



**FI\$Cal**

*Financial Information System for California*

# Conference Room Pilot

## Bond Accounting

*November 19, 2014*

# Housekeeping

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- A copy of the presentation will be shared with attendees 1 week from the presentation date
  
- Breaks
  - AM Break – approx. 10:30am
  
- Restrooms
  - Main hall to right

# Agenda

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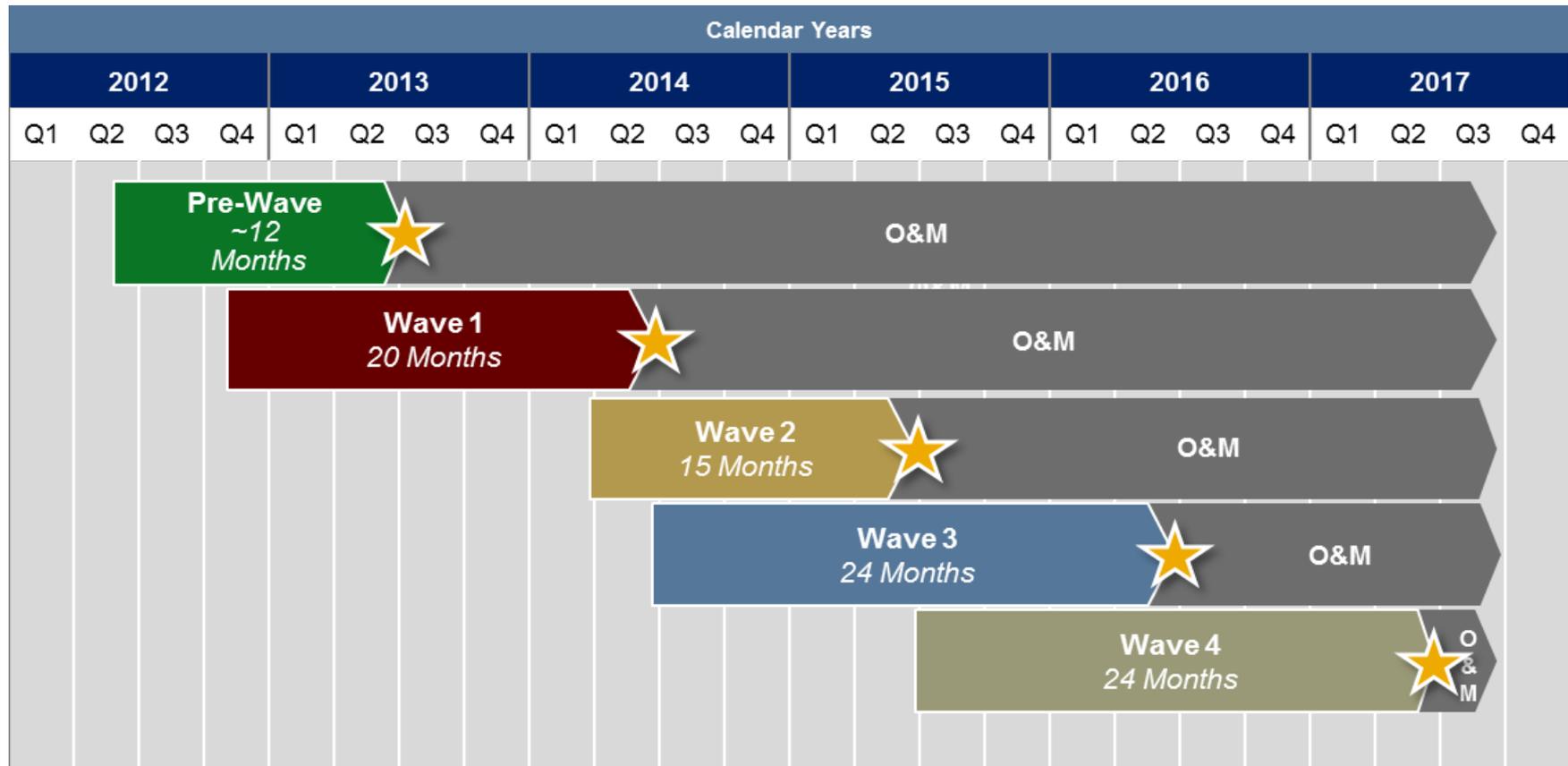
- FI\$Cal Project Overview
- Wave 3 CRP Objectives and Approach
- FI\$Cal Solution Overview
- Bond Accounting
  - Key Terms
  - Business Process Overview
  - Scenarios Overview
  - Covered Requirements
- Session Recap

# FI\$Cal Project Overview

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- The Financial Information System for California (FI\$Cal) is a business transformation project for the State in the areas of budgeting, accounting, procurement, and cash management. The Project prepares the State to work in an integrated financial management system.
  
- California's Partner Agencies are working together to form the partnership to support FI\$Cal at the highest level:
  - Department of Finance (DOF)
  - Department of General Services (DGS)
  - State Controller's Office (SCO)
  - State Treasurer's Office (STO)

# FI\$Cal Wave Timeline



# CRP Objectives

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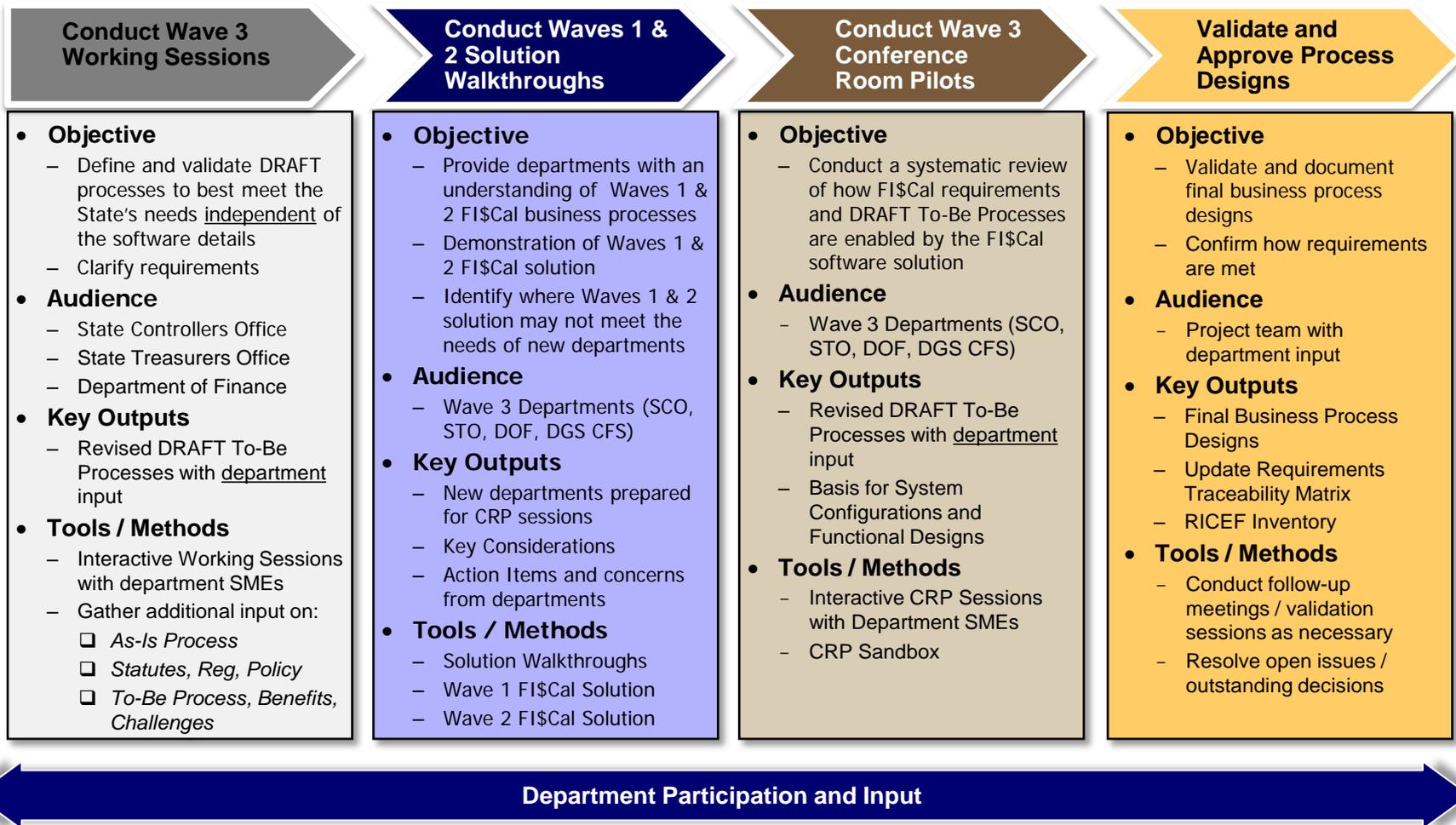
- The Wave 3 CRPs will:
  - Facilitate interactive discussion on “To-be” state business processes
  - Demonstrate delivered software capabilities to meet state requirements
  - Confirm application requirements and identify gaps where business needs are not satisfied by standard software functionality
  - Identify critical concerns/issues for each process area

# Business Requirements

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- What is a Business Requirement?
  - Business requirements specify the functionality of an application
  - Business requirements collectively represent the “To-Be” state of a system
  - Requirements denote common functionality across all Departments
  - The FI\$Cal project team contracted with Informatix to facilitate Joint Application Development (JAD) sessions with all partner and stakeholder departments to tailor the baseline requirements to the FI\$Cal project in 2006
  - The State conducted several rounds of review of the requirements in the past few years
  - The current baseline requirement list is taken from the FI\$Cal Request for Proposal (RFP)

# FI\$Cal Design Approach

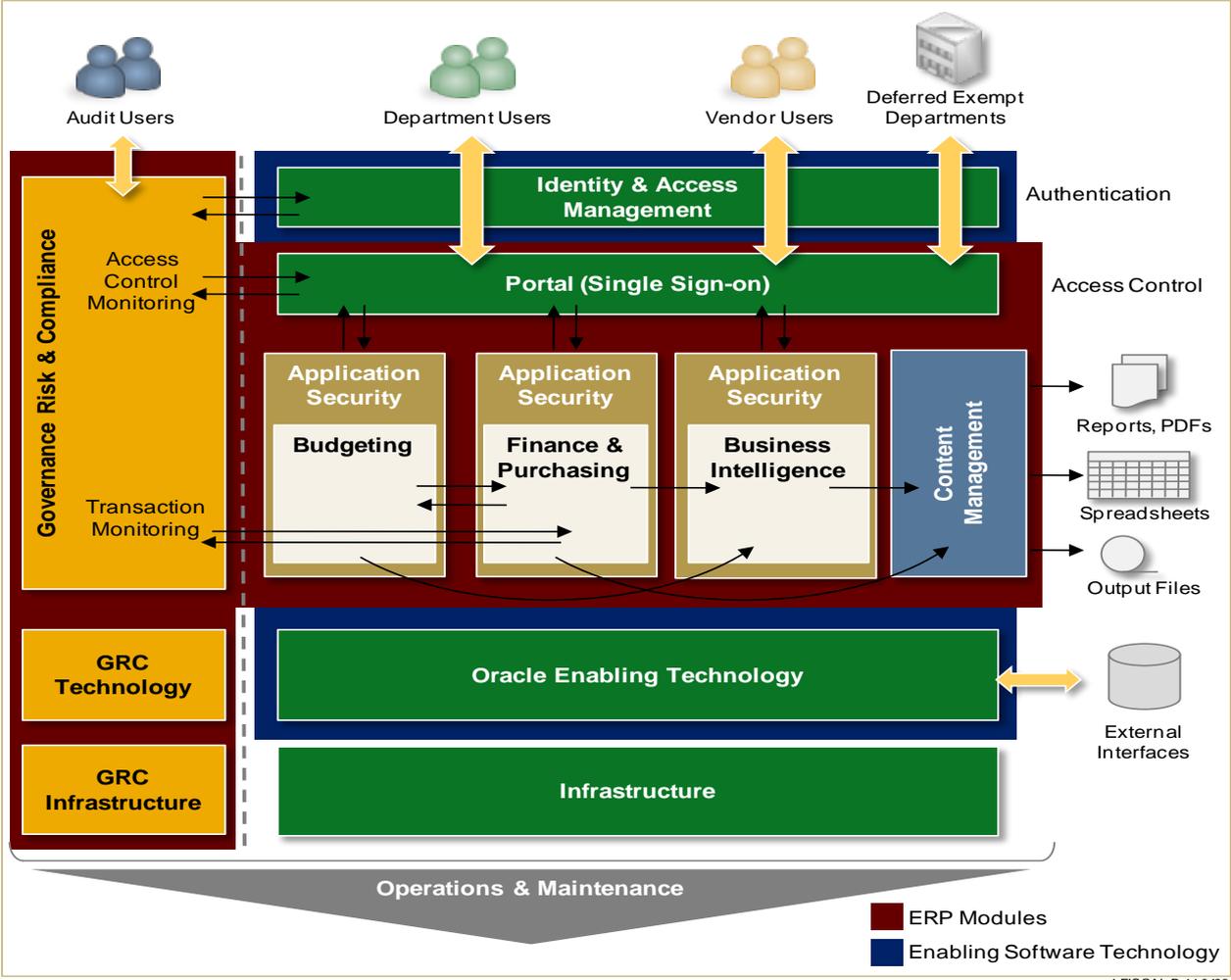


# Ground Rules & Guiding Principles

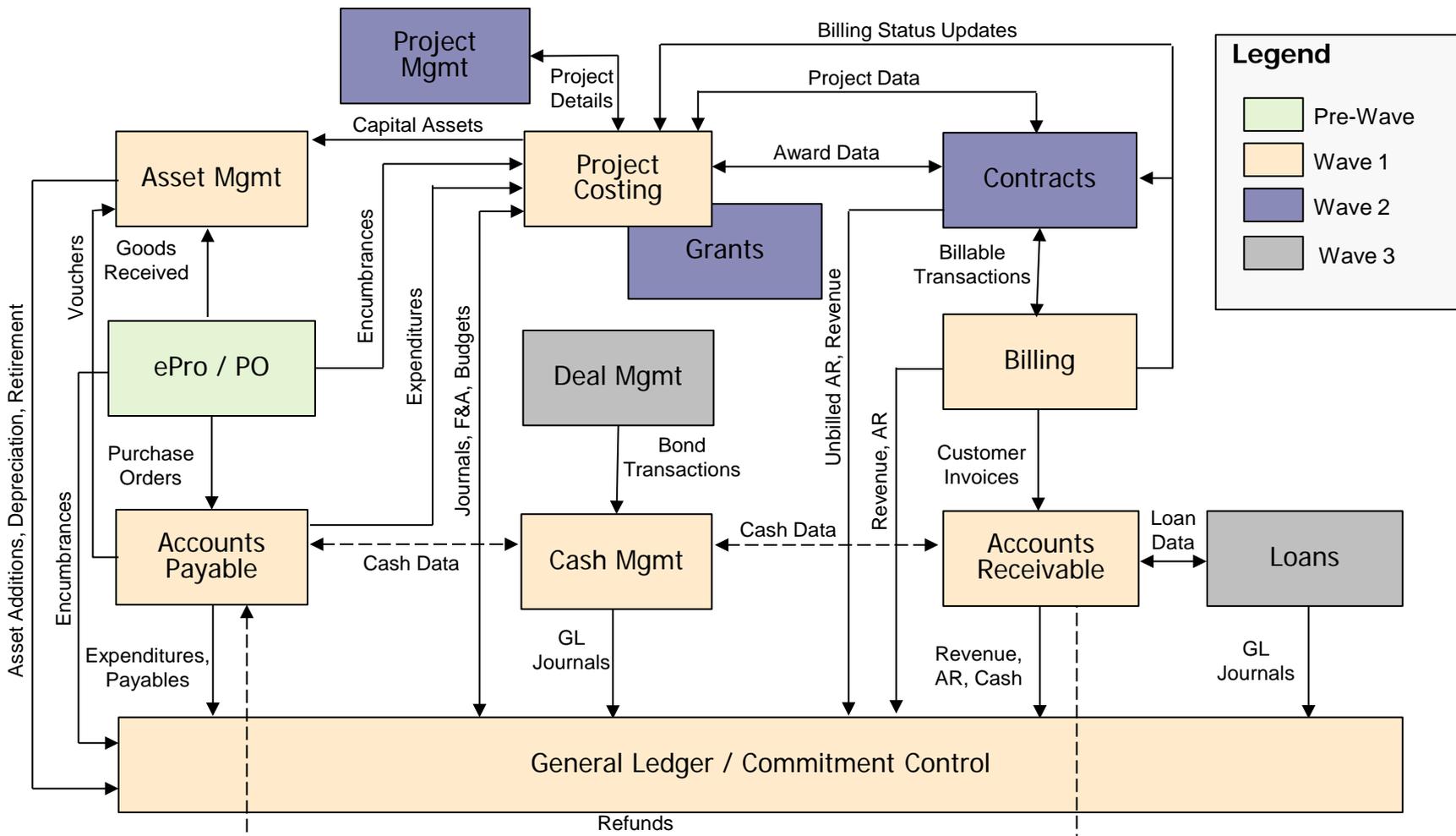
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- Challenge how the State does things today
- Perspective – adopt a “Statewide” perspective
- Silence is consent – speak and share your thoughts
- There are no bad questions – it is better to ask than assume
- Consider business process changes
- Think of the data and information you require

# FI\$Cal Solution Overview



# FI\$Cal Accounting Solution



# CRP & SWT Schedule

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Business Process	Date	Time	Location
CRP: General Ledger (1 of 2)	10/22/14	9:00 – 12:00	Jade - Evergreen
CRP: General Ledger (2 of 2)	11/05/14	9:00 – 12:00	Jade - Evergreen
SWT: Disbursements	11/12/14	9:00 – 12:00	Jade - Evergreen
SWT: Receivables & Cash Management	11/12/14	1:00 – 4:00	Jade - Evergreen
CRP: Disbursements	11/13/14	9:00 – 12:00	Jade - Evergreen
CRP: Bond Accounting	11/19/14	9:00 – 12:00	Sapphire - Evergreen
CRP: Cash Management	11/19/14	1:00 – 4:00	Jade – Evergreen
CRP: Loan Accounting	12/03/14	9:00 – 12:00	Jade - Evergreen

# Wave 3 Bond Accounting Topics

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- Scenario 1: Authorize and Issue Bonds
- Scenario 2: Refunding Bonds
- Scenario 3: Distribute Funds
- Scenario 4: Track Funds and Debt Service

# Key BA Concepts and Terms

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- **Lifecycle stages of a Bond**
  - Bond Authorization
  - Interim Financing
  - Bond Issuance
  - Distribution of Bond Funds
  - Tracking and Debt Service
- **Bond Accounting (BA):** Includes accounting for all types of bonds and related investments; the process includes recording for all accounting entries generated by the lifecycle stages of the bond
- **Deal Management** is essential to liquidity management, improving investment returns, reducing interest expenses, streamlining deal initiation, administration, settlement accounting and position monitoring

# Key BA Concepts and Terms

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- **Counterparty:** A legal entity or financial institution used to expose financial risk or settlement
- **Settlement/Settlement instructions:** Process for settling claim schedules using automated pay/receive instructions
- **Accounting Template/Accounting Event:** Configuration associated with a financial transaction which automates the process of remittance advice. Creates accounting entries based on desired requirements in the template setup
- **Substitution Rules:** Allows for the ability to replace a specific chart field value such as an account or fund with a new value based on configurable criteria
- **Sell/Buyback:** The current process of refunding

# Cash Management Functionality

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- Cash Management
  - Monitor and forecast cash requirements
    - Side-by-side comparison of fund movement at different intervals during the day
  - Perform automated bank reconciliation and bank statement processing
    - Captures bank statement formats (BAI2, SWIFT, FINSTA)
  - Cash Sweep
    - The ability to perform a sweep across multiple external bank accounts
  - Automatically generate accounting entries
  - Treasury Dashboard reduces idle cash seamlessly

# Deal Management Functionality

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- Deal Management
  - Capture and process an unlimited number of deals and trades
    - Financial transactions including; bonds, deposits, loans, commodities, equities, forwards, futures, swaps and options
  - Integration with PeopleSoft General Ledger
    - Template based definitions provides quick, accurate data entry that integrates seamlessly to the GL
  - Visibility to underlying exposures and hedges
    - All investments are immediately reflected in Cash Position
    - Record multiple changes to principal balances including partial and full refunding during the life of the deal
  - Automate Deal Administration

# Scenario 1 – Authorize and Issue Bonds

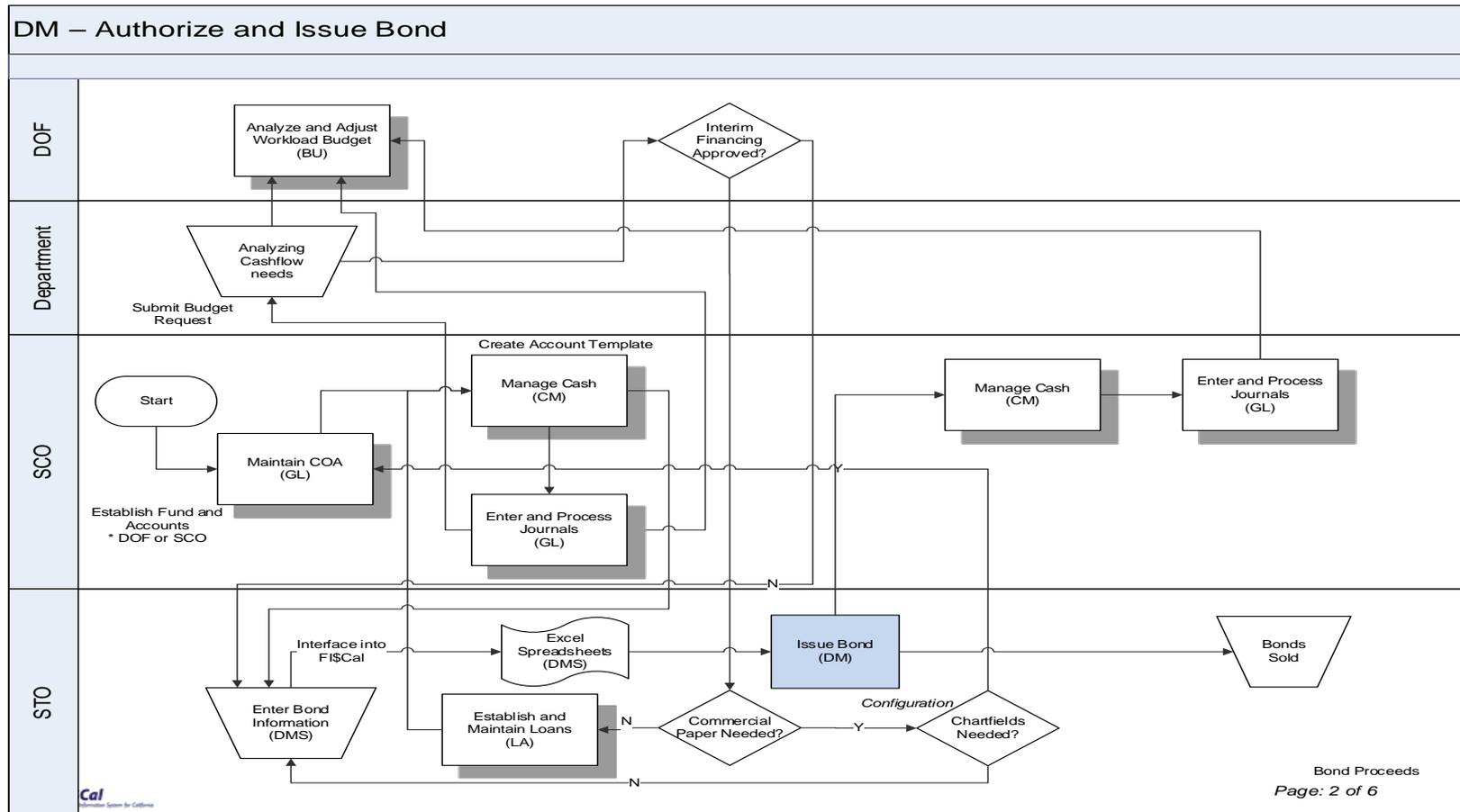
ID		Requirement Description
BA	1.00	The System shall account for all types of bonds
BA	7.00	The System shall sort amortization of premiums and discounts
BA	8.00	The System shall accept and maintain balance information for data generated by the State Treasurer's Office and other agency issuers ( ) for the purpose of recording bond related material events.
BA	11.00	The System shall track the outstanding balance of defeased bonds.
BA	36.00	The System shall accept principal and interest payment data from external Debt Management systems.
BA	37.00	The System shall accept future debt service data of outstanding bonds including variable rate bonds using a fixed rate at a point in time from external Debt Management systems.
BA	40.00	The System shall meet the specialized budgeting and accounting needs for GO-NSL Bonds
BA	41.00	The System shall meet the specialized budgeting and accounting needs for Revenue Bonds and GO-SL

# Scenario 1 – Authorize and Issue Bonds

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- The Bond Authorization subprocess
  - Establishes accounting entries related to the authorization and issuance of the bond
  - SCO records authorized amount at the time of authorization
- The Bond Issue subprocess
  - Records the new bond issuance as well as advance and current refunding
  - Information will be recorded in the STO DMS system and interfaced to FI\$Cal's Deal Management module
- Accounting entries generated from Deal Management will record:
  - Debit to Bond Authorized/Unissued
  - Credit to Provisions for Bond Authorized Unissued

# Scenario 1 – Authorize and Issue Bonds



# Scenario 2 – Refunding Bonds

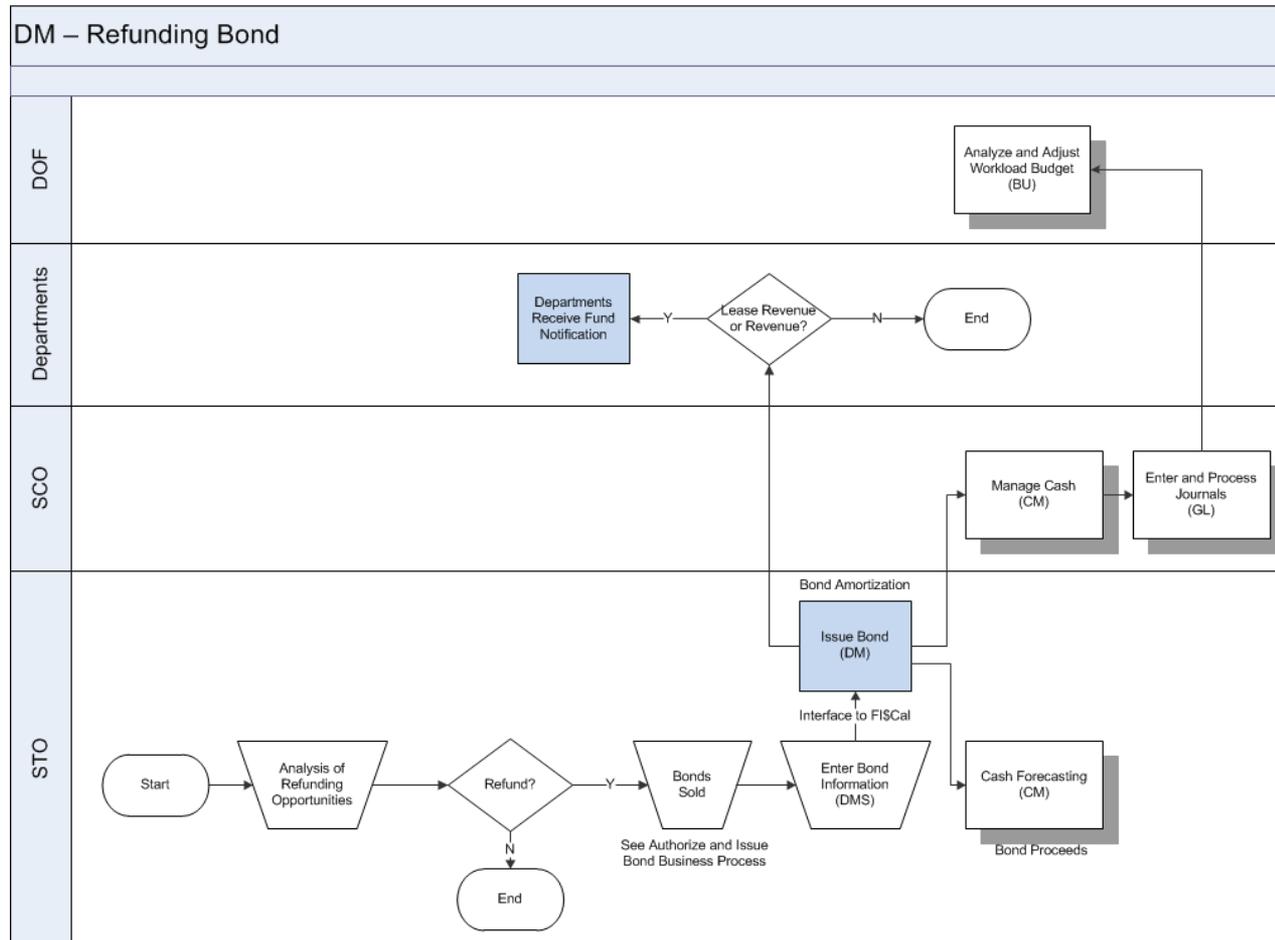
ID		Requirement Description
BA	9.00	The System shall record advance and current refunding's (e.g., paying off issued bonds and/or placing proceeds in escrow for future redemption).
BA	12.00	The System shall account for, track and report on the following bond related activity

# Scenario 2 – Refunding Bonds

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- Refunding bonds subprocess
  - Variation of the Authorize and Issue Bond process which establishes the accounting entries related to the refunding event
  - STO reviews existing debt
    - Has authority to refinance the State’s debt and issue new debt with refunding
- Difference between Refunding and Authorize and Issue bonds is the process of recording the refunding of existing bonds
  - Issuance of new money is identical to the Authorize and Issue Bond process

# Scenario 2 – Refunding Bonds



# Scenario 3 – Distribute Funds

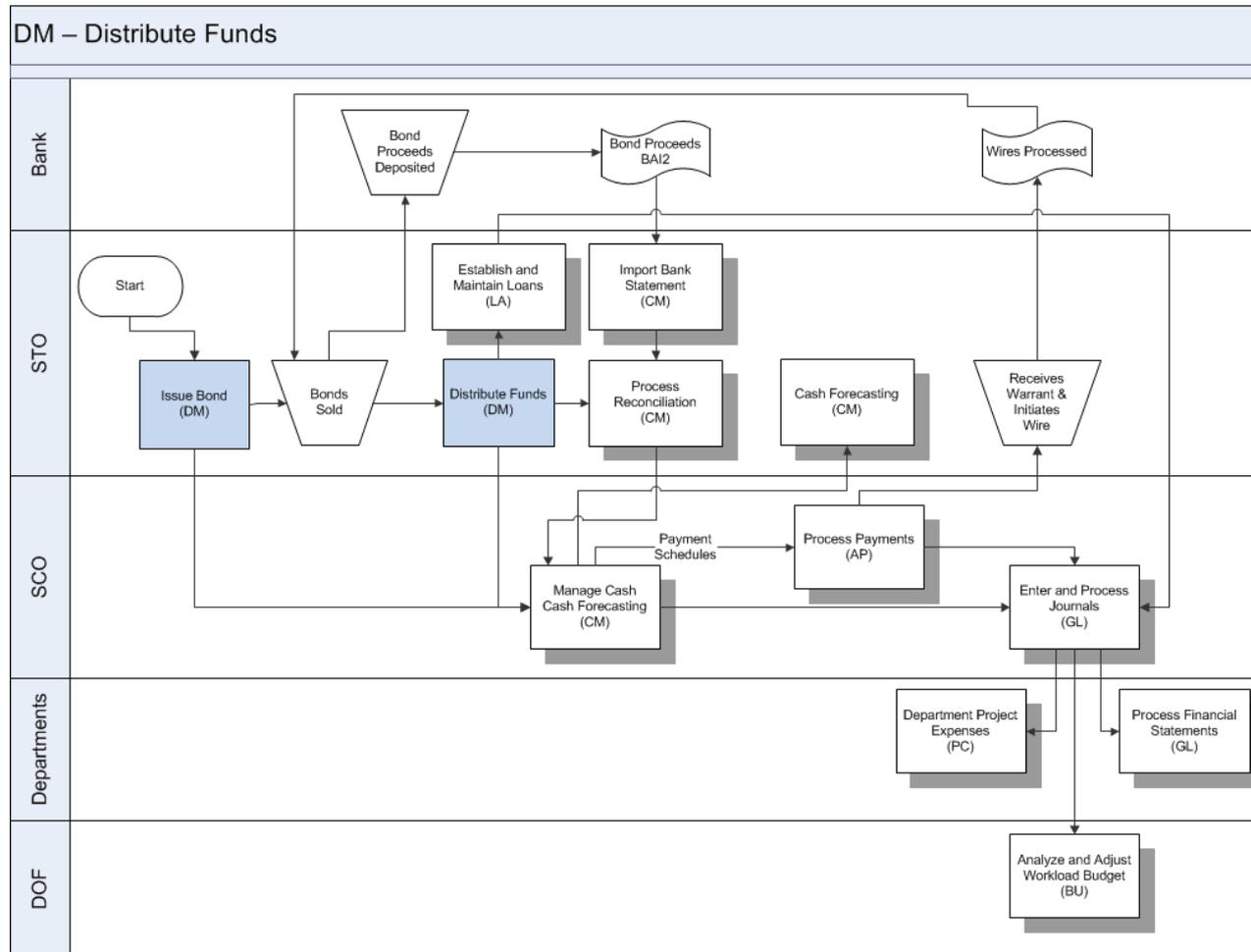
ID		Requirement Description
BA	13.00	The System shall account for, track, and report on bond related disbursements, encumbrances, and payables
BA	14.00	The System shall account for cash needs and subsequent cash transfers from one fund/account/appropriation to another.
BA	15.00	The System shall automatically transfer cash between sub-funds within bond funds to cover cash payments based on an assigned priority or specific requests.
BA	18.00	The System shall allow an administering agency to distribute and track bond proceeds to multiple organizations.
BA	31.00	The System shall distribute administrative costs to bond programs and other specific programs.

# Scenario 3 – Distribute Funds

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- Distribute Bonds/Funds subprocess
  - Establishes the accounting entries for the proceeds by fund, subfund, and Department
  - Accounts for cash needs and subsequent cash transfers from one subfund/account to another
  - Incorporates notifying Departments of proceeds and the accounting related to Department-specific transactions
  - Refunding where there is no new money generated
- New money is generated
  - Escrow accounts for the processes surrounding the payment schedules and wire transfers for the Escrow payment
    - Wire payments will be processed in the Bank of America bank portal

# Scenario 3 – Distribute Funds (Escrow)



# Scenario 4 – Track Funds and Debt Service

ID		Requirement Description
BA	16.00	The System shall provide the data to forecast receipts/cash needs/expenditures
BA	17.00	The System shall provide data to allow agencies to track and coordinate cashflow projections.
BA	19.00	The System shall allow an administering agency to distribute and track bond proceeds to multiple organizations.
BA	20.00	The System shall summarize bond information by any level of account or organizational structure
BA	22.00	The System shall alert a designated user of certain transactions, events, thresholds, dates, or other user defined activities
BA	24.00	The System shall generate monthly, quarterly, and annual reports on bonds by fund/account as needed for audit, record retention and other entities (e.g., Federal Government, Public Record Act Requests
BA	27.00	The System shall identify and report accounting transactions posted by departments related to revenue bonds administered by the Public Works Board.
BA	35.00	The System shall account for, track and report on bond related principal and interest payments.

# Scenario 4 – Track Funds and Debt Service

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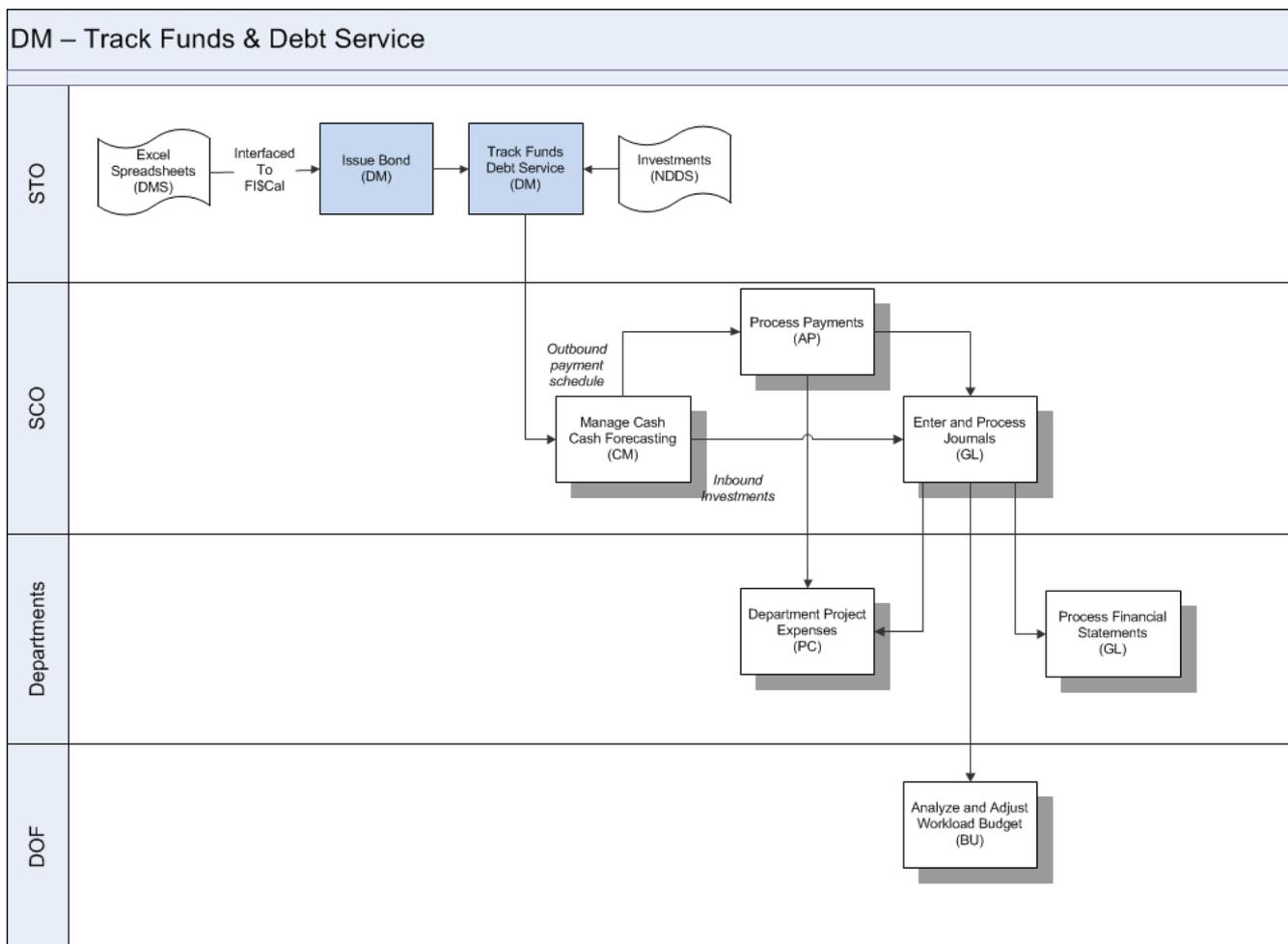
- Track Funds subprocess
  - Provides data to aid in cash forecasting needs and to coordinate cash flow projections, as well as provides data for the calculation of any arbitrage rebate owed to the federal government
  - Enables reporting based on different sources of funds and time periods:
    - Generating monthly, quarterly and annual reports
    - Tracking the tax status (exempt vs. taxable)
    - Reporting accounting transactions posted by departments related to revenue bonds (including lease purchase bonds)
    - Generating reports which provide detail of principal and interest payments

# Scenario 4 – Track Funds and Debt Service

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- Debt Service subprocess
  - Provides amortization schedules for each Bond account for principal and interest payments reflected in the Budget
  - Debt service schedules provide the information to produce claim schedules prepared by STO and departments and reviewed by SCO:
    - Conduct cash transfer transactions
    - Reimbursements
    - Remittance Advices
    - Expenditures (where applicable) against cash proceeds in accounts in department bond spreadsheets

# Scenario 4 – Track Funds and Debt Service



# Technology Considerations

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- Interfaces
- Conversions
- Data Protection

# Data Protection Overview

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- FI\$Cal will receive and retain various types of data that will need to be protected. All data can be classified as:
  - Public
  - Personally Identifiable Information
  - Sensitive
  - Confidential
  
- Various state agencies assisted FI\$Cal in the development of a **Data Classification and Protection Framework**

# Data Protection Overview

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- All data that is received, retained, and transmitted by FI\$Cal protected by:
  - Business Unit
  - Encryption
  - Role Based Access
  
- In addition, data classified as PII, sensitive, and confidential will receive the additional protection of:
  - Masked
  - Tracking when added, updated, deleted, and read
  - Role Based Access, such as Confidential User

# Data Protection – Key Terms

Conversion	Definition
<b>Public Information</b>	Information maintained by state agencies that is not exempt from disclosure under the provisions of state or federal laws.
<b>Confidential Information</b>	Information maintained by state agencies that is exempt from disclosure under the provisions of state or federal laws.
<b>Sensitive Information</b>	Information maintained <b>by state agencies</b> that requires special precautions to protect from unauthorized use, access, disclosure, modification, loss, or deletion. Sensitive information may be either public or confidential.
<b>Personally Identifiable Information</b>	Information that identifies or describes an individual. This information must be protected from inappropriate access, use, or disclosure and must be made accessible to data subjects upon request.

# Data Protection Processes & Fields

Process Name	Field Description	
CM1 - Create and Maintain Bank Accounts	Bank Routing Number	<b>Sensitive</b>
CM1 - Create and Maintain Bank Accounts	Bank Account Number	
CM2 - Reconcile Statement	Beginning Balance for a bank statement	
CM2 - Reconcile Statement	Total credits on a bank statement	
CM2 - Reconcile Statement	Total debits on a bank statement	
CM2 - Reconcile Statement	Ending Balance for a bank statement	
CM2 - Reconcile Statement	Credit lines on a bank statement	
CM2 - Reconcile Statement	Debit lines on a bank statement	
CM2 - Reconcile Statement	Date the transaction processed via the bank	
CM1 - Create and Maintain Bank Accounts	Bank Name	<b>Public</b>
CM1 - Create and Maintain Bank Accounts	Bank Account Name	
CM1 - Create and Maintain Bank Accounts	General Ledger Business Unit	

## FI\$Cal Standard Protection Framework

### Standard Data Protection level For:

Confidential (Protected under the Public Records Act), Electronic Protected Health Information (e/PHI), Federal Tax Information, Notice Triggering Information, Payment Card Industry, Personally Identifiable Information (PII) and Sensitive Information, the following is the Standard Data Protection Level:

1. Mandates that Govern the Collection of this Field – State Administrative Manual (SAM).
2. Federal Tax Information Labeling – None.
3. FI\$Cal Standard Protection Method(s):
  - Business Level Security.
  - Encryption.
  - Masked (SSN, TIN, and Payment Card).
  - Role Based.
4. FI\$Cal Standard Actions to be Tracked:
  - Add, Delete, Update and Read.
5. FI\$Cal Standard Data Retention: Average 7 Years. (No data disposal planned for FI\$Cal currently).

<b>Public</b>	<b>Confidential</b>	<b>PII</b>	<b>Sensitive</b>
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**Cash Management classified as Sensitive with the exception of the fields highlighted to be Public**

# Session Recap

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- Key Considerations
- Future Action Items
- Action Items
- Concerns

# Question and Answer

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FI\$Cal Project Information:

<http://www.fiscal.ca.gov/>

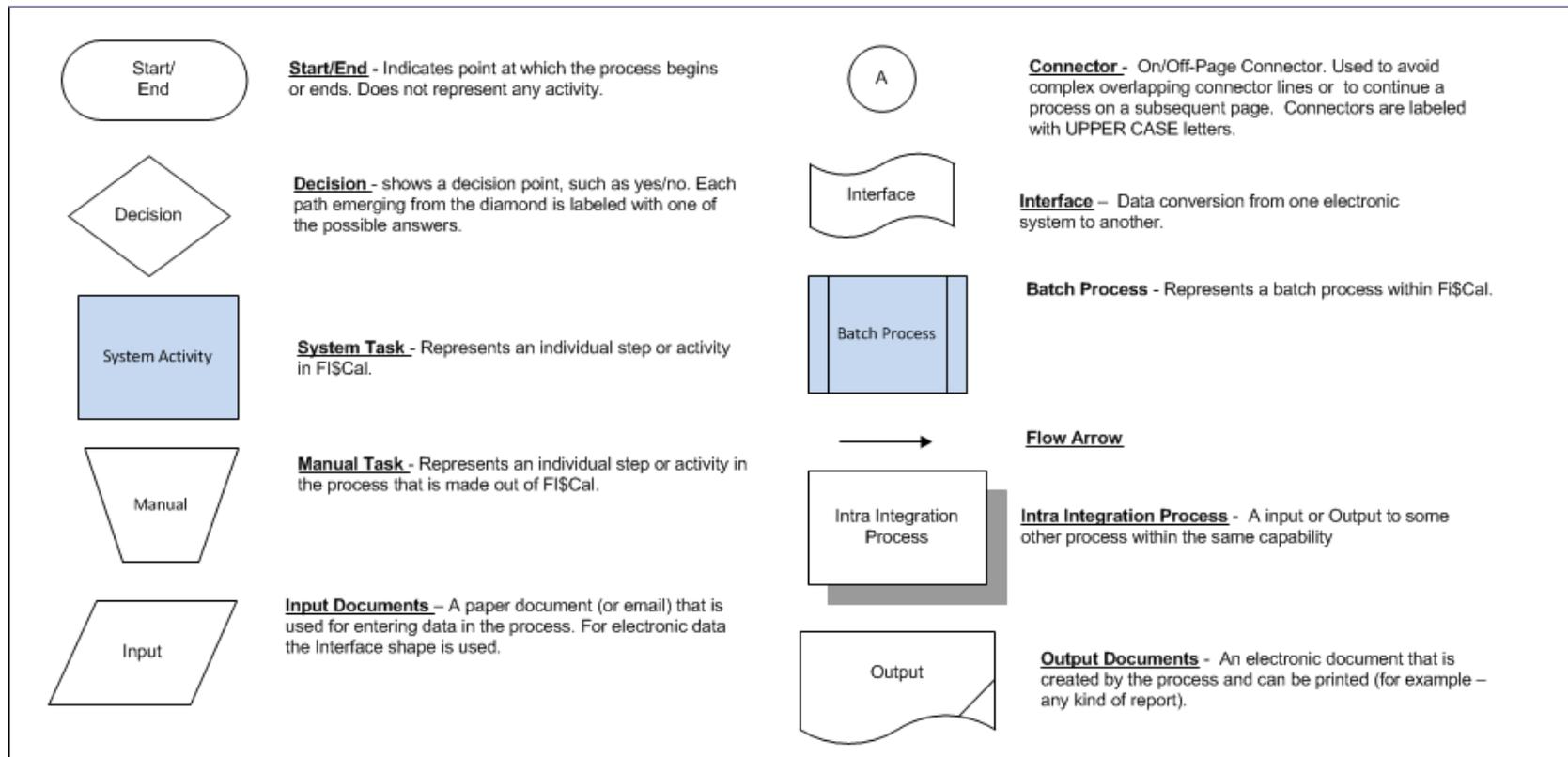
or e-mail the FI\$Cal Project Team at:

[fiscal.cmo@fiscal.ca.gov](mailto:fiscal.cmo@fiscal.ca.gov)

# Appendix

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# Guide to Symbols in Flows



# ChartField Cross Reference

