actuals Ledger – Interest Payment | Increases Custodial Cash Decreases Interest Receivables |

Reports

| Report Number | Report Description | Report Frequency | Audience |
|---------------|---|---------------------|-----------|
| R1 | Reconciliation Report of Trades Entered but not Settled – listing of Treasury trades entered but not settled. | Periodic, On Demand | DFS Staff |
| R2 | Inventory Report – listing of all current investments held by Treasury. | Periodic, On Demand | DFS |
| R3 | Trades Report – listing of all purchases and sales of investments. | Periodic, On Demand | DFS |
| R4 | Balance Sheet Report – statement of the assets, liabilities, and capital detailing the balance of income and expenditure. | Periodic, On Demand | DFS |
| R5 | Commercial Paper Report – details for all commercial paper investments. | Periodic, On Demand | DFS |
| R6 | General Journal Entries Report – listing of Treasury accounting journal entries. | Periodic, On Demand | DFS |
| R7 | Cash Movement Report (income, accrued interest, etc.) | Periodic, On Demand | DFS |

This document is draft and subject to change

| Report Number | Report Description | Report Frequency | Audience |
|---------------|--|---------------------|----------|
| R8 | Floating Rate Payment Report – listing of all interest payments for floating rate investments. | Periodic, On Demand | DFS |
| R9 | Investment Maturity and Accrual Reports (Monthly and life-to-date) | Periodic, On Demand | DFS |
| R10 | Income Statement – report of revenues and expenses that net to a gain or loss. | Periodic, On Demand | DFS |
| R11 | External Manager Inventory – listing of all current investments held by the external manager. | Periodic, On Demand | DFS |
| R12 | CAFR Investments Schedules – required Note disclosures and financial data. | Annual, On Demand | DFS |

Terminology

Custodial Bank – the specialized financial institution responsible for safeguarding the State of Florida’s financial assets (e.g., stocks, bonds)

Deal – an individual investment held by the State of Florida

Intermediate Duration Portfolio – investments with a three to four-year duration.

Liquidity Portfolio – investments with up to one-year duration.

Long Duration Portfolio – investments with up to six-year duration.

Short Duration Portfolio – investments with two to three-year duration.

Total Amount of Investments – the dollar value of all investment portfolios on a given day.

Ultra-short Duration Portfolio – investments with up to a two-year duration.

Business Process Flow Diagrams

Please see 70.6 Create and Maintain Deals located in the [D54 Standardized Business Processes > Working > Workstream D folder](#).