



Building the Business Case for Streamlining Reconciliation

Quantifying the Benefits of an End-to-End Reconciliation Solution



Many organizations still rely on a variety of systems to access the data required for monthly and quarterly accounting reconciliations. This approach results in costly manual intervention to resolve exceptions and makes it nearly impossible to achieve the single version of the truth the finance and executive teams need. To invest in a comprehensive, end-to-end reconciliation and certification solution that handles the full range of transaction types and financial instruments and integrates both transaction and balance-level data, organizations typically need to build a business case that quantifies the benefits of this investment.

Understanding the Impact of the Status Quo

One of the first steps toward building a business case for a technology investment is understanding the impact of doing nothing. There are both hard costs and soft costs of maintaining the status quo. Of the hard costs, one of the easiest to quantify is the cost of the manual work required to compare and reconcile data from different systems, manage the exceptions and certify the results. To begin the business case, most organizations start with calculating the number of hours spent on reconciliation each month. This typically includes the time spent performing all of the following activities:

- Collecting and aggregating data from multiple systems
- Preparing reconciliations
- Matching balances and transactions
- Managing exceptions
- Printing reconciliations
- Reviewing and approving reconciliations
- Tracking approvals
- Reporting on approvals status
- Retrieving reconciliations for auditors

Once the total number of hours is calculated, it is multiplied by 12 to represent hours for an entire year and multiplied by the average fully loaded cost (salary plus benefits) of a full-time equivalent (FTE) employee working on the reconciliation and certification process. This calculates the annual hard-dollar expense, in labor, of managing the current process.

Benefits of Automating the Reconciliation Process:

- Support for the full range of financial instruments (wires, checks, cards, ACH, Swift, cash) as well as securities, inter-company transactions and trades—all in a single system
- Full automation of the reconciliation life cycle from loading and enhancing data to matching, identifying and solving exceptions
- Integration of both balance-level and transaction-level data to increase visibility of what has caused exceptions, eliminate manual interventions and provide rapid, cost-effective resolutions
- Standardized processes for transparency and visibility across all asset types and scenarios
- Enforcement of enterprise-wide governance and controls

Next, add in any other hard-dollar costs, such as write-offs due to unresolved exceptions, annual audit fees and document storage fees. Together, this gives an organization good visibility into the current hard costs of the process. Organizations can also add into the calculation estimates of softer costs such as the cost of errors, late closings or the cost related to being out of compliance with corporate policies, industry financial standards or having to reissue financial statements to the market.

Value of Streamlined Reconciliation

Once the cost of the current approach has been fully exposed, the next step is to understand the advantages to moving to a modern, end-to-end reconciliation solution. Comprehensive reconciliation solutions bring together transaction-level and balance-level data in a single system, providing detailed information on why exceptions have occurred and how they can be resolved

quickly and easily. By significantly reducing the need for manual research or interventions in the reconciliation process, organizations can achieve major efficiency improvements, lower their operational costs and free staff for more value-added work.

Workflows are used to fully automate the process and a series of automated checks ensures compliance with corporate and industry controls. By automating the end-to-end reconciliation process, a comprehensive reconciliation solution helps companies track exceptions through to resolution quickly and cost effectively by streamlining accounting and reporting processes to improve the visibility of business performance.

The first step in quantifying the benefits of investing in an end-to-end, automated reconciliation solution is productivity enhancement. Using Frontier™ Reconciliation from Fiserv, clients report an average productivity and process efficiency improvement of 50 percent within 12 months of going live with the solution. This results from automating the process with workflow and eliminating the need for manual exception investigation and resolution. Over time, as organizations further refine the reconciliation process, the productivity savings can increase to up to 80 percent. This can be accomplished primarily through efficiency gains in the workforce, but also through the other hard dollar savings. For example, Fifth Third Bank reduced its costs associated with processing errors from \$108 million to less than \$20,000 in six years.

Fiserv clients find they are able to significantly reduce headcount or reallocate staff to focus on higher-value activities. On average, reconciliation team head count can be reallocated or reduced by 79 percent and exception management head count can be reallocated or reduced by 17.5 percent. While improved efficiency and increased productivity drive the majority of the business-case savings, organizations also save in the following areas:

- Write-offs—By improving visibility and accountability relating to exceptions, many organizations find they can eliminate between 75 and 100 percent of the write-offs previously associated with unresolved exceptions
- Reduced reconciliation cycle time—One Fiserv client, Community Bank in Mississippi, reduced the time it takes to complete reconciliations by up to 85 percent
- Lower audit and professional services fees based on a standardized, automated process—Fiserv clients have achieved up to a 25 percent reduction in audit costs based on automated account certification and electronic storage of data
- Improved cost of capital—Average reduction in lost interest and/or external capital allocation costs of 38 percent based on an average cost of funds at 1.86 percent

Intangible Benefits

In addition to these quantifiable savings, there are also some benefits that can be harder to quantify but provide significant value such as increased visibility and confidence in the accuracy of financial reporting. Increased visibility and accuracy help an organization significantly lower compliance and reputational risks. End-to-end reconciliation streamlines accounting and reporting processes and improves visibility of business performance. As a result, chief financial officers and accounting teams can be sure that all of their accounting information is accurate, reducing risk of error during monthly and quarterly financial close periods and streamlining the reporting process. They will also gain peace of mind that they have improved financial control and lowered the risk of material financial misstatements while enabling their teams to more easily adopt best practices across their financial processes. Finally, they'll spend less time on closings, exception management and routine compliance and financial governance activities.

While results vary by individual company and depend on the industry and reconciliation complexity of the organization, organizations typically can expect to achieve a significant return on investment from a comprehensive, end-to-end reconciliation automation solution.

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