True Reconciliation – Closing the Books on Outdated, Fragmented Reconciliation Processes

Many institutions use multiple systems to support the reconciliation process, making it difficult to achieve a single view of the balance sheet and requiring costly manual interventions to solve exceptions. To maximize efficiency and control, institutions can benefit from 'true' end-to-end reconciliation solutions that cover the full range of financial instruments and inter-company transfers. Integration of both transaction and balance-level data in a single system gives organizations one version of the truth

The Challenges of Fragmented Reconciliation

Typically, data required to support the reconciliation process is held in company Enterprise Resource Planning (ERP) systems, front-end trade systems and a range of other systems. With multiple sources of reconciliation data across the business, there's no single version of the truth. In addition, the manual work required to compare and reconcile data in different systems increases administrative costs, introduces the risk of errors and slows down exception management.

Fragmented reconciliation systems and processes also make it difficult for the finance department to accurately track and report on accounting information. With no way to standardize the exception management process, there's a risk of non-compliance with corporate and industry controls.

An additional, but equally pressing challenge, is that the systems used to perform reconciliation checks often use only balance-level information. This may help companies identify where exceptions exist, but extensive manual research is still needed to find out exactly which transaction caused the discrepancy and drive the issue through to resolution.

Often, it's more cost effective to simply write-off losses caused by exceptions than to solve them manually, which results in significant financial losses for the institution. .

'True' Reconciliation Explained

To increase efficiency and reduce financial and regulatory risk, many forward-looking financial services companies are deploying technologies that bring reconciliation activities together to present the bigger picture.

These 'true' reconciliation solutions bring transaction-level and balance-level data together in a single system, providing detailed information on why exceptions have occurred and how they can be solved. With no need for manual research or interventions at any stage of the process, institutions can achieve major efficiency improvements, lower their operational costs and free staff for more value-added work.

End-to-end reconciliation also streamlines accounting and reporting processes and improves visibility of business performance. Payments made late in the month, for example, are captured centrally in real time, ensuring that accounts can be closed more quickly and accurately. At the same time, the risk of error – due to rekeying of data between systems – is dramatically reduced.

Critically, by turning the economics of reconciliation on its head, true reconciliation solutions make solving exceptions financially viable for organizations of all types and sizes. This means that exceptions are never written off, which reduces financial and reputational risk and protects the bottom line.

Automation and Compliance

For true reconciliation, integrating the full range of reconciliations as well as transaction and balance-level information is only the first part of the journey. The best reconciliation solutions also use workflows to automate the process from end to end. Once an exception is identified, reported and resolved, it's forwarded to the appropriate business manager for sign-off – ensuring that no discrepancy is ever overlooked.

In addition to providing workflows for approvals, the most comprehensive solutions also use a series of automated checks to ensure compliance with corporate and industry controls. These range from checks for adherence to corporate policies and detailed risk assessment checks to comparisons of KPIs with agreed performance SLAs. By automating the end-to-end reconciliation process, true reconciliation solutions help companies track exceptions through to resolution quickly and cost effectively. In addition, CFOs and accounting teams can be sure that all their accounting information is accurate, reducing risk of error during monthly and quarterly financial close periods and streamlining the reporting process.

Choosing the Right Technology for True Reconciliation

True reconciliation solutions provide:

- 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
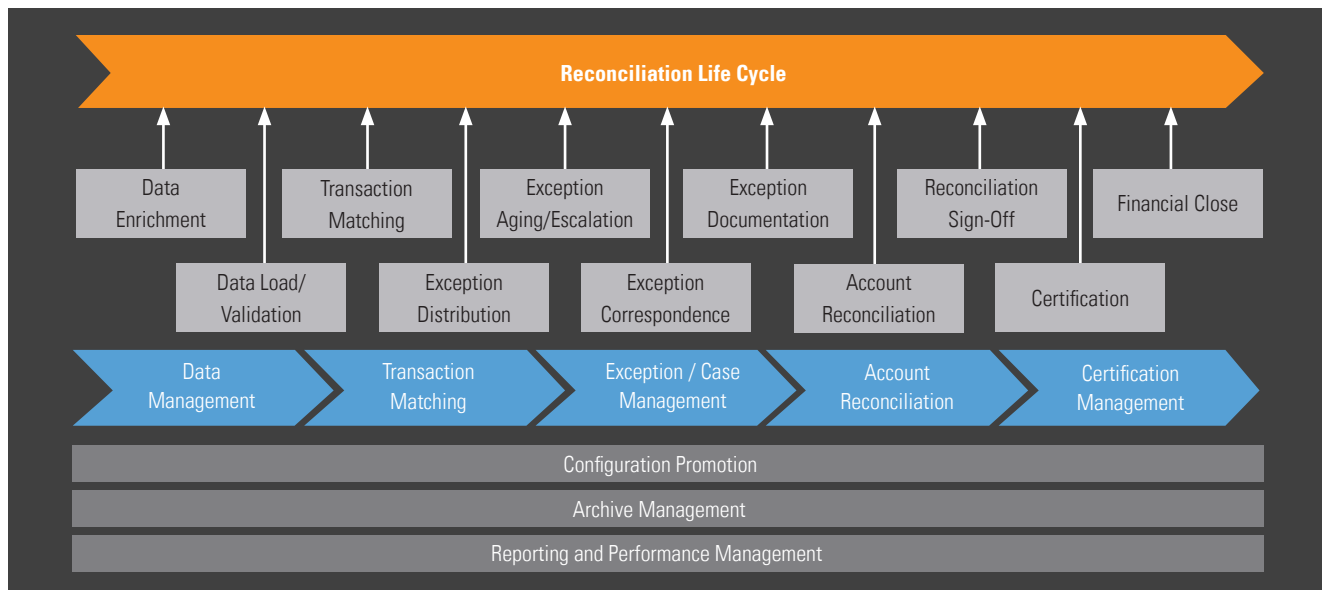
True reconciliation solutions must provide end-to-end reconciliation capabilities

Getting Started

To begin the journey to true reconciliation, it's necessary to assess the maturity of the existing reconciliation processes within your organization. If you currently depend on multiple systems to support the process or use only balance-level data to identify exceptions, you could make significant efficiency gains by migrating to a next-generation true reconciliation solution.

About the Author
Eric Werab is Director of Product Portfolio Management for Financial Control Solutions at Fiserv. He is responsible for the strategic direction of the suite of reconciliation and financial control products. In this capacity, he works with customers across many markets to understand their internal control needs and ensure the Fiserv solutions meet these needs.

Prior to joining Fiserv, Werab ran a consultancy focused on providing technology and process improvements to financial services organizations. During this time, he led efforts with a broad range of customers, including retail banks, investment managers and hedge funds to improve their back- and front-office operations through intelligent use of technology and process improvements.

Werab holds a bachelor's degree in Computer Information Systems from Purdue University in West Lafayette, IN.

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