BY TRINTECH

BUILDING A STRONG FOUNDATION FOR YOUR FINANCIAL CLOSE

IT STARTS WITH RECONCILIATIONS

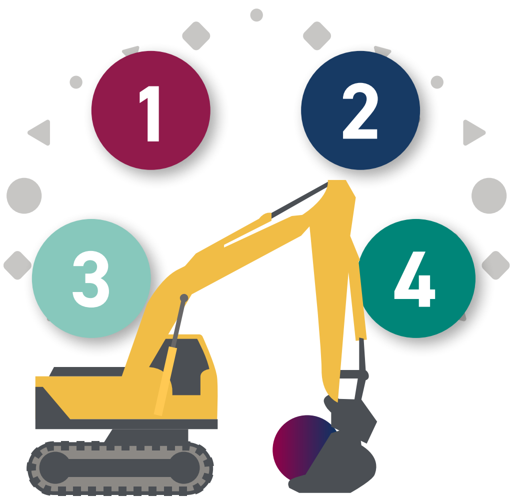
Four steps to establish the foundation for an effective financial close process.

THE CHALLENGE

Just like constructing a building, when you look to establish an effective financial close process, you must start with a solid foundation. For homes or skyscrapers, it starts with concrete – for your close it starts with account reconciliations.

THE GAME PLAN

This tip sheet shares four steps for creating a risk-based reconciliation policy which will begin transforming your close. By taking a risk-based approach to your reconciliations, you can ensure that all remaining close processes are utilizing accurate, low-risk data which results in final numbers you are completely confident in.



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TIPS FOR AN IMPROVED FINANCIAL CLOSE PROCESS

1 DEFINE RECONCILIATIONS

It may seem obvious, but the first step to a solid foundation is defining a reconciliation ...policy that documents your specific requirements and procedures. Organizations who provide clear guidelines and criteria with an overview of why reconciliations are being performed see significantly higher adoption and adherence from their employees.

Additionally, outlining key terminology can also help users better understand your policy. For example, what is your organization's definition of a reconciling item?

2 OUTLINE RISK-BASED POLICIES

Once you have defined your reconciliation policy, you need to consider how the risk-rating of an account will affect its treatment. This is your opportunity to reduce the workload on your team so that they can focus on higher-value activities while still maintaining control over the process.

By allowing low-risk or zero-balance accounts to be reconciled quarterly or annually, your team can prioritize high risk accounts on a monthly basis. Reducing their workload means they can spend more time investigating differences and improving the overall accuracy of your reconciliations.

3 ESTABLISH RISK RATING STANDARDS

To successfully prioritize high-risk accounts across the organization you need to clearly establish standards for what is deemed high or low risk and ensure you do not use static ratings. Several factors related to an account can be used to determine its overall risk rating, and you should evaluate the standards on an ongoing basis to ensure continued effectiveness.

For example, low-risk accounts may be based on month over month variance of the balance, or the difference between the general ledger and sub-ledger ending balances. High-risk accounts, on the other hand, may be defined by a debit balance existing when a credit is expected, a higher than usual variance in the balance of the account, or when the same reconciliation failed a peer review in the prior period.

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4 AUTOMATE TO ENSURE ADHERENCE

Once you have established your policy, and both defined and outlined your risk policies and standards, it's time to implement. This may seem overwhelming, and you are likely wondering how you can possibly ensure your risk-based policies are followed. Automation is the key to making this happen.

Implementing proven automation to aid in the implementation of your reconciliation policy will enforce standardized practices and increase overall adoption across the organization. Your team can be automatically notified when a risk rating on an account they are responsible for changes and management can have real-time visibility into the process.

Overall, risk-based reconciliations supported by technology create a more efficient and effective process which reduces risk and costs while setting the foundation for an accurate, timely close.

EXPLORE A BRIGHTER FUTURE FOR YOUR FINANCIAL CLOSE

LEARN MORE:

Discover the Proven ROI of Automated Reconciliations.

Download White Paper

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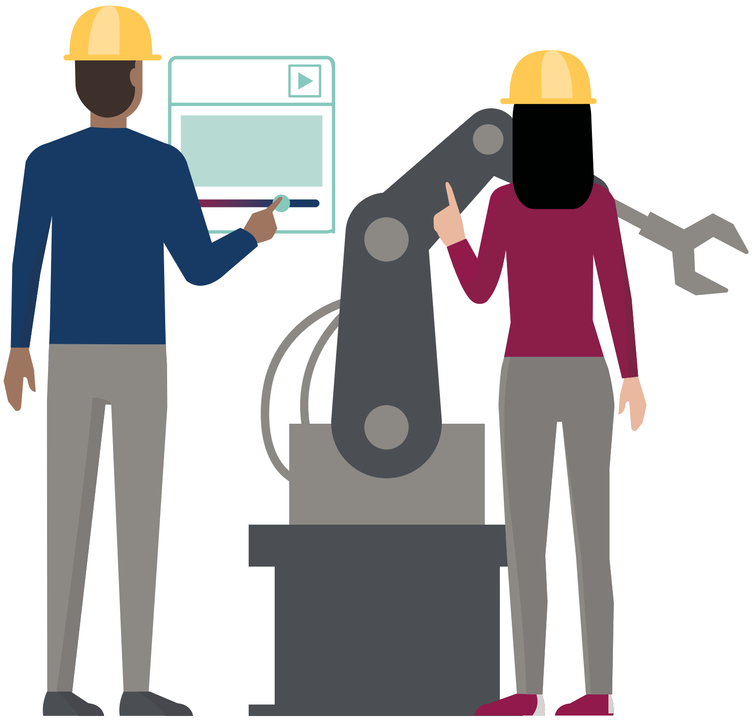

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