SOLVEXIA

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SOLVE YOUR RECONCILIATION CHALLENGES WITH AUTOMATION

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INTRODUCTION

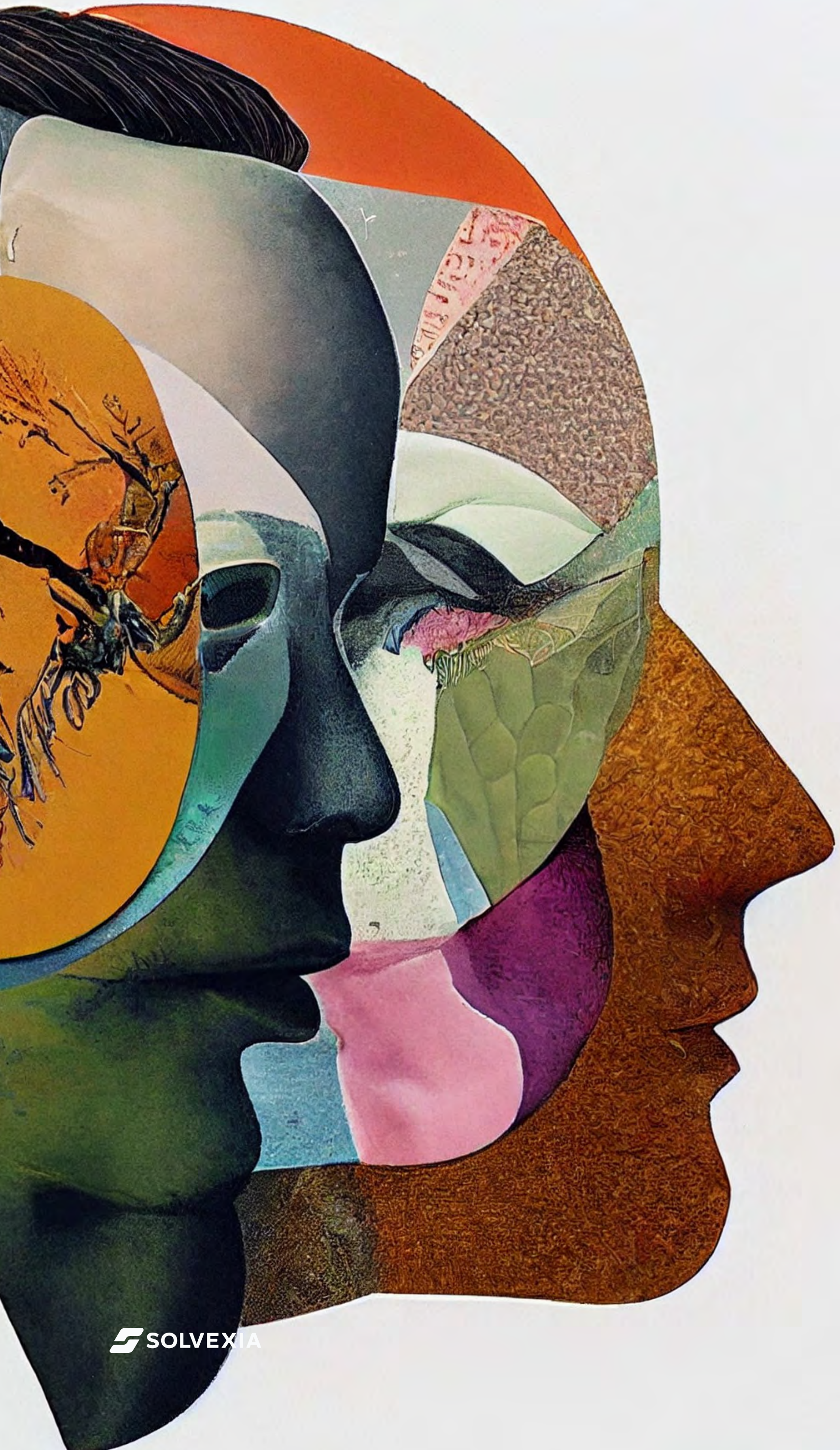
Whether performed daily, weekly, monthly, annually or a combination of all of these, reconciliations are a fundamental process for every Finance department. Today's Finance departments face many challenges when it comes to reconciliations.

In this guide, we share a model for structuring any reconciliation into manageable, modular pieces that allow you to tackle these issues more effectively so that you can complete the reconciliation faster, have fewer errors and provide greater visibility for management.

Reconciliation challenges

Based on our experience with companies across various industries, we have identified the most common reconciliation challenges. These include disparate data sources and formats that go into the reconciliation, timing differences of transactions that often wreak havoc, the complex nature of data matching rules, and a lack of visibility around the status of the reconciliation.

Let's dive into these challenges before exploring how you can overcome them for good with automation.



1

Disparate data sources and formats

Large companies use over 500 different applications at any given point in time. It is also common to have different bank accounts and payment providers, which may be in unique formats. The various formats of these data sources is a real challenge; they might have varying levels of granularity, they might use different identifiers for transactions, the currencies might be different, and so on.

Various data sources and formats mean that you can easily spend more time getting the data ready to do the reconciliation than actually doing the reconciliation itself. This can translate into a colossal waste of time. Once you have spent most of your time preparing the data, you are not going to have any time left to do a high-quality reconciliation, resulting in a last-minute, rushed reconciliation to meet the deadline.

Additionally, the complexity of these data sources, and the highly manual way they are prepared, increases the risk of error. For example, incorrectly aggregated data has downstream ramifications, generating false negatives and even false positives in the reconciliation. Suddenly, you need to re-do the reconciliation, creating more stress for your team.

Did you know?

You can save days of manual data preparation and divert resources to value-added work such as analysis and insights. [Find out more.]

2

Timing differences

The second major challenge is timing differences, which tend to be caused by the systems that generate the transactions. A common occurrence of this is in bank reconciliations, where there can be a delay in the appearance of certain types of transactions in the bank account.

When this happens, you might have a transaction that appears in the general ledger today, for example, that may not reconcile with the bank for several days. This can get complicated very fast, particularly when you have different types of transactions, each with their own timing rules.

These timing differences create variances that aren't real and add noise, making it harder to find actual discrepancies. Managing them manually is a nightmare, as new transactions keep coming in, meaning that the person doing the reconciliation needs to persist the data from day-to-day.

Rules also need to be managed, often in someone's head, around when a timing difference becomes a legitimate variance that needs to be investigated. If this is all being done manually, knowledge transfer becomes an issue. Dependence on the subject matter expert creates stress for both the person completing the reconciliation and the company.

3

Complex data matching

In its simplest form, a reconciliation should involve matching one transaction with another, using a unique identifier (such as an account or transaction code). However, challenges often arise that can complicate the data matching.

For example, transactions sometimes don't have a single field that contains an identifier that can be used to match the data. Another common issue is differing levels of granularity which may require you to aggregate data and, in some cases, require different combinations of transactions to be tested to find a match.

These complex matches inevitably take longer to perform. This could involve spending hours extracting an identifier from text descriptions or glancing through transactions, and using trial and error to find combinations of records that match.

Many people resolve this matching with highly tailored spreadsheets that take the mess of rules and logic in their heads and try to put it into some structure to do the matching. However, this only somewhat works. It is likely that you will end up with a series of tailored spreadsheets, each one created in a slightly different way. In addition to the issue of key person dependency, this creates procedural debt for the organization.

4

Lack of visibility

People inevitably create spreadsheets to deal with the issues discussed above. However, the problem is not the spreadsheets themselves; often, it is how these spreadsheets are unilaterally designed.

For example, a Finance team has two reconciliations, both with similar challenges around data and matching. However, they are created by separate people and have their own unique rules, business language, and ways things are done.

What happens when the manager needs to determine the status of these various reconciliations? They can't decipher this from looking at the spreadsheets because they are complicated, with lots of tabs and data mashed together. The only thing they can do is go to the accountants and nag them. This is not only a pain for the manager, but it also disrupts the staff doing the work.

Timeliness of information is another problem, meaning often reporting becomes after the fact. Delayed reconciliations result in a lag in getting information to managers quickly enough to take action, resulting in serious and costly problems. With each reconciliation being done in its own silo, there is also no certainty that the information passed up the line is correct.

When you step back and look at all of your reconciliations as a collective, you need to consider how easy it is for someone to get a birds-eye view of what is going on.

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Overcoming reconciliation challenges

How do you overcome these challenges and **simplify the reconciliation process**?
The answer is to automate as much of the reconciliation as possible. But where do you begin?

The first thing that may come to mind is to buy an off-the-shelf product that does reconciliations. However, this approach can be problematic. Often, we encounter people who have purchased these types of financial close/reconciliation products, but they are still doing their reconciliations manually.

Usually, these expensive tools become glorified document managers. Someone can upload and store the spreadsheet they used to do the reconciliation manually and perhaps tick a box to certify the reconciliation. This adds value for auditing, but it doesn't address any of the challenges discussed above.

To truly automate and simplify your reconciliation, you need to think about the work you do as four discrete modules: enriching the data, performing the matching, investigating variances, and doing the reporting.

01

Module 1: Enrichment

The first module is the enrichment of the data. This can involve cleansing transaction identifiers, extracting important information from a text description field that you can use for the reconciliation, looking up and attaching other data that helps you reconcile, and so on.

The other thing that should be done in this module is identifying the records that are likely to be impacted by timing differences and the records that are likely to require more complex matching rules (such as many-to-many matches).

> Automatically combine and enrich data from all your data sources and systems.
> [Download the data sheet to learn more]

02

Module 2: Matching

Only after enriching the data can you move on to the matching. The first thing to do is to use the information from the enrichment work in module 1 to separate the data into relevant buckets based on the type of reconciliation you need to do. These buckets include the records that need to be persisted for timing differences and those with more complex matching rules.

This step is very important because it separates the easy work from the harder work. For example, you may want to do the easier reconciliations first and get them out of the way to have less noise in the rest of the reconciliation. This will also allow for better reporting and more consistency, particularly if you develop a pattern, for instance, where 70% of records are simple and the remaining 30% are complex. Having that clear separation will make it easier to manage the process in the future.

03

Module 3: Investigation

The result of the matching is a list of variances that need to be investigated. Perhaps these investigations can be automated by bringing in new data sources, such as looking up a list of invoices extracted from the general ledger. However, often these investigations require some human analysis.

The key point here is to have a clear separation of the data. Make it as easy as possible to know what variances someone needs to investigate and how they can come back and clear that variance once they have found the cause of the issue. It is also important to ensure that variances can be closed off in a controlled and auditable way. Ideally, data should not be overwritten. Instead, there should be an easy way to adjust the data.

People think they can't automate their reconciliation because the work needed to investigate the variances is manual. For example, they are looking through scanned invoices to determine why an error might have occurred.

Isolating the investigation component as one reconciliation module offers a way to keep it manual whilst still automating the enrichment and matching of the data to reap the benefits of automation, such as time savings. The investigation results can also be fed back into the automated solution for the last module, which is reporting.

04

Module 4: Reporting

Having enriched the data and completed the mapping and investigation, you can focus on reporting, which comes in two forms. The first is the data that needs to be produced, such as a journal that needs to be posted to the General Ledger. The second is the visibility and status reporting for management and audit purposes. This involves providing summaries of the information, such as what has reconciled to date or the status of the reconciliations.

Reporting is not dependent on the first three modules being completed. Particularly for status reporting, you should be able to provide a picture of each reconciliation as it moves through each of the three stages.

> By doing your reconciliation work modularly, you permit yourself to automate. In the absence of modularity, it is all too easy to focus on the most complex, messy part of the process and reach the conclusion that you cannot automate. The modular approach allows you to split the process up into manageable chunks that you can tackle one piece at a time.
>
> The modular approach also creates a framework that you can use to make different reconciliations work more consistently. This makes it easier to automate more reconciliations and improves the overall quality of the work, as you can't have quality without consistency.

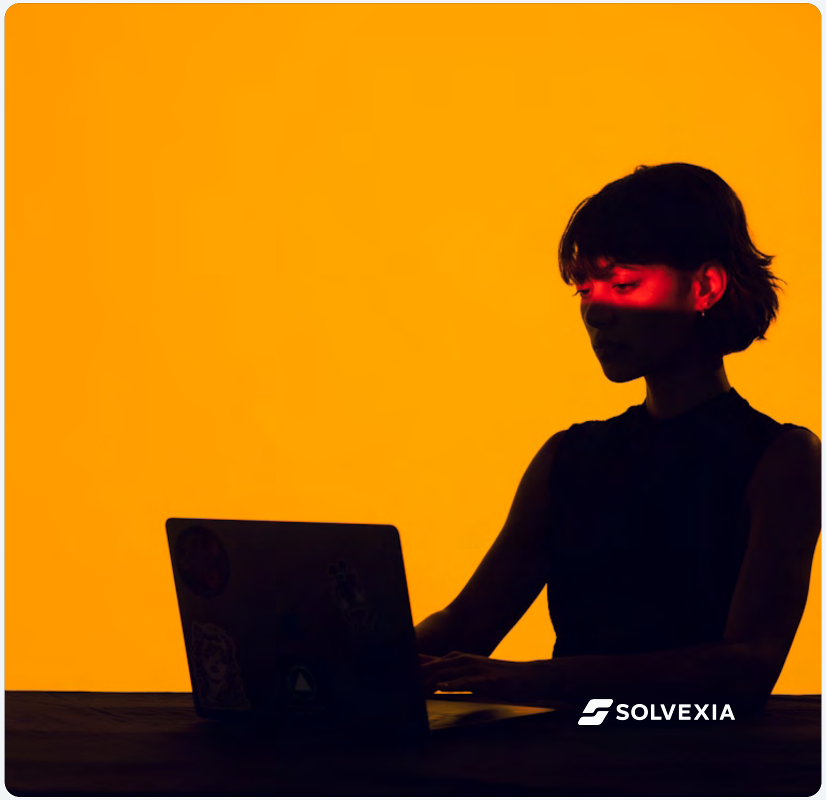
What to look for in a reconciliation solution

If you are looking for a solution to automate your reconciliations, you will need a tool that:

- Can handle all of your **data enrichment, timing and matching rules**. This includes working with any data you throw at it, blending data, persisting data for timing differences, and doing all of the complex matching you require.
- Has **workflow capabilities** to drive the investigations, including sending alerts to people, allowing them to review and certify the reconciliations and capturing all of that information within the tool for audit purposes.
- Has **flexible reporting capabilities**, including producing file-based outputs such as Excel, CSV, Word and PDF, and interactive dashboards. In some cases, you may also need connectivity to your systems, such as the ability to post journals.
- Is **easy to use**, particularly given that most people who do reconciliations are business-focused and time-poor, so you need a solution that doesn't require any programming and is drag-and-drop.
- Has a **low cost to set up** and is easy to maintain (not by IT).
- Gives you **value for money**. You don't want a tool that is just capable of doing one bank reconciliation and nothing else. You want to ensure that the tool you are using can be leveraged for many reconciliations and anything else around your financial close, such as reporting after the close is done.

Looking to automate your reconciliations but not sure where to start? Download our data sheet to find out how we can help.

Download data sheet



CUSTOMER STORY

Insignia Financial chose Solvexia to **automate their Custody Reconciliation**. Because the software runs on the cloud and is business-led, the team felt that using Solvexia offered the fastest and most cost-effective way to automate. The alternative would have been to join the already long IT development queue.

Key results and outcomes

- 1.5 – 2 days saved each month.
- Managers have greater confidence that reconciliations are accurate.
- Each portfolio is reconciled in a consistent way, every month.
- New staff members are able to quickly pick up the automated solution, with almost no impact on business continuity.

Insignia Financial scaling their custody reconciliation

Insignia Financial relied on a spreadsheet-driven process to perform their Custody Reconciliation each month. Staff used a different spreadsheet to prepare a reconciliation for each of the company's 80 portfolios. The reconciliation was taking around two days each month to complete, which was a burden for staff.

Another challenge was the slight variation in how each of the 80 portfolios was reconciled. Insignia Financial wanted to simplify and consolidate this task to minimize the risk of human error as well as ensure they could scale the reconciliation to meet any growth in the number of portfolios.

WRAPPING UP

Automation is the key to solving reconciliation challenges and empowering Finance teams to perform their tasks with greater efficiency, accuracy, and peace of mind.

By adopting a modular approach to your reconciliations, where data enrichment, matching, investigation, and reporting are treated as separate components, automation becomes feasible and effective.

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Solvexia is a low-code platform that automates spreadsheet-driven data preparation and manual processes.

It enables Finance to free up their time by running processes 100x faster with 98% fewer errors, allowing businesses to reallocate essential resources to value-added work.

Finance and accounting teams choose Solvexia to unify data from systems and spreadsheets and automate their processes without involvement from IT. Its drag-and-drop interface makes it fast to deploy and easy to learn.

Solvexia combines and manipulates data, performs calculations and creates interactive reports, analytics and smart dashboards for richer insights for your stakeholders.

You can leverage Solvexia to automate hundreds of processes for your company, including reconciliations, revenue and expense reporting, regulatory compliance, rebate management and much more.

100x
faster processes

Positive ROI within 6-12 months

Modern cloud architecture

Works with existing systems and spreadsheets

Full **financial control** over your processes

98%
fewer errors

Ready to automate your reconciliations?

Book a demo to see what Solvexia can do for you.

Book a demo today