

70.6 Create and Maintain Deals

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General Information

This document describes and depicts the process steps and supporting information for the identified State of Florida financial management business process. This information should be read in conjunction with the Business Process Flow Diagrams.

The Dependencies and Constraints section describes any conditions or criteria that impact how or when the business process should be executed. These could be set within Florida PALM or from external sources (i.e., Law or Rule).

The Business Process Overview section summarizes the business process and provides context for understanding the objectives and desired outcomes of the described business process.

Within the Business Process Flow Details section, included for each process step are:

- **Process Step ID** – A unique number assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Process Step Title** – A short description assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Description of Process** – A detailed narrative description of the process step, which provides additional information and context for understanding the process step

Also described below are the Ledger Impacts and Reports, which are displayed as icons on the Business Process Flow Diagrams. Ledger impacts describe where there is an update to one of the ledgers used to track activity for accounting, budget management, or financial reporting purposes. Reports describe where a report is identified to be produced at a particular process step or is used to support the completion of a process step.

Finally, included in the Terminology section are definitions of terms which will help the reader to better understand the document. These are terms that are used within this document that may be new or that require a description for common understanding.

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

The Create and Maintain Deals business process is within the Treasury Management (TM) business process grouping. TM includes a collection of business processes that:

- manage banking relationships;

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- manage investments and interest apportionment for agencies and external entities;
- support reconciliation of the concentration bank account, agency sub-accounts, and the bank account balances to general ledger balances;
- support the management of cash transfers between bank accounts; and
- support agency requests of Treasury.

This business process addresses how investments managed internally and externally will be recorded and tracked within Florida PALM. This includes generating accounting for all transactions throughout the lifecycle of the investments (e.g., purchases, sales, and amortization).

The business subprocesses included are:

- 70.6.1 – Create Deals
- 70.6.2 – Maintain Deals

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 organized in 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 investments are purchased and managed by contracted external investment managers.

The Create Deals subprocess describes how trade information from internal and external trading is recorded in the Custodial Bank and interfaced into Florida PALM. Trade information is recorded in detail at an individual security level and accounting is generated. The Maintain Deals subprocess documents the calculation of investment transactions based on updated investment information. Interest and maturities payments, amortization, and interest and discount accruals are recorded. At a minimum, 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.

Business Process Flow Details

The tables below describe steps in each business subprocess as reflected on the Business Process Flow Diagrams. The tables also reflect 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 within Department of Financial Services (DFS), and in some cases, are representative of an external entity 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.

Table 1: Create Deals

70.6.1 - Create Deals		
Swim Lanes – Definition	Custodial Bank: (Non-Florida PALM role) banking partner that have bank accounts where investments are managed DFS Investment Accounting Processor: DFS Treasury role responsible for accounting for investments DFS Investment Section: (Non-Florida PALM role) DFS Treasury staff responsible for managing investments External Managers: (Non-Florida PALM role) external investment managers responsible for managing investments	
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 the Maintain Deals subprocess and cash needs described in the Manage and Forecast Bank Cash Position Business Process.
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.
4	Trade Transaction Data	The Custodial Bank records the internal and external trades in their system.

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Process Step ID	Process Step Title	Description of Process
5	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 the system. Florida PALM also creates accounting for the cash flow supporting the purchase or maturity of the investment.

Table 2: Maintain Deals

70.6.2 - Maintain Deals		
Swim Lanes – Definition	<p>Custodial Bank: (Non-Florida PALM role) banking partner that has bank accounts where investments are managed</p> <p>DFS Investment Accounting Processor: DFS Treasury role responsible for accounting for investments</p> <p>DFS Investment Section: (Non-Florida PALM role) DFS Treasury staff responsible for managing investments</p>	
Process Step ID	Process Step Title	Description of Process
1	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.
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.

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Process Step ID	Process Step Title	Description of Process
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 are 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 Section 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 Business 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 the system are generated to support daily, weekly, and monthly reconciliation between the Custodial Bank and Florida PALM and to validate that all transactions have been recorded properly. 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 Business Process.

Ledger Impacts

Table 3: Ledger Impacts Included on Business Process Flow Diagrams

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

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Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
		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

Table 4: Reports Included on Business Process Flow Diagrams

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 by type of entry	Periodic, On Demand	DFS
R7	Cash Movement Report – income or losses, and interest accrued or earned for a designated period of time.	Periodic, On Demand	DFS
R8	Floating Rate Payment Report – listing of all interest payments for floating rate investments	Periodic, On Demand	DFS
R9	Investment Maturity and Accrual Reports (Upcoming, Monthly,	Periodic, On Demand	DFS

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Report Number	Report Description	Report Frequency	Audience
	and life-to-date) – total investment earnings for a designated period of time		
R10	Income Summary – report of report of investment security information including cost and income	Periodic, On Demand	DFS
R11	CAFR Investments Schedules – required Note disclosures and financial data	Annual, On Demand	DFS

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Terminology

Concentration Account – depository account used by the Treasury to deposit cash received by the State. The Concentration Account has sub-accounts with unique identifiers to track balances by agency and location.

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

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