Financial Reconciliation Report

Date: October 26, 2023

1. Overall Reconciliation Rate

Based on the provided reconciliation summary of 228 transactions, the reconciliation rate is calculated as follows:

• Total Transactions: 228

• Matched Transactions: Based on the provided data, only Invoice ID 'INV0004' and 'INV0005' are a match. Therefore, matched transactions = 2

• Reconciliation Rate: (Matched Transactions / Total Transactions) * 100 = (2 / 228) * 100 = 0.88%

This indicates a very low reconciliation rate, highlighting significant discrepancies between the ERP system and bank records.

2. Summary of Issues Found

The reconciliation process revealed several key issues:

• ERP Cancellation Conflicts: Multiple invoices (e.g., INV0001, INV0003) are marked as "Cancelled" in the ERP system but appear as transactions in the bank records. This suggests a failure to properly reconcile cancellations between the two systems.

• Amount Mismatches: Invoice INV0002 shows a discrepancy between the ERP amount (1789.75) and the bank amount (1788.62). These amount mismatches require investigation to determine the root cause (e.g., data entry errors, incorrect application of discounts, timing differences).

• Non-Invoice Transactions: A significant number of transactions (indicated by "right_only" in the `_merge` column and "Non-Invoice Transaction" in the `Reconciliation_Status` column) exist in the bank records but are not found in the ERP system. These transactions require further investigation to determine their nature and ensure proper accounting.

• Missing Data: The presence of "None" and "NaN" values in the Invoice ID, Date_ERP, and Amount_ERP columns indicates missing or incomplete data within the ERP system. This can hinder the reconciliation process and lead to inaccuracies.

3. Recommendations for Improvement

To improve the reconciliation rate and address the identified issues, the following recommendations are proposed:

• Investigate ERP Cancellation Process: Review and improve the process for handling invoice cancellations in the ERP system. Ensure that cancellations are promptly and accurately reflected in both the ERP and bank records. This may involve automating the cancellation process or implementing stricter controls.

• Implement Automated Matching Rules: Develop and implement automated matching rules within the reconciliation software to identify and resolve common discrepancies, such as minor amount differences or timing differences.

• Investigate Amount Mismatches: Establish a clear procedure for investigating and resolving amount mismatches. This should include a review of supporting documentation (e.g., invoices, payment confirmations) and communication with relevant departments (e.g., accounts payable, sales).

• Analyze Non-Invoice Transactions: Conduct a thorough analysis of the non-invoice transactions to determine their nature and ensure proper accounting. This may involve reviewing bank statements, contacting vendors, and consulting with internal stakeholders.

• Data Quality Improvement: Implement data quality controls within the ERP system to prevent missing or incomplete data. This may include data validation rules, mandatory fields, and regular data audits.

• Regular Reconciliation Frequency: Increase the frequency of reconciliation from monthly to weekly or even daily, if possible. This will allow for earlier detection and resolution of discrepancies.

• Training and Documentation: Provide comprehensive training to staff involved in the reconciliation process. Develop clear and concise documentation outlining the reconciliation procedures and responsibilities.

• Reconciliation Software Optimization: Evaluate the current reconciliation software and ensure it is being used to its full potential. Consider upgrading to a more advanced solution if necessary.

By implementing these recommendations, the organization can significantly improve its financial reconciliation process, reduce discrepancies, and enhance the accuracy and reliability of its financial reporting.