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The Not-So-Hidden Risks of Your Financial Institution's Accounting Processes

Along with changing technology, increasing customer demands and complex regulations, today's CFOs are facing the expansion of their roles beyond traditional finance responsibilities. Financial leaders help support a diverse range of corporate initiatives such as the digitization of critical business activities, the creation and deployment of cybersecurity programs, the expansion into foreign markets and the formation of strategic partnerships with fintech companies.

In fact, a 2016 McKinsey Global Survey, Are today's CFOs ready for tomorrow's demands on finance?, found that on average, five functions other than finance now report to the CFO. As the role of the CFO evolves, it is more important than ever for finance teams to efficiently meet core financial responsibilities using accurate, dependable financial data and streamlined processes. Because much of the data resides with the financial institution's general ledger, when it comes to financial reporting, a general ledger solution must consistently deliver reliable data to help executives manage growth, mitigate risk and ensure compliance.

Unfortunately, the manual financial processes still present in many institutions can distract CFOs from focusing on strategic initiatives and hold them back from providing timely and accurate analysis and insight. Further, the existence of an outdated or substandard general ledger system can impair the entire accounting department's performance and create unnecessary risks.

The Risks of Outdated Accounting Processes

With increased responsibility, there is little time to step back and review the entire accounting process to identify exactly how to address inefficiencies. Instead, the status quo holds fast while the CFO and finance team continue to bear the brunt of the not-so-hidden risks within manual and outdated systems.

A Substandard General Ledger Fosters Doubt

In a demanding and complex operating environment, manual accounting processes consume accounting department resources. Routing transactions and recurring journal entries, redundant data entries, manual updates and month-to-month comparisons require a significant investment of time and talent. The accounting department is unable to address anything more than the day-to-day challenges associated with the department's basic responsibilities. Running ad-hoc reports or performing analysis comes secondary to closing the books each month.

Yet making sure the right data is available at the right time is crucial for CFOs in their role to help the organization from a strategic perspective. Manual processes cannot meet the demands of stakeholders needing to make decisions.

Manual Processes Slow Down Progress

Manual processes typically involve many people with different versions of spreadsheets, which can hold up any step along the chain of month-end close or financial reporting. Spreadsheets result in an unclear audit trail and information that is outdated by the time it gets into the hands of those who need it most.

In addition, when an organization has multiple general ledger accounts, especially those added through merger or acquisition, processes become even more complex and the chance for errors increases.

As transactions ebb and flow throughout the year, the accounting department must adjust its staffing levels to respond to the fluctuations in volume. This is a costly and inefficient process, which comes with increases in training, overtime costs and risk. Inevitably, as the accounting staff headcount rises, so does the frequency of errors and omissions.

Untimely, Inaccurate Data Creates Unnecessary Difficulties

Even with responsibility in other areas, a CFO's primary role is to provide analysis and insight about the institution's financial position. To do this, the CFO must have timely and accurate reporting. Manual processes and outdated systems fall short when it comes to providing real-time data, monitoring changes in accounts or flagging transactions that do not comply with the financial institution's accounting policies and procedures.

Without automation, CFOs and financial teams must focus on month-end close and annual budgeting cycles, rather than on the data that could provide insights on transactions, customers or market trends. Consequently, many decisions are based on inaccurate or incomplete data, or worse, no decision can be made due to delays in the reporting process.

Reduce the Risks With the Benefits of Automated Accounting

When a financial institution replaces an antiquated general ledger with a modern, automated solution, the risks that accompany manual and outdated processes are significantly reduced. Instead, you get new levels of confidence when it comes to financial statements, compliance, and the overall performance of the CFO and the accounting and financial teams.

Free Up Accounting Staff and Resources

An automated accounting solution helps teams work more efficiently while improving timeliness and accuracy. For example, many monthly tasks such as general ledger transactions and accrual journal entries can be scheduled to run at the same time.

Automation also reduces the time needed to input and process transactions manually, which in turn minimizes the potential for fraud and abuse while reducing the potential for error or omission. It also allows accounting departments to adopt best practices and incorporate changes to accounting policies and procedures quickly and with a high degree of compliance.

In addition, with everyone working from a single, up-to-date source of information, month-end close can be completed more quickly and with greater confidence, leaving the CFO and the financial team to spend time on strategic initiatives.

Streamline Reporting and Ensure Easy Data Integration

Since financial institutions often need to scrutinize and certify their financial statements or discrete accounts, powerful reporting and querying capabilities simplify that process and ensure it takes place in a timely manner. Automated accounting provides the ability to examine the source documents associated with a transaction within the general ledger platform itself, so there's no longer a need to embark on a time-consuming search through file cabinets for paper documents.

An automated solution also allows for the development of standardized processes and a central data repository which incorporates data across departments and branches, or even from newly acquired institutions.

Provide Real-Time Insights to Support Decision Making

With new efficiencies in place, accounting staff can turn to more strategic initiatives and provide added support to the CFO in the reporting and analysis of financial data. In addition, CFOs can base strategies on what happened this week, not last month, and make decisions confidently, knowing the data comes straight from the core system, not a manually edited spreadsheet.

Automation increases access to data, enabling the fast and accurate delivery of clear and actionable insights to decision makers.

With the right automated accounting solution in place, financial institutions can remove the not-so-hidden risks associated with using outdated processes, benefiting from increased accuracy and efficiency and improved reporting and analysis. As result, the CFO and the finance team are better equipped to shape the strategic direction of the financial institution and position it for future success.

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