

70.6 Create and Maintain Deals

Revision History

Version	Date	Revision Notes
1.0	07/30/2019	Accepted Version
2.0	04/29/2021	Accepted Departmental Version

Table of Contents

General Information	4
Dependencies and Constraints	4
Business Process Overview	4
Business Process Flow Details	6
Ledger Impacts	8
Reports	8
Terminology	10

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

- Third-party investment partner 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 third-party investment partner 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;
- 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.

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 and Maintain Deals business process describes how investments managed internally and externally are 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).

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 and Maintain Deals

70.6 - Create and Maintain Deals		
Swim Lanes – Definition	DFS CM Accounting Approver: DFS Treasury role responsible for reviewing and approving accounting exceptions DFS Investment Accounting Processor: DFS Treasury role responsible for accounting for investments DFS Investor: DFS Treasury staff responsible for managing investments External Trade Managers: (<i>Non-Florida PALM role</i>) External investment managers responsible for managing investments	
Process Step ID	Process Step Title	Description of Process
1	Execute External Trades	External Managers execute trades and send the trade data to third-party investment partner.
2	Execute Internal Trades	Treasury invests any new cash transferred to the Custodial Bank account as well as performs routine trading to maximize investment earnings.
3	Extract Trade Transaction Data	Third-party investment partner extracts the internal and external trade transactional data.
4	Treasury Master Interface	Third-party investment partner transmits internal and external trade transactions to Florida PALM after the market closes.
5	Import Treasury Master Data	The Inbound Treasury Master Interface data is systematically imported after the file is received from the third-party investment partner. To track and maintain investment data, all daily trade activity is recorded in Florida PALM at the individual security detail level.
6	Generate and Distribute Reports	The daily balancing reports are generated and distributed to the appropriate users.
7	Create Treasury Transactions	Interest payments, coupons, and maturities systematically generate a Treasury transaction within Florida PALM.

Process Step ID	Process Step Title	Description of Process
8	Calculate Interest, Revenues and Losses	New investments, interest, revenues and losses, maturities, and other investment lifecycle transactions are recorded daily on a modified accrual basis.
9	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. These entries are included in the monthly reconciliation described in the CMSW.10.3.1 Perform Month End Close business subprocess.
10	Review and Approve Accounting	If accounting exceptions exist, the DFS CM Accounting Approver reviews and resolves the accounting exception within Florida PALM.
11	Extract Trade Positions Data	Florida PALM extracts the trade positions data.
12	Outbound Trade Positions Interface	Florida PALM transmits trade positions data to the third-party investment partner.
13	Perform Reconciliations	The reconciliation is performed using the trade positions data.
14	Resolve Exception	If an exception is identified, the DFS Investment Accounting Processor resolves the exception within Florida PALM or works with the third-party investment partner, if necessary.
15	Review Investment Totals	The Investment Accounting Processor reviews investment totals on a daily and monthly basis, including the income summary report. On an annual basis, investment information captured as part of this process, supports the creation of the CAFR.
16	Review Investment Maturities and Earnings	The DFS Investor reviews investment maturities and earnings. Earnings are used to decide if a purchase or sell of trades is required.

Table 2: Create and Maintain Deals

70.6.1 – Create Deals

This subprocess has been removed. The Create Deals subprocess was combined with the Maintain Deals subprocess during the CMS Wave Implementation.

Table 3: Create and Maintain Deals

70.6.2 – Maintain Deals

This subprocess has been removed. The Create Deals subprocess was combined with the Maintain Deals subprocess during the CMS Wave Implementation.

Ledger Impacts

Table 4: 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 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 5: 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	DFS Staff
R2	Inventory Report – listing of all current investments held by Treasury	Periodic	DFS
R3	Trades Report – listing of all purchases and sales of investments	Periodic	DFS
R4	Commercial Paper Report – details for all commercial paper investments	Periodic	DFS
R5	Cash Movement Report – income or losses, and interest accrued or earned for a designated period of time.	Periodic	DFS
R6	Floating Rate Payment Report – listing of all interest payments for floating rate investments	Periodic	DFS
R7	General Ledger Journal Entries Report – listing of Treasury	Periodic	DFS

Report Number	Report Description	Report Frequency	Audience
	accounting journal by type of entry		
R8	Investment Maturity and Accrual Reports (Upcoming, Monthly, and life-to-date) – total investment earnings for a designated period of time	Periodic	DFS
R9	Income Summary – report of investment security information including cost and income	Periodic	DFS
R10	Investment Balances Comparison Report – provides a comparison of balances between the investment participant balances to the total security investment balances	Periodic	DFS

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.