

Financial Close Management 11.1.2.1 Managing Account Reconciliation Tasks

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Oracle is introducing many new enhancements within the 11.1.2.1 release of Financial Close Management which will enable customers to centrally manage all of their account reconciliation tasks.

OVERVIEW

Purpose

The purpose of this whitepaper is to provide an overview of how Financial Close Management can be utilized to manage account reconciliation tasks.

Introduction

Financial Close Management is financial application that allows companies to management all of their period-end close activities from a single web based application. The application is designed to cover the entire end to end closing process which may include ledger and sub ledger processes, data loading and mapping processes, financial consolidation processes, 10K/10Q processes, reconciliation process, tax/treasury processes etc. Each of these tasks can be intertwined into a comprehensive closing schedule. Users can easily manage all of their closing activities from the centralized dashboards within the Financial Close Management application.

The account reconciliation process is another periodic activity which may be included within the closing process or managed separately. The account reconciliation process shares many of the same characteristic and challenges with the closing process. Each process has many tasks being performed across a large number of users in a very short timeframe. Typically, companies leverage a combination of spreadsheets, email and many manual checks in order to manage these processes. The many benefits Financial Close Management provides to the closing process can also be applied to the account reconciliation process.

SOLUTION OVERVIEW

Account Reconciliation Process Overview

An account reconciliation task contains many of the same feature requirements as other closing tasks. Each account is assigned to an assignee to perform a reconciliation of the account balance. The assignee must perform a reconciliation which provides evidence of the balance or substantiates balance calculation. The

account reconciliation must then be validated by another user. Typically account reconciliations have two levels of review - first by a Reviewer and lastly by an Approver. The reconciliation task is completed when the assignee has performed the reconciliation, the reviewer has confirmed the reconciliation and the approver has confirmed the reconciliation.

Account reconciliation tasks share many of the same features as other closing activities and can easily be designed within Financial Close Management.

BUILDING ACCOUNT RECONCILIATION TASKS

Account reconciliation tasks can be easily developed within Financial Close Management. This section will detail how account reconciliation tasks can be designed within the application.

Account Details

Account reconciliation includes many different details which are used to identify the account, classify the account type, qualify the account's relative risk, or otherwise categorize the account reconciliation. These details can be easily mapped to FCM's existing task details or added to the system as custom attributes.

Below is an example of how account reconciliation details can be mapped to existing FCM task fields:

- Account Number → Task Id
- Account Name → Task Name
- Account Description → Task Description
- Priority → Priority

Additional reconciliation details can be included by adding custom attributes to the task. For example, Account Type can be created as a list attribute that includes Assets, Liabilities, and Owner's Equity as members. Risk Rating, Transactional Currency, and Ledger Group are further examples of attributes that can be included as list attributes. Other attributes types include text, date and number.

Task attributes are included within the task information displayed to the users. The administrator can determine which attributes to show to the end user within the task. Additionally, the administrator can set the display order.

Account Data

For each iteration of the account reconciliation certain data values must be included within the task. These data values represent the specific account values that are required to perform the reconciliation. These data values will vary by reconciliation type. For example, bank reconciliations require the GL balance, the Bank balance, and the statement date.

These data values can be added to the task as custom attributes. In the example above, the GL balance can be defined as a number attribute type. The number attribute can be formatted to include the currency symbol for the value, number of decimals, thousands separator, negative value display and scale for the attribute value. The statement date can be defined as a date type attribute. Any values added to the attribute will be displayed in a date format.

Reconciliation Instructions

As the reconciliation process is typically a very distributed endeavor, many companies struggle to ensure that all reconciliations are performed in a consistent manner which is in compliance with all corporate policies and procedures. Financial Close Management's ability to incorporate detailed instructions on all tasks can be extremely beneficial in ensuring consistent reconciliation execution. The task instructions can include embedded links which will direct users to corporate reference websites or attach corporate policy documents directly to the task.

Many companies utilize standard reconciliation templates as part of their process. Updating the templates and ensuring that reconciliations are performed using the current template is a troublesome process. With Financial Close Management, the reconciliation template can be attached directly to the account reconciliation as part of the task instructions. If revisions to the template are needed, the new template can easily be updated and distributed to all users.

Account Reconciling Items

Many reconciliations incorporate summary details to quickly describe the reconciliation items. For example, bank reconciliations might include a summary schedule which quickly explains the reconciling items. These might include the total outstanding checks, deposits in transit, bank fees, reconciling adjustments, and unidentified difference. These reconciling items are used to both quickly walk a reviewer through the reconciliation and also to compare reconciliations of the same type.

Task questions can be configured to capture these reconciliation items. On a reconciliation task, users can enter these values in response to the task questions. The questions can be built to capture numbers, text, dates, or select a value from a preconfigured list. In the example above, the task questions could ask the user to enter the total outstanding checks, or the amount of reconciling items. The user would enter the values as part of completion the reconciliation task. Additionally, questions can be utilized to capture risk ratings, account scoring, or other metrics.

The task can be configured to require the user to enter an answer to the questions before the task can be submitted for review. This capability allows key reconciliation data to be captured and compiled across similar reconciliations. Companies can leverage this data to better understand their overall risks.

User roles

Each reconciliation task generally has the following user roles – Reconciler, Reviewer, and Approver. The reconciler is the user expected to perform the reconciliation task. The reviewer receives the reconciliation and performs a first review of the reconciliation. After the reviewer confirms the reconciliation, the approver performs the last review and approves the reconciliation.

Within the Financial Close Management task, each of these roles can easily be defined. The reconciler is entered as the task assignee. The reviewer and approver are entered as the first and second task approvers. Additionally, users which may have interest in the task can be listed individually or as a group within the viewer assignments on the task.

Example of an account reconciliation task.

Task Actions

Account Reconciliation - 11017 Accounts Payable - First Republic Bank

Properties Alerts (0) Related Tasks History

Task ID 01.11017.200 Owner Maria Jones
Status Closed Assignee Barry Mills
Start Date Feb 8, 2011 9:00 AM Schedule Eden Corp 2011 01 January Monthly
End Date Feb 10, 2011 5:00 PM Name Reconciliations
Priority High Task Type Account Reconciliation - Bank

Description Account Reconciliation - 11017 Accounts Payable - First Republic Bank

Attributes

Statement Date Jan 31, 2011
Account Balance - Bank Reported \$ 43,785.00
Account Balance - GL Reported \$ 42,845.00
Risk Rating Medium

Instructions

Please reconcile the bank account for the current period. The bank reconciliation template is attached to this task. Please perform the account reconciliation for the current period, answer all questions, and attach the completed reconciliation to this task.

[Bank Reconciliation Template](#)
[Performing Bank Reconciliations](#)

Questions (5)

*1. Account Balance per Bank Statement	<input type="text" value="\$ 43,785.00"/>
*2. Total Outstanding Checks	<input type="text" value="\$ 920.00"/>
*3. Total Reconciliation Adjustments	<input type="text" value="(\$ 20.00)"/>
*4. General Ledger Ending Balance	<input type="text" value="\$ 42,845.00"/>
*5. Unidentified Difference	<input type="text" value="\$ 0.00"/>

Close

MANAGING THE ACCOUNT RECONCILIATION PROCESS

Companies want to ensure that all reconciliations are performed in the same manner consistently period over period. This section will detail how Financial Close Management's feature set can be utilized to ensure the reconciliation process is performed in a consistent, repeatable and easily managed process.

Task Types

The account reconciliation process is a very repetitive process with users typically tasked with performing the same reconciliation task across multiple accounts. Additionally, companies want to ensure that all reconciliations of a similar type are performed in the same fashion. This can easily be addressed through the use of task types.

A task type is a stored task definition that ensures a consistent task execution. Customers can create a standard task type for each of their different reconciliation tasks. Within the task type, the customer can define blueprint for each reconciliation task. The task type would include that standard reconciliation instructions, attributes, and questions for all reconciliations of a common type. When assigning an account to be reconciled, the administrator would simply select the appropriate reconciliation task type then specify the specific account number, account name and user assignments to the task.

Task types are extremely beneficial in simplifying the periodic maintenance of the reconciliation process. Over time, customers may wish to revise the process and update how a reconciliation task is performed. They may wish to require additional details or reconciliation items to be included in an account reconciliation. These updates can easily be made to the reconciliation task type and will be inherited by all of the reconciliation tasks linked to the task type. Future runs of the reconciliation task will include any changes made to the reconciliation task type.

Templates

The account reconciliation process needs to be repeated periodically as certain accounts are required to be reconciled on a monthly, quarterly, or annual basis. Each iteration of the process may vary as different accounts are included within the process.

Templates allow administrators to define a reconciliation process once and reuse it period over period. Within a template, administrators can group reconciliation tasks that share common attributes together. The template may contain all the reconciliations that share a common reconciliation cycle (monthly) or for a common set of ledgers (EMEA GL's).

Within the template, the administrator would define the specific reconciliation tasks to be performed. This would include the details on which account is being

reconciled and which users are assigned to perform this task. The template will also include the general scheduling information for each task. The scheduling details would include how much time is allotted to perform the task and when the task is expected to be completed. The scheduling information is stored in relative business days (day +1 through day +3).

Additionally, the template can include other tasks which may be required to ensure the proper execution of the reconciliation process. The reconciliation tasks can be configured to start only after these predecessor tasks are completed. For example, the ledger data must be finalized prior to the account reconciliation.

Once defined, the administrator can easily maintain all of the reconciliation tasks within the templates. As changes to the process are required, the administrator can simply update the template ensuring that all future reconciliations reflect the revised process.

EXECUTING THE ACCOUNT RECONCILIATION PROCESS

This section will describe how companies can execute, monitor and report on their account reconciliation activities using Financial Close Management.

Scheduling Reconciliation Tasks

In preparation of a reconciliation cycle, an administrator would prepare a new schedule. This schedule will include all of the activities that must be performed for this particular execution of the reconciliation cycle. The administrator would select the reconciliation template which contains the appropriate reconciliation tasks for this period. From the template, the administrator would create a new schedule containing all of the tasks from the template. Within the creation process, the administrator would align the template's business days to actual calendar days.

The newly created schedule will be placed in a pending state where none of the tasks will begin to execute. While in this pending state, the administrator can fine tune the process by adding additional tasks, revising the scheduling of tasks, or removing unneeded tasks. Once all revisions are completed, the administrator will open the schedule and all tasks would execute based on their scheduling details. Email notifications will be sent out to task assignees based on the individual task assignments.

Loading Account Data

For each execution of the account reconciliation, the account data will need to be updated for the various reconciliation tasks. As described in the prior section of this document, the reconciliation tasks will include custom attributes for each data value. The current period data values can be loaded directly to the schedule tasks using a simple file format.

The user would extract the account data from the source system, convert the data into the load file format, and load the account data into the reconciliation tasks.

Below is an example of a data load file.

TaskID	Attribute1	AttrVal1	Attribute2	AttrVal2	Attribute3	AttrVal3
5000.10.100	GL Balance	510320	Bank Balance	530450	Statement Date	7/31/2010
5000.10.200	GL Balance	1200315	Bank Balance	120150	Statement Date	7/31/2010
5000.20.100	GL Balance	35780	Bank Balance	34300	Statement Date	7/31/2010

The file format is very simple and flexible. The first column specifies the account task (5000.10.100) to update while the second and third columns specifies an attribute its value (GL Balance = 510320). Columns 4 through 7 repeat the attribute selection and setting pattern. After loading this sample file, the account reconciliation task for 5000.10.100 would have the following data:

GL Balance = 510320

Bank Balance = 530450

Statement Date = 7/31/2010

In order to ensure that the reconciliation task does not execute prior to the current account data being loaded, the administrator can incorporate a data load task as a predecessor to all of the reconciliation tasks related to the load. Once the user completes the data load task, all of the related reconciliation task would begin.

The account data can be loaded multiple times to the schedule. For any reconciliation task where the account data has been revised, the reconciliation task will revert back the task assignee to ensure the reconciliation is performed on the proper data values.

Performing the Reconciliation Tasks

Once a reconciliation task begins, an email notification will be sent to the task assignee. The assignee logs into the system and performs the reconciliation task.

Within the reconciliation task, the assignee can review the reconciliation instructions, review any attached documentation, download attached reconciliation templates, and update any questions. The user can include additional reconciliation details by adding comments to the task. Also, detailed reconciliation files can be attached to the task and saved within the system. This would allow customers to centrally store all of their reconciliation files within one application.

Once the assignee has completed the reconciliation, they submit the reconciliation task for review/approval and an email notification will be sent to the next person in the approval process. The approver reviews the reconciliation task information (questions, comments, attachments) the assignee has included with the task. The approver can choose to add additional comments to the task. The approver can either approve the task or reject the task back to the assignee. When the final approver approves the task, the task is marked complete.

All actions performed on the task during its lifecycle are recorded within the task history. This audit log records all actions performed on the task, when the actions performed, by whom and what fields were update modified.

Monitoring the Reconciliation Process

Financial Close Management's dashboards allow users simple visibility to all of their tasks across multiple schedules. Users can customize their dashboard to easily report on the specific task that interests them. Each task's status is shown on the users' dashboard in real time. Users can easily access the specific task details directly from their dashboards.

From the dashboard, a user can very easily understand where each reconciliation task is within its lifecycle, who is currently responsible for the reconciliation and when the reconciliation is due. The dashboard controls include robust filtering

capabilities which allow the users to focus in on only the reconciliation tasks that interest them. Also, the dashboard incorporates many features which highlight the tasks that are either late or have issues.

The dashboard includes a set of standard reporting controls. These controls provide the user with different views into the open schedule tasks. The “My Worklist” control shows a user all of the tasks that are currently assigned to them. The “Schedule Tasks” control allows a user to review a detailed list of all tasks within a schedule. The “Status Chart” summarizes all of the schedule tasks by status within a pie chart for easy review. The “Schedule Overview” control allows a user to see all of the tasks grouped by day. All of these controls are designed to provide the user with greater insight into all of the various tasks.

Detail Reconciliation Reporting

In order to perform detailed reconciliation reporting within the FCM dashboard, a user can simply modify the “Schedule Tasks” control. By setting the “Schedule Tasks” control to include only one task type (Bank Reconciliations), the user can chose to review the task attributes and question responses entered on all of those tasks within the schedule.

The user can make these simple modifications by first selecting the reconciliation task type under the “Type” menu on the control. Once the control is focused on one task type, the user can add the task attributes and questions responses to the control. The user simply clicks on the “View” menu and selects which attributes and questions to display within the control. Additionally, the user can revise the control to include only the information they require within the control. The columns can be reordered by simply dragging the columns into the desired position. The user can further refine the control by leveraging the filtering and sorting capabilities.

An example of the detailed reporting within the dashboard.

Name	Statement Date	Account Balance - Bank Reported	Account Balance - GL Reported	Risk Rating	Account Balance per Bank Statement	Total Outstanding Checks	Total Reconciliation Adjustments	General Ledger Ending Balance	Unidentified Difference
Account Reconciliation - 11015 Accounts Payable - First Republic Bank	Jan 31, 2011	\$ 1,547,231.00	\$ 1,543,785.00	High					
Account Reconciliation - 11016 Payroll - First Republic Bank	Jan 31, 2011	\$ 5,325.00	\$ 0.00	Medium	\$ 5,325.00	\$ 5,325.00	\$ 0.00	\$ 0.00	\$ 0.00
Account Reconciliation - 11017 Accounts Payable - First Republic Bank	Jan 31, 2011	\$ 43,785.00	\$ 42,845.00	Medium	\$ 43,785.00	\$ 920.00	(\$ 20.00)	\$ 42,845.00	\$ 0.00
Account Reconciliation - 11018 Payroll Hourly - First Republic Bank	Jan 31, 2011	\$ 3,875.50	\$ 0.00	Low	\$ 3,876.00	\$ 3,876.00	\$ 0.00	\$ 0.00	\$ 0.00

The table is divided into two main sections: **Task Attributes** (columns 1-4) and **Task Questions with responses** (columns 5-10).



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