

A MODERN APPROACH TO ACCOUNT RECONCILIATION

The role of Automation in Account Reconciliation and the application of Emerging Technologies in Accounting to enhance financial performance

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Preface



Account reconciliation, a critical cog in business transactions, is traditionally synonymous with spreadsheets. However, as an organization evolves and assesses the competitive environment for growth, the infallibility of the traditional reconciliation methods is questioned. Can an organization afford to keep its account reconciliation confined to spreadsheets when digital churning is so acute and apparent throughout the business world? The answer is a vehement 'no'.

Automation of account reconciliation is imperative for any business to survive, and subsequently grow. Digitalization of the reconciliation process is crucial for numerous compelling reasons. Digital tools and software will help organizations not only manage large volumes of data efficiently but also identify discrepancies accurately by eliminating human errors. With the seamless integration of data, real-time monitoring of financial transactions and automation of routine tasks, organizations will gain agility and reduce time and cost. Most importantly, digitalization will provide a traceable audit trail of reconciliations and changes in financial records.

According to a report, the global account reconciliation software market is expected to reach a value of USD 6,930 million by 2030.

This itself is testimony to the fact that automation is the linchpin in the financial reconciliation process.

This paper is a comprehensive guide for finance professionals seeking to understand the end-to-end account reconciliation process, the challenges of traditional methods, the different software solutions available, and how to adopt leading practices and transition towards the future of technologically empowered financial management. It also covers the use cases to showcase the ROIs achieved with the adoption of various automation tools by organizations and their transformation journey.

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SECTION 1

Introduction

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Overview:

Accurate financial information is the backbone of good business decisions. Considering economic volatility and changing strategic priorities, executives need timely access to reliable financial data. The financial close process is the basis of financial transparency, ensuring the accuracy and timeliness of individual company's figures so that they can be handed over to the group for consolidation and reporting, and comply with regulatory reports, either internal or external. Account Reconciliation forms an important part of the closing process.

What is Account Reconciliation?

Account Reconciliation is a process used by accountants to ensure that the account balances between two systems are correct, either by attesting that account balances are properly stated or by making necessary adjustments at the end of a particular accounting period.

This process involves reconciling general ledger balances with other independent systems, third-party data, or other supporting documents, such as bank or credit card statements. This includes thoroughly investigating identified discrepancies and taking appropriate corrective actions to resolve them.

Why is Account Reconciliation necessary?

Account Reconciliation is an important part of any organization's internal control environment, as it helps to ensure compliance with all regulations. With accurate and regular reconciliation of financial records, companies can ensure that necessary general ledger adjustments are made promptly and that there have been no material misstatements.

Additionally, this process helps detect potential fraud as it can lead to the identification of unauthorized transactions, embezzlements, and other fraudulent activities.

Section 404 of the Sarbanes-Oxley Act requires publicly traded companies to include an assessment of their internal controls over financial reporting in their annual reports.

What are the steps in Account Reconciliation?

The Account Reconciliation process takes place after the end of a financial reporting period. Accountants go through each account in the general ledger and verify that the balance listed is complete and accurate.

The following are the steps to complete an Account Reconciliation:



Gather necessary details of the general ledger account: Accountants must gather the general ledger account information that needs to be reconciled. For example, the balance of a general ledger account at the end of the reporting period, the activities during the reporting period, as well as information about debits and credits to the account.



Compare account balances to sources: Here, accountants compare general ledger account balances with data from third-party systems, independent sources, or other evidence, such as bank statements, credit card statements, etc. This is the stage when accountants must back up their general ledger balances.



Analyze and investigate discrepancies: Accountants must list any items that do not match and conduct thorough research and investigation when discrepancies are discovered between the total balance of a general ledger account and the accompanying documentation/sources.



Post Adjustments: Based upon the outcome of the investigation, it may seem necessary for the accountant to post adjusting journal entries to fix the discrepancies identified and confirm the new balance. This must be supported adequately by providing proper evidence to help with account reconciliation during the following month and for audit purposes.

The completed reconciliation must be retained along with supporting evidence, comments, and reviews, including the audit trail.

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What causes discrepancies in Reconciliation?

Discrepancies identified in the reconciliation may be caused by a variety of factors, such as timing differences, missing transactions, or manual discrepancies.

TIMING DIFFERENCES

Timing differences occur when a transaction is recorded in the general ledger but not the supporting document, or vice versa. This is often due to delays in processing or recording transactions. For example, transactions, such as checks, may hit the bank statement a few days after a deposit is made, causing differences.

MISSING TRANSACTIONS

There may be situations where activity is captured in the general ledger but not the supporting data or vice versa, which may be due to missing transactions. These can be caused by errors or omissions during recording. Bank service charges, credit card interest and fees, and electronic deposits are a few examples of these.

MANUAL DISCREPANCIES

Discrepancies can occur at any point in the transaction and cause a discrepancy between the general ledger and the supporting data. It could be the case that a transaction had hit the wrong account, was manually entered incorrectly, or debits and credits in a journal entry got reversed, causing discrepancies.

What are the types of Account Reconciliation?

TYPES OF RECONCILIATION

Bank Reconciliation

Customer Reconciliation

Vendor Reconciliation

Inventory Reconciliation

Balance Sheet Reconciliation

Intercompany Reconciliation

Other Reconciliations

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Here are some of the most common types of Account Reconciliation:



Bank Account Reconciliation is the process of reconciling a cash account balance in an entity's accounting records with the corresponding balance on a bank statement to ensure that all transactions are recorded correctly.



Customer Reconciliation is the process of comparing the outstanding customer balances to the company's accounts receivables as recorded in the general ledger to help ensure accuracy and transparency in reporting.



Vendor Reconciliation is the process of reconciling accounts payable balances in financial records with the corresponding vendor statements to ensure the accurate reflection of amounts due to the suppliers.



Inventory Reconciliation is the process of reconciling the physical number of inventory items with the accounting records to guarantee that all inventory items are accounted for and appropriately priced.



Balance Sheet Reconciliation is the process that ensures the accuracy of a company's financial statements by comparing the balances in the balance sheet with the general ledger and supporting documents such as bank statements and invoices.



Intercompany Reconciliation is the process of reconciling transactions between subsidiaries, divisions, and entities within a large conglomerate to ensure the accurate recording of intercompany transactions and their elimination for consolidated financial reporting.



Other Reconciliations include reconciliations not listed above such as Credit Card, Payroll, Expense, Accruals and Prepayments.



SECTION 2

Common Challenges of
Traditional Approach

Overview:

Spreadsheets have been the backbone of finance and accounting teams for decades. Although technology has evolved over the years, finance professionals continue to rely heavily on outdated tools to manage the complex and detailed reconciliation processes required by modern organizations. Due to this reliance on spreadsheets, organizations find themselves overwhelmed with work and investing excessive time and resources in maintaining manual processes.



According to research conducted by data firm Duco in 2021:

Nearly a third (28%) of financial services organizations say mistakes from manual processes are their biggest data reconciliation pain point amid the work-from-home drive.

These manual processes lead to poor quality data and poor decisions and are costing financial firms millions in wasted man hours and regulatory fines, according to the study.

The report also finds that around three-fifths (64%) of financial services firms believe that implementing transformational change to these processes would be too expensive or time-consuming within their organization. As a result, just over one in five (22%) can automate most of their reconciliations.

(Please refer to Reference #2)

Interconnected problems with Manual Reconciliations



Manual account reconciliations can be time-consuming, especially for organizations with large volumes of transactions, leading to inefficient processes.



Manual reconciliations involve comparing large amounts of data across multiple systems manually, allowing significant room for error and inaccurate reporting.



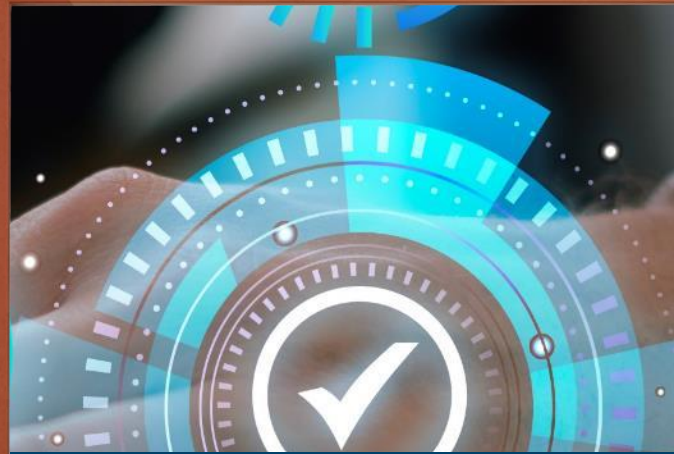
Manual methods lack standardization of the processes as every department and geographically spread subsidiaries perform account reconciliation differently, causing inconsistencies and errors.



Traditional account reconciliations often ignore the patterns and trends visible in the data while matching the fields, which leads to potential fraud, thus increasing the organization's risk profile.



With huge volumes of data, it becomes difficult to keep track of all the changes made in the reconciliation process, especially with multiple stakeholders. This leads to a lack of visibility and accountability, making it more error-prone.



SECTION 3

Select Best Practices for the Reconciliation Process



What are the select best practices which can be adopted to enhance the Account Reconciliation process?

In today's accounting era, CFOs and finance departments are moving into deeper strategic roles where they can be relied upon to drive critical business decisions. They are now expected to provide unprecedented levels of insight and value to organizations. This is primarily achieved through the timely processing and detailed analysis of the company's financial information.

The following are some of the key best practices that can help organizations improve their account reconciliation process:



Automate the Reconciliation Process: Spreadsheets have always had and will continue to have their place in the business world and are an important tool for many accounting tasks. However, they are error-prone and not efficient enough to be used for repetitive, collaborative, and company-wide processes. The account reconciliation process is highly complex and poses a significant amount of risk of misstatement to organizations. Automated solutions can improve the integrity of all financial statements, speed up the process, and minimize the risks associated with performing processes manually.



Prioritize Standardization of Processes: Standardizing processes can increase the speed of the work being completed. Without standard processes, there is a high likelihood that the processes are being done incorrectly. Successful implementation of automation requires a global reconciliation policy with documented processes that must be put in place and enforced across the organization to help ensure consistency and accuracy. For example, organizations should ensure that the reconciliation templates in use are all agreed upon and consistent across the entire organization.



Establish a Risk-based Approach: Establish a risk-based approach and identify the accounts that are inherently at the highest risk of error. Implementing this best practice requires a thorough, balanced analysis of each account's qualitative and quantitative factors. Categorizing accounts as High, Medium, or Low risk helps determine the frequency (monthly, quarterly, annually), and due dates of reconciliations, as well as the level of review required for these accounts.



Assess Key Performance Indicators: Focusing on Key Performance Indicators (KPIs) enables financial leaders to get an overview of the reconciliation process from beginning to end and assess any potential gaps in the process to adjust for improvements.



Evaluate and Improve Processes: Reconciliation processes must be evaluated and improved over time. Policies and procedures must be reviewed periodically to correctly reflect the organization's position and values.



SECTION 4

**Transforming the
Reconciliation Process
through Automation**

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What is Automated Account Reconciliation and how does it help in transforming the traditional process?

Automated account reconciliation tools and solutions take the reconciliation process into the digital age. By automating manual and spreadsheet-dependent processes, organizations will have standardized methods to verify the accuracy and appropriateness of their accounts.

Account reconciliation solutions automate and standardize the reconciliation process and produce high-quality, accurate financial statements. They take in data from various financial information sources such as ERP systems, bank files, and bank

statements, compare account balances between these sources, and identify discrepancies that require investigation by accounting staff.

Automating reconciliations helps to save time and money, optimize processes, and streamline workflows. An increased confidence in your financial data provides real-time, useful information that helps to make better business decisions. Modern reconciliation solutions provide a versatile, cloud-based platform that increases audit readiness.



End-to-end enterprise-level automated reconciliation processes can help financial institutions and businesses process large influx of transaction data, improve speed, manage operational risk, and meet compliance requirements. Automated Reconciliation tools can help organizations achieve the following objectives:



Data Integration: Automated account reconciliation solutions use data aggregation engines to integrate data from disparate sources into a single platform, eliminating room for errors. This makes automated data integration defined and quick, and greatly reduces coordination time.



Improvement in Accuracy: Using configurable rules-based workflows that let users quickly spot anomalies and inconsistencies, automated account reconciliation solutions aid in enhancing data quality and accuracy. By upholding appropriate task division, generating read-only records upon authentication, instantly importing data, and offering unmatched insight into accounting procedures, these solutions remove the dangers associated with manual spreadsheets.



Standardization of Processes: Account reconciliation systems that are automated offer bookkeepers an easy-to-use interface. This includes standardized templates, optimized processes, policy and procedure connections, and integrated document storage. These solutions improve consistency, bolster internal controls, and raise the caliber and precision of financial data.



Exception Handling with Anomaly Detection: Automated account reconciliation solutions provide exception-handling functionality that allows users to manually handle exceptions or set up rules to handle exceptions automatically. This helps detect and resolve anomalies efficiently and on time.



AI-powered Matching Criteria: Automated account reconciliation solutions are configured using defined rules of matching criteria, such as transaction type, amount, and date. The solution automatically matches transactions across different systems into different data sets, such as bank statements and invoices, based on defined matching criteria.



Better Compliance and Visibility: Automated reconciliation solutions help ensure regulatory compliance by enforcing standard rules and procedures and providing storage for reconciliation history and supporting documentation that is easily accessible during audits.



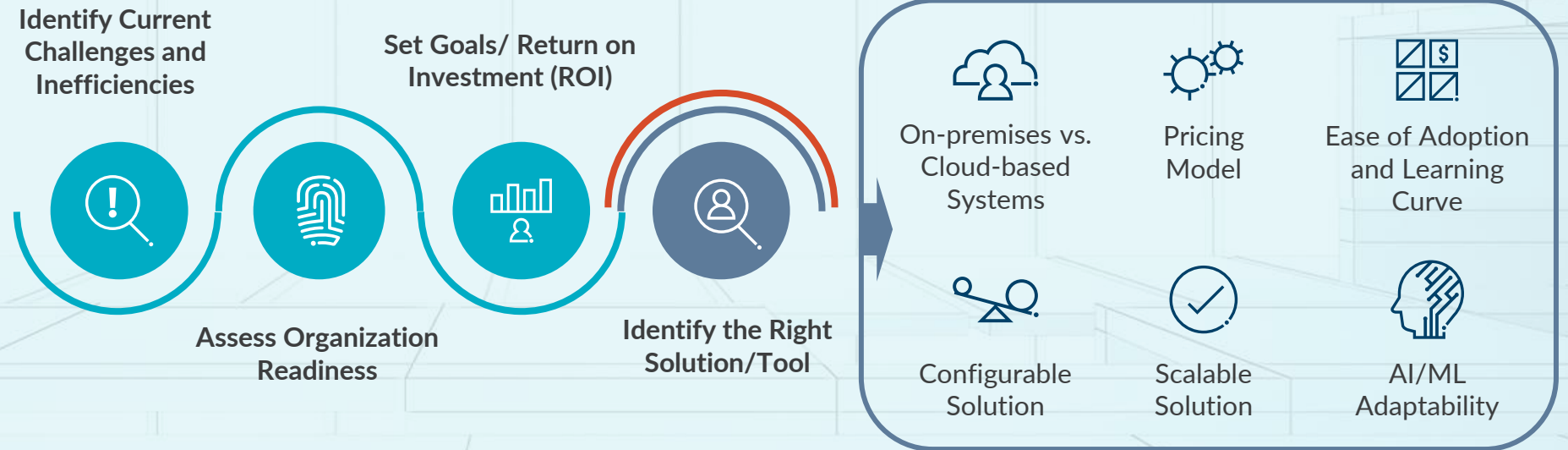
Reporting and Analytics: Automated reconciliation solutions provide real-time reporting and analytics capabilities, allowing users to monitor the reconciliation progress and identify issues that require attention.

How to choose the right Automated Account Reconciliation Tool or Solution?

Now that you understand how organizations can ensure agility and long-term relevance by prioritizing their reconciliation solution requirements, the options may seem overwhelming while you are looking for a new reconciliation system in the market.

The following are the steps to choose the right automated account reconciliation software that offers maximum return on investment (ROI), efficiency, and savings:

How to choose the right automated solution



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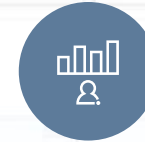
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Let's analyze them in detail:



Identify Current Challenges and Inefficiencies:

Collaborate with your controllers, managers, and accountants to comprehend the difficulties encountered during reconciliation. Examine audit reports from prior years to find recurring errors and suggest corrective measures from the auditors. Look into the industry's best practices. If necessary, work with third-party finance consultants to find gaps and create a transformation strategy for your finance division.



Set Goals and Expectations: Set realistic goals and expectations from automation of reconciliation to understand the return on investment. A few goals to be looked at include a reduction in month-end close time, 100% elimination of spreadsheets, auto-certification of accounts, straight-through reconciliation of invoices and bank statements, etc.



Assess Organization Readiness: Digitization of the account reconciliation process requires strong back-end data management policies and infrastructure. Assess your organization's readiness to implement the automated account reconciliation software by considering a few questions on the central repository, standardized processes, etc.



Identify the Right Solution/Tool: Automation investments are critical decisions. Thoroughly checking the capabilities of these solutions before shortlisting is crucial.

A few critical considerations for the selection of a transactional reconciliation solution listed on the following page can future-proof accounting and finance operations.



On-premises vs. Cloud-based Systems

The deployment approach is an important decision. Organizations can deploy reconciliation software using on-premises or cloud-based systems. Businesses, especially banking, insurance, and other areas where information security is critical, prefer on-premises systems, where the entire software instance resides within an organization's premises. However, hosting the systems on internal servers requires additional costs and resources to monitor the application performance and maintain the infrastructure.

Cloud-based systems need minimal installation, are easy to upgrade, and require no capital costs. Organizations must pay as per need and scaling requires minimal effort.



Pricing Model

Pricing is an important consideration when choosing a possible solution. Solution providers typically charge annual license fees for software, maintenance, support, and financial services.

When setting your price, consider the total cost of ownership. For example, how many professional services will you need? What will be the license cost? What will be the support and maintenance cost? It is important to perform the due diligence.



Ease of Adoption and Learning Curve

An important consideration while deciding on the solution is the learning curve period for the new reconciliation software and its user acceptance.

Some tools require other skills, such as coding. For example, if an accountant has programming experience, intuitive and business user-oriented software is more likely to endure implementation. Users find it comforting and easy to adapt when the software runs in a familiar Excel-like interface.



Configurable Solution

A fully configurable, best-practice SaaS solution gives you more flexibility for scope expansion and offers regular feature upgrades that appeal to a broader customer base. End users can create, modify, and manage processes independently.

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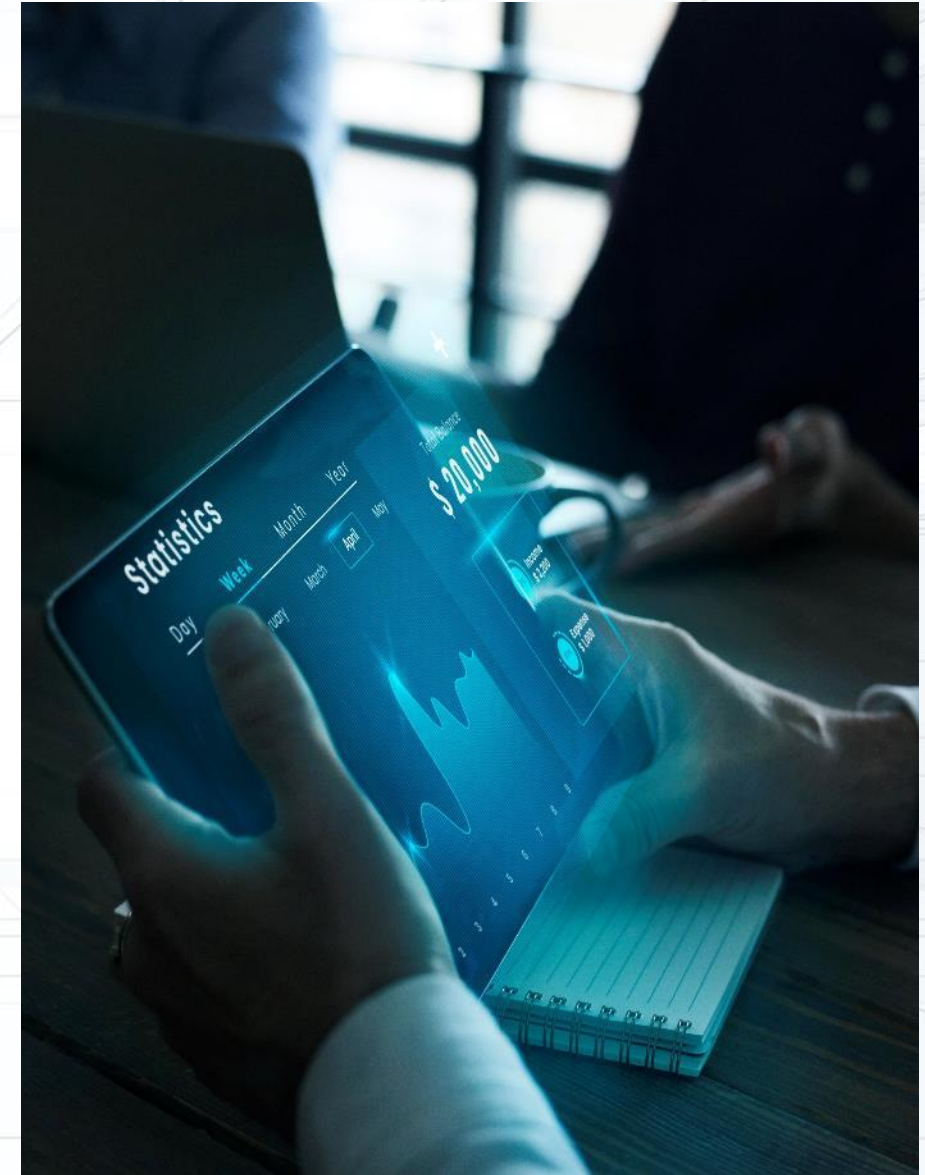
Scalable Solution

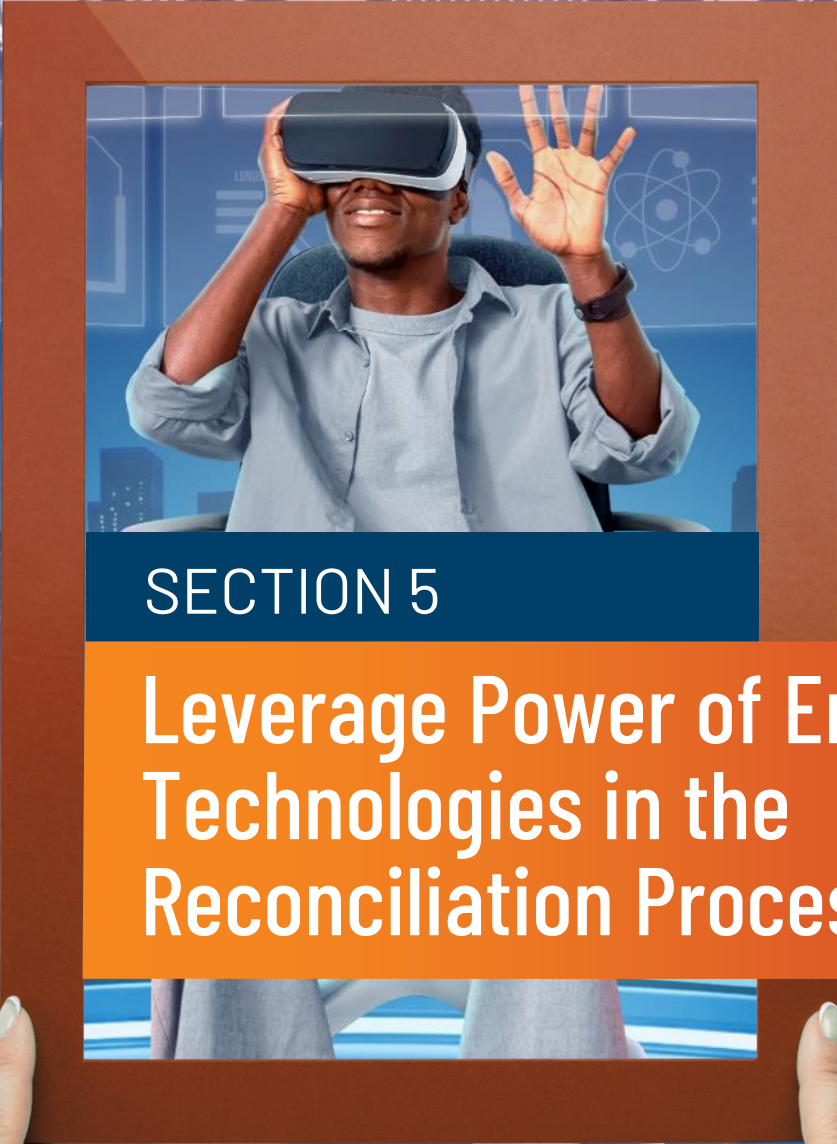
A reconciliation software must provide scalability and room to expand operations geographically, introduce new processes, and adopt process improvements and changes as a business. A scalable reconciliation solution keeps up with the progress of the business it supports. The solution must be able to easily adapt to new users and processes as well as increased transaction and account volumes.



AI/ML Adaptability

This is an important aspect to consider as Artificial Intelligence (AI) and Machine Learning (ML) have the potential to revolutionize the way we work. These tools can be used to analyze large amounts of data and identify patterns and trends that are difficult to visualize for humans. This helps you make better decisions in everything from data collection to reporting. **(For details, refer to Section 5)**





SECTION 5

Leverage Power of Emerging Technologies in the Reconciliation Process



In an era of digital transformation and automation, emerging technologies such as Artificial Intelligence (AI), Machine Learning (ML), Blockchain and Robotic Process Automation (RPA) have increasingly become the foundation for innovation.

Artificial Intelligence and Machine Learning:

Artificial Intelligence (AI) is the simulation of human intelligence processes using machines, especially computer systems.

Machine Learning (ML) is a subfield of AI that uses algorithms trained on data sets to create self-learning models that can predict outcomes and classify information without the need for human intervention.

One area where the use of AI and ML is making a significant impact is in the financial reconciliation process. AI and ML can help streamline reconciliations and unlock new productivity gains. The combination of AI and ML can improve the speed and accuracy of the reconciliation process. AI can review data, detect anomalies, and make recommendations for further review. ML algorithms, on the other hand, can automate processes, identify trends and patterns in data, and apply those trends to future reconciliations.

The main benefit of using AI and ML is that manual workflows can be significantly reduced or eliminated, resulting in significant time and cost savings. It also reduces the risk of errors occurring during manual reconciliations, resulting in lower financial losses. Additionally, AI and ML are highly scalable and adaptable. Together, they can handle large amounts of data effortlessly. These algorithms are designed to adapt over time, learning from each reconciliation they perform. These capabilities make AI and ML invaluable tools in the ever-changing world of finance, where staying ahead of the curve is the key to success.



Use Cases – AI and ML in Account Reconciliation



Automated Data Matching

AI and ML can play a key role in supporting customers in payments and remittances, retail and e-commerce, and travel industries, where automated matching is critical. AI can help reconcilers analyze large data sets to find related but not obvious patterns. Automated data matching using AI/ML trains an ML algorithm based on a data set of known matched items. After such training, a refined algorithm automates the matching and reconciliation of subsequent datasets. This significantly reduces the time and effort required as compared to manual reconciliation.



Transaction Matching by Probability

AI can recognize patterns in data sets without prior knowledge of the matching logic. In this approach, the algorithm classifies transactions based on the probability that certain transactions are equivalent. The criteria used to classify transactions can be "hard" (where columns must be equivalent for a match) or "soft" (where columns must contain similar data, evaluated by a proximity-based algorithm). A list of possible matching groups will be the output. These are assigned a matching probability of 'high', 'medium', or 'low' and are evaluated by human intervention. Therefore, using ML algorithms, the system explores alternatives to increase the success match rate, which are then reviewed and modified by the user. The advantage is that the system can detect subtle similarities that often go unnoticed by human operators, especially with large amounts of data.

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Use Cases – AI and ML in Account Reconciliation



Rule Creation Based on Manual Transaction Matching

When creating rules for transaction matching, the comparison logic is translated into a mathematical algorithm. Experienced reconciliation professionals regularly design and test different combinations of match rules. The execution requires manual entry of formulas. ML can minimize human intervention. This makes it possible to completely abolish writing rules. The training cycle here sets the goal of the system to define matching rules for manually matched data sets. By learning through observation and discovery of human behavior patterns, it instantly responds to changes and modifies its algorithms. This type of human-machine cooperation makes the reconciliation process more flexible and allows for exceptions and new events to be considered.



Determining the Risk Level of Accounts

One of the goals of a robust account reconciliation process is to reduce financial and operational risks. Accountants monitor account activities and balances to check for suspicious or unusual transactions. AI-based tools analyze data in real-time to detect and predict fraudulent activities such as money laundering and fraudsters, as well as security threats such as malware attacks. Reconciliation software with ML capabilities adds another layer of control by detecting and flagging potential risks. One example is the detection of credit card fraud that exceeds transaction thresholds.

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Use Cases – AI and ML in Account Reconciliation



Anomaly Detection

AI and ML play a key role in anomaly detection. Anomaly detection is the examination of specific data points to detect rare occurrences that seem suspicious because they deviate from established behavior patterns. ML algorithms can ‘step in’ to detect items in the data that do not fit the pattern. This can be used to identify and correct errors in data. It is also relevant for period-end processes such as account verification and variance analysis.

Case Study

A US-based wealth management company was manually reconciling data from multiple sources, including Excel, PDFs, emails, and over 200 websites used by its financial advisors. This process lacked controls, regulatory approvals, and review processes.

To increase efficiency, the company implemented a reconciliation platform with machine learning capabilities. The platform’s reconciliation engine was trained on large amounts of data and used probability-based algorithms to identify exceptions and mismatches. Once the system was trained, it could automatically check data quality within specified tolerances, generate exception rules, and provide completed reports to the accounting team. This eliminated the operational risks associated with manually copying and pasting data and verifying records. The company was able to save millions of dollars annually due to increased efficiency.

(Please refer to Reference #3)

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Blockchain and Accounting:

Blockchain technology is an open, distributed ledger database with built-in security where transactions are recorded in real-time and participants are provided simultaneous access to the public repository of information, which is chronologically updated, verified, reconciled, and permanently time-stamped across the network, and encrypts all transactions end-to-date.

The technology is decentralized and built so that no one owns or controls the information. This provides participants with an unprecedented level of security, trust, and visibility to the participating parties.

How does Blockchain affect accounting?

In the accounting context, Blockchain increases the transparency of records, making them easier to track and verify by auditors. As a type of incorruptible and indestructible ledger, Blockchain provides a new way to store and share data, making it interoperable. This reduces the need for accountants to store data in different locations without consolidating and validating it, resulting in significant time and cost savings. Blockchain technology can also help accounting firms prevent collusion and fraud, both internally and externally.

The secure nature of blockchain also helps auditors in the financial reporting and auditing process by providing reliable information for supporting account reconciliation, trial balances and spreadsheet files.



Potential Use Cases for Blockchain in Accounting:

Reconciliation and Control: The traditional reconciliation process is time-consuming and manual. The use of blockchain technology has the great advantage of easing this tedious task and enabling efficient analysis by providing both parties with a reliable and accurate record of each transaction. Through distributed ledger technology, Blockchain eliminates the need to enter accounting information into multiple databases and potentially eliminates the need for auditors to reconcile different ledgers. This saves a lot of time and greatly reduces the risk of human error.

Traceable Audit Trails: An audit examines how source documents are converted into accounts and incorporated into a company's financial statements. Blockchain represents a documented flow of transactions and maintains an inoperable system of records so that auditors can easily and securely access data and ensure that everything meets standards. Companies only need to maintain a single common register rather than several different records. This process not only protects records from corruption and eliminates the risk of error, but also allows for specific and traceable audit efforts. Blockchain transparency makes all transactions visible to authorized users, and auditors get access to real-time data which helps in reducing auditors' work in sampling and verifying transactions.

Effective Reporting: Data is stored on a distributed ledger, authenticated by various parties, and continuously updated, allowing teams to report to management and auditors in real-time, and allowing external auditors to work more efficiently.

RPA and Accounting:

Robotic Process Automation (RPA) is a technology that relies on software robots (bots) to perform business processes, otherwise performed by humans. RPA solutions allow businesses to configure 'bots' to perform almost any repetitive, mundane, and time-consuming business task. By using scripts which emulate human processes, RPA tools autonomously perform various activities and transactions across independent software systems using scripts that emulate human processes.

RPA uses rules-based software to perform business process activities at a scale, allowing human resources to focus on complex tasks. RPA allows CIOs and other decision-makers to accelerate their digital transformation efforts and increase the return on investment (ROI) from their employees.



Automation of Account Reconciliations with RPA:

Account reconciliation is a time-consuming process and must be performed regularly to obtain accurate financial reporting. Many companies still handle these processes manually, resulting in reporting errors and significant delays due to manual adjustments and controls from regulators and auditors.

RPA is a great way to automate large-scale, repetitive tasks across multiple systems, making it easy to automate and streamline account reconciliation processes by providing greater control and data accuracy. Automation greatly helps speed up the entire process and the possibility of errors is negligible as no human intervention is required.

The reconciliation process relies heavily on balance sheets, invoices, and accounting documents. RPA can easily access these documents and retrieve relevant data to match payment details with company data.

Reconciliation also requires access to multiple systems, such as ERP, payable systems, banks, and third-party service providers. RPA bots can not only access all these systems seamlessly and securely, but they can also accurately perform complex operations that are often error-prone when performed manually.

Reconciliation requires accounting professionals to determine information about amounts spent and received to balance the final numbers. RPA can help simplify this process by matching payment details with bank details and other records. If the information matches, the records are reconciled. However, if any discrepancies or suspicious transactions are found, the software will send the records for further verification.

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To summarize, RPA can help derive the following benefits by automating Account Reconciliation:

- Faster and more accurate task completion.
- Insights to step-by-step, fully traceable reconciliation history.
- Streamlined, simplified, and consistent processes.
- More accurate and compliant data and calculations as compared to manual processes.
- Time availability with staff to focus on higher priority tasks.
- Rectification of errors before affecting any calculations or downstream process.
- Further validation of discrepancies or suspicious transactions.
- Highly secure systems due to bots are not vulnerable to hacking.





SECTION 6

Few of the Market Trending
Reconciliation Automation
Solutions



What are some of the different software solutions to consider?

BLACKLINE

BlackLine Account Reconciliation is a comprehensive solution that transforms the substantiation process with out-of-the-box functionality and increases the accuracy of financial close by automating and standardizing the reconciliation process. This provides accountants with customizable templates and built-in storage of supporting documents. It eliminates the risks of manual spreadsheets, ensures proper segregation of duties, automatically imports data, provides transparency into accounting processes, and is compatible with all the major ERPs.



In terms of ROI, BlackLine has automated 98% of manual reconciliations, which led to a reduction of **55%** in the number of employees involved in reconciliation and contributed to a **70%** faster close.

(Please refer to Reference #4)

ALTERYX

Alteryx is a powerful data analytics platform that allows you to automate and streamline your account reconciliation process. This provides an opportunity to systematically perform the routine reconciliation calculations and consolidate assessment results in an easy-to-understand and fully documented format. This also provides the ability to systematically enter match criteria and business rules into a workflow, allowing the workflow to run automatically at specific intervals to identify and flag matching transactions. This helps in achieving efficiency, increased sales, and profits.



In terms of ROI, Alteryx has helped reduce time spent on reconciliation processes by up to **99%**, and automated Fixed Asset reconciliations across 200 locations increasing accuracy and reducing risk.

(Please refer to Reference #5)

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What are some of the different software solutions to consider?

CADENCY

Cadency's SMART (Secure, Measurable, Accurate, Risk Eliminating, Time Efficient) Platform helps improve the speed, quality, and accuracy of financial close by automating the entire reconciliation process and providing real-time visibility into the close process. This platform offers unique and powerful solutions to some of the most complex accounting challenges and can easily scale as the financial transformation journey evolves and businesses grow. This provides rich functionalities that allow finance and accounting teams to collaborate effectively and enable appropriate approvals to ensure data accuracy. Additionally, it also provides complete audit trails, ensuring increased visibility and transparency.



In terms of ROI, Cadency has led to a **90%** reduction in the number of accounts to be reconciled, a **30%** reduction in time spent on completing close tasks, and a **75%** reduction in time for rework.

(Please refer to Reference #6)





SECTION 7

Customer Experiences of Using Automated Solutions for Reconciliation

Customer Experiences

Case Study 1

Challenges:

The organization required a standardized, efficient, and centralized solution for all Account Reconciliations. Account closure tracking and status reporting were key considerations. Parallel processing of Accounts by different teams concurrently was a drawback of the existing system.

Approach:

The organization decided to implement one of the automated account reconciliation tools to transform its month-end reconciliation process.

Benefits achieved:

- Automation has significantly increased efficiency by eliminating the need to manually create reconciliation accounts and automatically reconcile zero-balance accounts and accounts with no activity.
- The implemented solution further provided a mechanism to view all relevant details about accounts in a single view such as past reconciliations, comments, and approvals.
- The solution created a scalable reconciliation process that allowed businesses to expand.

(Please refer to Reference #7)

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Case Study 2

Challenges:

Account and Finance professionals were performing manual reconciliation and transformation of disparate data sources across 80+ entities. They manually performed various functions, financial operations, and calculations, totaling over 100 hours of work each quarter.

Approach:

The organization decided to implement one of the automated account reconciliation solutions as an interim platform, which will replicate and reperform current financial reporting processes and controls and can also be upscaled, finalized, and used as a blueprint for the organization's future ERP platform.

Benefits achieved:

- Automated Data Extraction & Transformation.
- Automated Financial Reconciliation and Reporting.
- Labor hours reduction by 50% for the accounting teams.
- Realized return on investment in Year 1.
- Helped Finance and Accounting leads gain insight into the optimized and streamlined data needed to perform quarterly financial reconciliations.

(Please refer to Reference #8)

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Case Study 3

Challenges:

Despite transitioning from a paper-based close to a SharePoint application almost a decade ago, this customer's reconciliation process was still highly manual. Relying on SharePoint to manage reconciliations was also very time-consuming. With the pandemic hit, rapid changes and uncertainty over the next few months called into question the sustainability of SharePoint as a close tool.

Approach:

After several months of research and demos, the customer chose BlackLine over three other vendors, implementing BlackLine's Modern Accounting Playbook solution. BlackLine's market share especially among banks was highly valued and since they also manage implementation from beginning to end was a huge differentiator.

(Please refer to Reference #9)

Benefits achieved:

- Saved five hours a month on reviewing and research - With BlackLine, everything is in the same place.
- Reduced work for the IT team - IT team loves not having to maintain SharePoint.
- Completed reconciliations two days faster - Auto-certification has played a key role in time savings.
- Freed staff for value-added work - The team spends far fewer hours on repetitive work.
- Streamlined auditor access – Auditors were given read-only access and are already seeing increased efficiency.



SECTION 8

Conclusion

Automating account reconciliation does not necessarily mean a huge investment in digitalization. An organization can choose the right automation solution after a thorough assessment of its current efficiencies, readiness, pricing model, and scalability, among others. With automation, an organization can not only ensure a paradigm shift from the tedious and error-prone traditional reconciliation activities but also increase its team's efficiency and satisfaction level. These changes will go a long way towards sustainable growth.

Our team of finance transformation experts are available to help. You can learn more by visiting our website or contacting us today.



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