

Six Ways Automated Reconciliation Drives Your Back Office Forward

With the rapid increase in digital payment methods, manual reconciliation isn't practical, manageable or future-proof.

Quick and convenient front-end processes are putting enormous strain on back-end operations. Automated reconciliation can help ease the burden while tightening important controls and lowering risk.

As digital technologies and applications proliferate, financial institutions are challenged to keep up with the amount and pace of incoming data. Ironically, the digital channels that make banking fast and easy are supported by slow, manual back-end processes.

Reconciliation, for example, is still managed using spreadsheets and highlighters at many institutions. Transactions coming into and moving through organizations must be perfectly matched to eliminate costly write-offs and reduce risk. But we've reached a tipping point.

Today, even the best macro gurus struggle to manage the sheer volume of data coming in. For example, peer-to-peer payments are rising fast, both in volume and value. Early Warning Services, LLC, the network operator behind Zelle®, reported record payment volume and value in 2020, with 1.2 billion transactions totaling \$307 billion sent – an increase of 58 percent and 62 percent year over year, respectively.

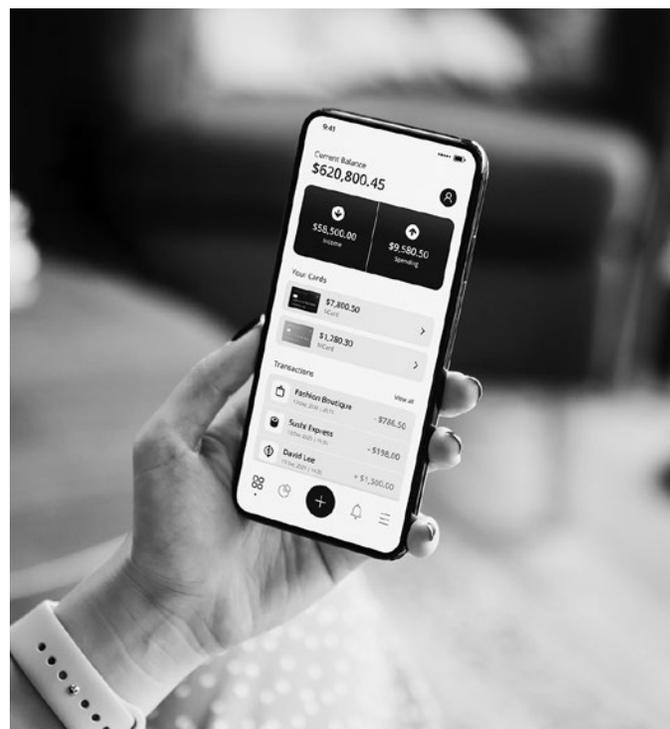
The time and labor required for manual reconciliation in this environment is too costly and too risky, and it prohibits growth.

Automation can help. Replacing repetitive manual tasks with an automated system can alleviate much of the time and cost associated with reconciliations, from general data management and transaction matching to certification. Rules engines are proven to match transactions faster and with greater accuracy than humans, and reconciliation systems maintain tighter control over which items are reviewed, annotated and approved.

The Benefits of Automation

Financial institutions that choose to automate reconciliation can expect to achieve six key benefits.

- 1  Improved Visibility
- 2  Greater Efficiency
- 3  Lower Operational Costs
- 4  Tighter Control
- 5  Reduced Risk
- 6  Growth Potential





Improved Visibility

Financial institutions need to see and track what's going on throughout the organization, particularly as front-end channels multiply. Reconciliation systems meet this need by funneling transactions into a single view.

Automated reconciliation systems can process and match activity from every transaction and account type in one centralized platform. Instead of piecing together multiple spreadsheets, leaders can get a visual overview of the enterprise-wide reconciliation program, in real-time. At a glance, they can see current progress, spot trends and compare performance across account types and benchmarked standards.

Because all reconciliation activity is stored in one place, automated systems also enhance visibility for staff and leaders who sign off and certify results. Within a click or two, they can see exceptions, read supporting documents and notes and resolve exceptions. Then they can certify with confidence.



Auditors like the results and love the transparency and audit trails.

– **Daniel Cilar**
Financial Accounting Manager
Capital City Bank



Greater Efficiency

Manual reconciliation workflows are extremely repetitive, time consuming and prone to human error. Some institutions need nearly a full month to reconcile accounts, tying up staff for weeks until the process starts again. Transactions that can't be reconciled in the allotted time turn into costly write-offs.

In contrast, financial institutions that use automated reconciliation solutions, such as Frontier[™] Reconciliation from Fiserv, report productivity improvements of 60 to 80 percent. After data is automatically uploaded, multithread matching engines go to work. Custom match criteria and business rules are applied to transaction-level data, resulting in high auto-match rates.

Through the automated, rules-based exception workflow, exceptions are quickly identified, routed and resolved.

With automation, hands-on time is slashed, sometimes to just minutes per day, enabling institutions to reallocate finance and accounting staff to higher-value and more rewarding projects.



Frontier Reconciliation has helped us with faster processing times. Some reconciliations taking two to three hours to complete now take less than 20 minutes.

– **Kathy Scott**
Manager of Accounting and Account Reconciliation
Truiliant Federal Credit Union



Lower Operational Costs

Automation lowers the overall cost of performing reconciliation by reducing staffing costs and write-offs. Transaction matching is performed faster using reconciliation applications, without the propensity for human error.

Based on preset business rules, reconciliation software automatically finds and flags exceptions so staff can dive directly into exceptions that require their time and focus. All activity, including notes and supporting documents, is stored in one platform, so it's easier for reviewers to investigate and resolve discrepancies.



We eliminated one full-time employee in accounting and reallocated the equivalent of 0.5 full-time employees in other areas of the bank that no longer have to perform reconciliations.

– **Daniel Cilar**
Financial Accounting Manager
Capital City Bank

More accurate and timely financial reporting – with leaner supporting processes and teams – help financial institutions position themselves for continuous improvement and, ultimately, profitable growth.



Tighter Control

Financial institutions that automate the reconciliation life cycle have tighter control over their data than organizations that rely on people-driven processes.

Data can be automatically loaded into a reconciliation system, eliminating opportunities for errors such as miskeyed information. The processes for loading, enhancing and matching data can be standardized according to business rules, while access and permissions can be restricted to appropriate users.

Unlike spreadsheets, reconciliation software time- and date-stamps activity and protects the information from later changes, either intentional or accidental. Workflows can also be automated to ensure review and attestation procedures are completed by the right people within the right time frames.



If you're using an automated solution like Frontier Reconciliation, you can be certain you have strong internal controls that meet regulatory requirements such as Sarbanes Oxley.

– **Ken Valentine**
VP and Senior Group Manager
Information Technology
Fifth Third Bank



Reduced Risk

Automated reconciliation lowers the risk of error and fraud and protects organizations from financial loss through write-offs. Beyond that, automation can ensure complete audit trails and strict enforcement of compliance measures.

Compliance and regulatory requirements can be embedded into automated workflows and processes. That includes restricting access to the appropriate individuals and maintaining digital trails of transaction-level activity.

With automation, data can be traced throughout the financial close life cycle – from data ingestion through matching, exception management, reconciliation, certification and signoff. Records are fully auditable, including time stamps and click history. All notes, attachments and documentation are automatically saved. Internal and external auditors can access the information from a single system in a click or two – instead of thumbing through paper reports maintained by different departments and staff. The result is greater transparency and a faster, simpler audit process.



I don't know how an organization can perform true exception management through manual reconciliation. If you've got hundreds of thousands of transactions per day, it's a lot of work to load them all onto a spreadsheet, making sure to get the right balances, making sure you get everything matched up. I've got to believe the risk is high in those areas that are manual.

– **Ken Valentine**
VP and Senior Group Manager
Information Technology
Fifth Third Bank



Growth Potential

Automation helps financial institutions scale their operations without adding staffing expenses. Finance and accounting staff have finite capacity; software can scale to accommodate rapid or continual growth without adding substantial cost.



Frontier Reconciliation has allowed us to grow an additional \$400 million in assets without adding any more staff to accounting.

– **Wade Bruendl**
SVP and Chief Strategy Officer
Meritrust Credit Union

Automation also supports growth by standardizing processes across the organization, which is critical as legacy systems come together. If a reconciliation system is agnostic, it can easily converge disjointed data sources, creating a single view of the business.

Armed with reliable and timely information, leaders can build solid plans for growth.



Case in Point: Reducing Reconciliation From Weeks to Minutes

Meritrust Credit UnionSM, a \$1.3B, member-owned credit union with 106,000 members in the Wichita, Kansas area, demonstrates the productivity improvements and streamlining that comes with automation.

The credit union had an ambitious plan to double asset size without adding staff. Manual processes were holding the credit union back, however, according to Wade Bruendl, senior vice president and chief strategy officer for Meritrust.

Reconciliations took weeks to complete. There was no formal way to document activity or retain and transfer staff knowledge, and the credit union was forced to write off transactions that couldn't be reconciled in time.

Meritrust chose Frontier Reconciliation to automate data loading, matching, reconciliation and certification for a dozen account types. Those included accruals, cash, cards, suspense accounts and internal transactions.

With automated reconciliation, the reconciliation process has been transformed:

- Nearly all G/L entries are already loaded into the system, including data from third-party vendors, before staff arrive each day
- Most account types take less than five minutes to reconcile and post
- Reconciliation time has been reduced by 85 percent
- Write-offs have been reduced by at least 75 percent
- All activity is retained in Frontier Reconciliation, making it fast and easy for the team to stay in sync and for discrepancies to be resolved
- Staff has been reallocated to more meaningful work
- Auditors appreciate having a single, controlled environment

Impressed by the time savings and accuracy of Frontier Reconciliation, Bruendl and his team applied it to nonfinancial use cases. They leverage the multithread matching capability to audit payroll and human resources directories, in addition to financial accounts.

Bruendl advises other organizations to "Automate. Automate. Automate."

Accelerating Digital Transformation

Switching from manual reconciliation to full automation is a journey, but financial institutions of every size can reap big benefits, even if they start small.

Nearly every step of the reconciliation process can be improved with the right technology. From data load to transaction matching and case management, automation consistently returns faster, more accurate results.

Don't hold back your back office. With so many opportunities for improvement, it's worth taking the first step.



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