

RICHTER

THE CFO SERIES

OPTIMIZING FINANCIAL CLOSE
THROUGH AUTOMATION

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OUR EXPERTS

—
OPTIMIZING FINANCIAL
CLOSE THROUGH AUTOMATION



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Table of Contents

1

The Financial
Close Process

2

What is
Automation?

3

Automation
Benefits

4

Requirements
for Automation

5

Automation
Use Cases

6

Richter's
Automation Services

7

Appendices



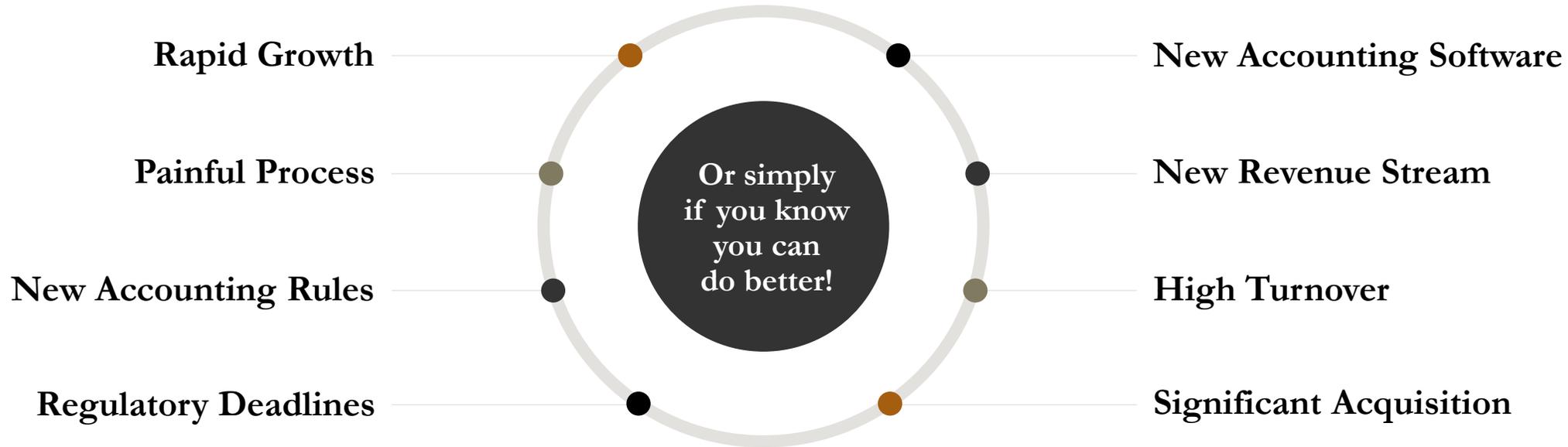
Section 1 – The Financial Close Process

Question 1 –

HOW MANY DAYS DO YOU
REQUIRE TO EXECUTE
YOUR FINANCIAL CLOSE?



When should you review your financial close process?



The financial close process: Is it a nightmare for you?

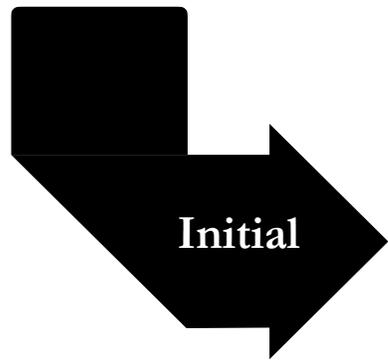
From our experience, **less than 50%** of organizations are able to complete their year-end close on **time** with **sufficient review** and a manageable amount of **risk**.



Organizations that struggle to finish their financial close on time are far more likely to make serious mistakes. They don't have enough time for entity-level controls and advanced analysis that could help management understand risks and make decisions more effectively.

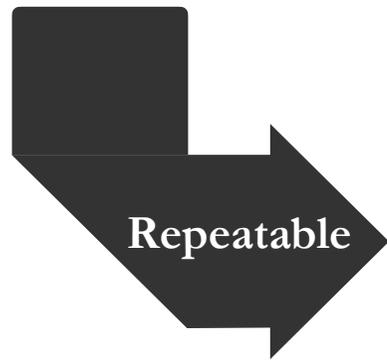


Where can our methodology take you?



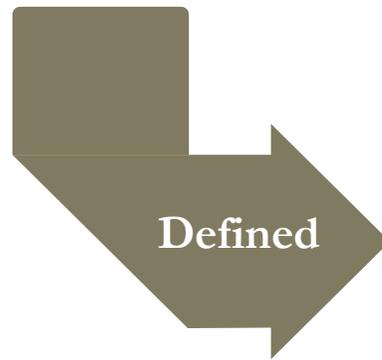
Initial

Process not well defined, depends on key individuals.



Repeatable

Process in place, not well documented, depends on individuals having knowledge of established activities.



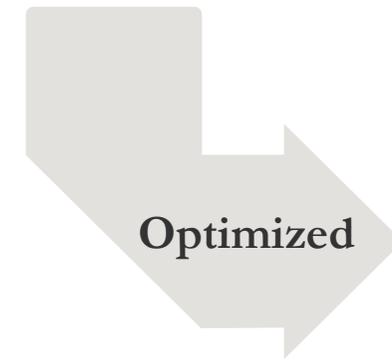
Defined

Process documented and communicated, depends on individuals following established procedures.



Managed

Process documented and communicated, tested periodically.



Optimized

Process well documented and clearly communicated, monitored on a real time basis with ongoing process improvements.

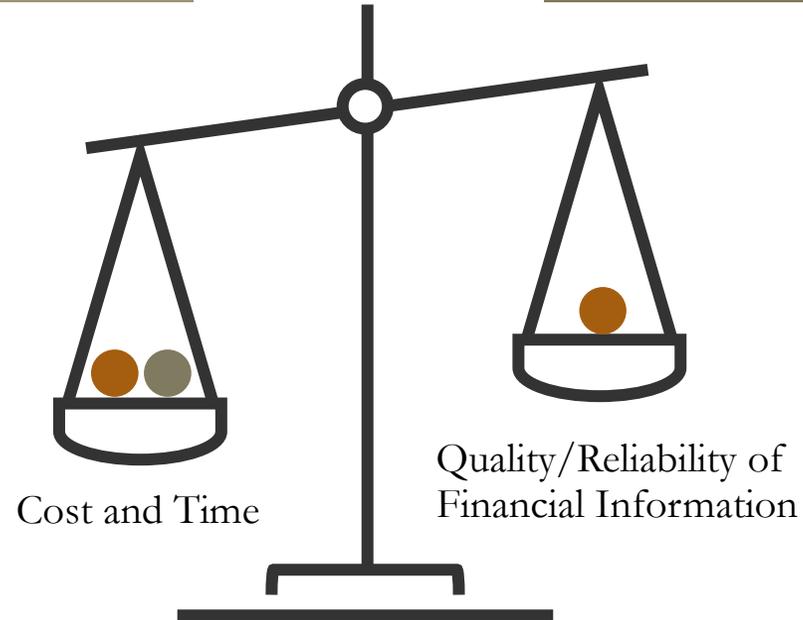
Question 2 –

WHAT IS THE EFFICIENCY LEVEL
OF YOUR FINANCIAL CLOSE?



Options for Your Financial Close

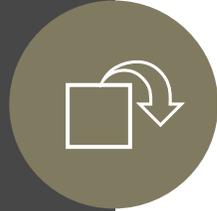
Hard Close	Soft Close	Manual	Automatic
Centralized	Decentralized	Prior to Closing	After Closing



Best Practices to Optimize Your Financial Close Process



Understand your **high-risk, critical-path** areas and **focus attention there**.



Shift non-critical activities outside the financial close process.



Involve all parts of your organization. It's a mistake to only involve the accounting staff in the financial close process. Change the company's culture and people's mindsets to work better in group and take ownership of the final product.



Track issues and solutions. Repeat issues must be revisited to find long-term solutions.



Use the **full potential** of your **automated financial applications**.

Question 3 –

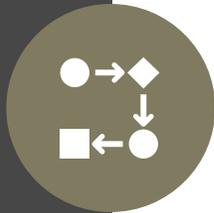
WHAT PERCENTAGE OF YOUR
FINANCIAL CLOSE PROCESS IS
COMPUTERIZED/AUTOMATED?





Section 2 – What is Automation?

What is Automation?



- Software robots (or ‘bots’) that **emulate human actions** interacting with digital systems and software. There are two categories of automation:
 - **SIMPLE AUTOMATION** – also referred to as ‘Traditional RPA’. This is when the bot performs **simple, repetitive, standardized** and **rules-based** business processes. For example, automatically extracting a weekly report from an application and emailing the report to a specific email distribution list.
 - **INTELLIGENT AUTOMATION** – the bot combines simple automation and artificial intelligence to handle more complex business processes. The bot **learns to make decisions** based on the activities that it has performed over time. For example, classifying documents as purchase orders or invoices and then taking a specific processing action on each type such as extracting data and inputting it into an application like SAP.
- Bots can be thought of as ‘**Digital Employees**’
- Richter **can help** with both Simple and Intelligent Automation



Section 3 – Automation Benefits

Automation Benefits



Reduce Costs

- Bots operate more efficiently, allowing for cost savings to be realized.



Save Time & Effort

- Bots are faster, more accurate & work 24/7/365.
- **Tangible ROI**



Reduce Errors & Ensure High Accuracy

- Bots don't make typos, miscalculate, or make copy/paste errors.



Ensure Adherence

- Bots follow the exact process, never skip steps, can be fully tracked and audited.



Improve Employee Work Experience

- Remove mundane, repetitive and boring tasks, allowing employees to do higher value work.



Improve Customer Experience

- Everything is done faster and more accurately, so companies can deliver better service.



Section 4 – Key Criteria for Automation

Key Criteria for Automation

Every company, regardless of size, industry, line of business, and business unit or function, can benefit from automation. To the right is a list of key criteria to identify ideal processes that can be considered as candidates for automation. Many, but not all, of these criteria may be applicable.

-  Processes that are standardized and digitized
Defined processes, structured data, data is digitized (i.e., exists in soft copy).
-  Highly manual and repetitive processes
Processes are performed multiple times a day, daily, or weekly. Or, processes are performed less frequently, but require a substantial amount of time to complete.
-  Routine processes
Tasks performed in the process remain the same, are processed in the same order, and there is minimal manual human intervention.
-  No human judgment or decision making
Simple rules exist for the bot to follow. Decisions are rules-based and logical, thus able to be depicted on a decision tree.
-  High volume, low complexity
High volume of transactions / data that requires minimal decision making or judgments required by humans.
-  Stable processes and underlying applications
Processes are efficient, optimized and stable. Process and underlying applications are not expected to change.
-  Processes performed by large teams
Large teams with many resources performing repetitive and mundane tasks.



Section 5 – Automation Use Cases

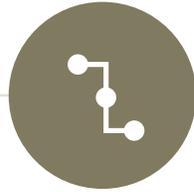
Automation Use Cases

Below are examples of common automation use cases. For more use cases in Finance and Accounting, please refer to **Appendix B**.



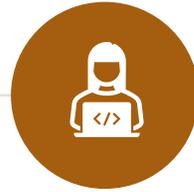
Finance

- Process-to-pay
- Order-to-cash (**refer to Appendix A, Case Study for an example**)
- Record-to-report
- General ledger close
- Reconciliations
- Invoice validation



Supply Chain

- Inventory management
- Demand & supply
- Planning
- PO processing
- Fleet management
- New vendor onboarding



IT

- Onboarding/offboarding and user account set up
- Server & application monitoring
- Routine helpdesk tasks i.e., password resets
- Automated ticket creation
- Access management and access certification



HR

- Payroll
- Onboarding & offboarding
- Benefits administration
- Tax form generation, reporting and filing
- Request and review background check



Audit, Compliance & Reporting

- Control testing
- Audit log
- Aggregate data from multiple sources

Automation – Financial Close

The pace of today's operating model puts heavy demands on controllers and their teams:

- **51% of CFOs** ranked **meeting deadlines/time pressures** as their biggest challenge overall
- **88%** identified **lack of automation and manual work** and errors as the reasons **preventing** them from having an **efficient financial close process**
- **89%** are experiencing **burnout** due to an **increasingly stressful job**
- **Greater risk exposure** due to growing **compliance complexity**

The financial close process is all too frequently a manual, error-prone and time-consuming process where errors in one step will ripple through the entire process. RPA is an **ideal technology** for aspects of the financial close process for the following reasons:

- Financial close procedures rely on digitized sources of information
- Several repeatable manual tasks
- Time consuming
- Reconciliations use rules-based processes that require access to multiple systems
- Process is typically documented by the organization

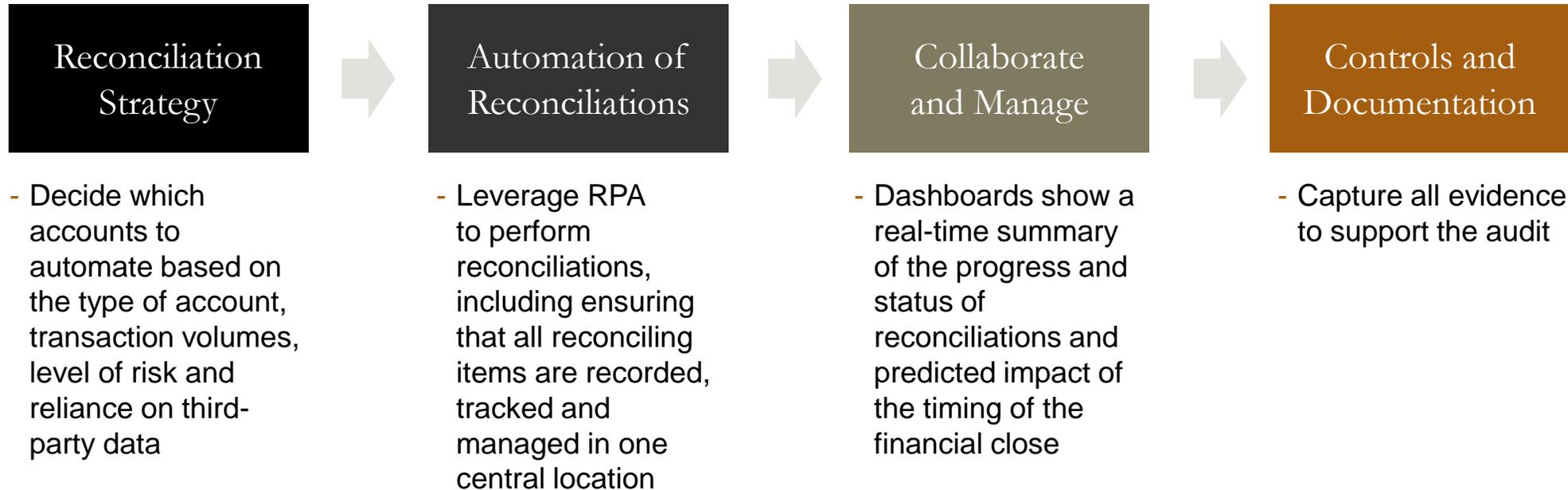
Benefits for automating the financial close process include:

- ✓ Time savings
- ✓ Employee satisfaction
- ✓ Enhanced controls and compliance
- ✓ Quality and consistency
- ✓ Improved efficiency
- ✓ Reduced costs
- ✓ Scalability
- ✓ Reduce spreadsheet errors

Source: Trintech, FloQast

Automation – Financial Close

To get started, we recommend focusing on the “Quick Wins” to demonstrate the impact that automation can have on the business. We recommend starting with the reconciliation or “tie-out” process as a quick win.



Automation – Financial Close

RPA can be used to automate a wide range of reconciliation types. This frees up **valuable time to investigate and resolve exceptions** rather than spending the time manually ticking and tying.





Section 6 – Richter’s Automation Services

Richter's Automation Services

Richter can help organizations with both simple automation and intelligent automation. The services we offer are as follows:

STRATEGY AND GOVERNANCE

- **Process Harmonization/Optimization** – Ensuring the process is streamlined and standardized before automation.
- **Automation Roadmaps** – Identification and prioritization of processes that are candidates for automation and will maximize ROI.
- **Automation Strategy, Governance & Policy Development** – Building an automation strategy to align with business objectives across the organization that is sustainable.

IMPLEMENTATION SERVICES

- **Vendor Selection** – Selecting the right automation vendor.
- **Project/Program Management, Implementation Support and Governance** – Leverage project management to implement the automation solution.

MANAGED SERVICES

- **Management and Maintenance** – Supporting the automation solution.



Section 7 – Appendices

Appendix A – Case Study

Order-to-cash process monitoring
for, and merging of documents,
using intelligent automation.

Business Challenge

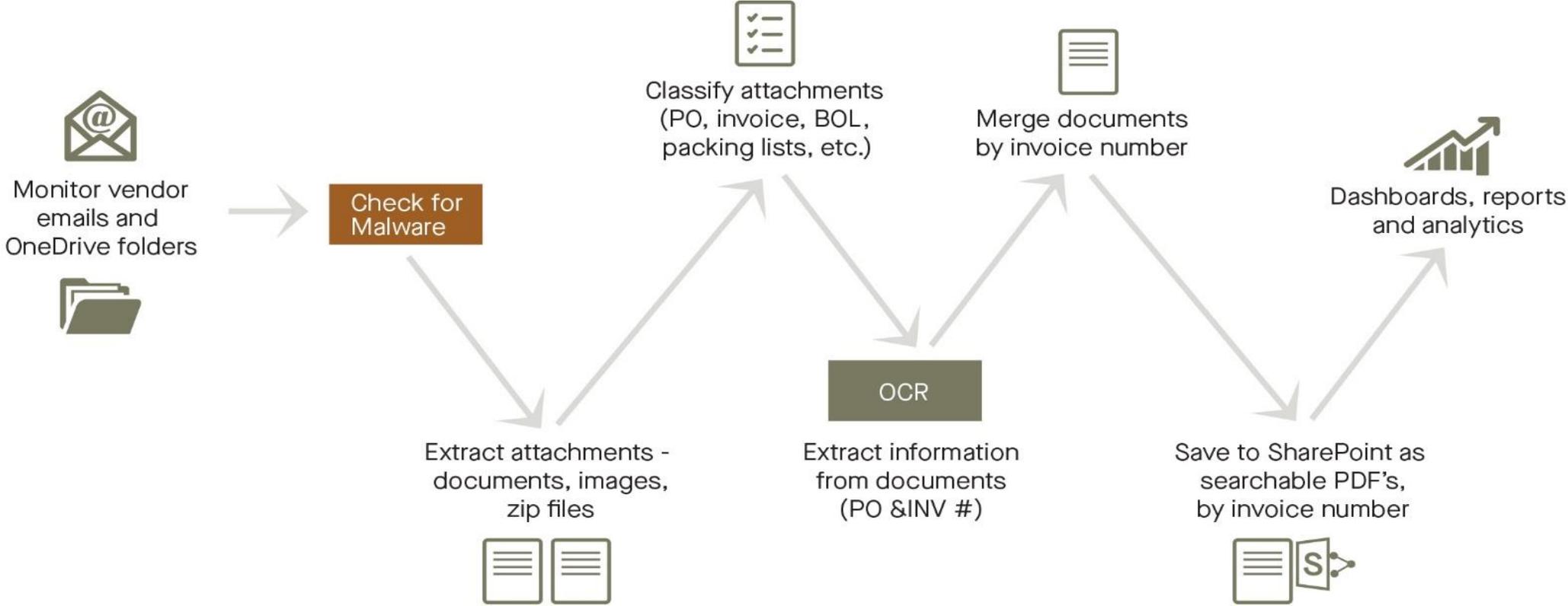
- As part of its order-to-cash process, a global toy company headquartered in Toronto, received a high volume of documents from several vendors daily that required processing
- **Definition of order-to-cash:** The order-to-cash process encompasses all steps from when a customer order is placed up until the business is paid (the cash). Those steps include order management and order fulfillment, through to credit management, then invoicing and ultimately payment collection
- Documents (e.g., invoices, purchase orders, bill-of-ladings, order receipts, packing lists, shipping documents) would be received in various formats (e.g., PDFs, GIFs, Word Documents) and from various channels (e.g., email, OneDrive)
- To fulfill this process, employees were required to:
 - Monitor the relevant email inboxes and OneDrive locations
 - Extract the documents attached to the emails or extract the documents uploaded to SharePoint manually and classify the document type appropriately
 - In accordance with a very stringent set of rules, extract information from documents and merge the documents by invoice number and upload the merged document to a SharePoint site
- This was prone to error and difficult to track for monitoring/audit purposes

Business Solution

- Richter worked with an automation vendor to implement an intelligent automation solution, combining:
 - Automation
 - Data Analytics
 - Machine Learning and Artificial Intelligence
 - Image Recognition
- Richter delivered an efficient AI solution to automate the mundane tasks and leverage AI and ML to classify documents, extract data and create tickets to be actioned.
- The solution balanced people, process, and technology considerations to ensure sustainability
- Video: [Document Management and Control](#)

Automation Workflow

Case Study



Outcomes & Results



Saved in
manual effort



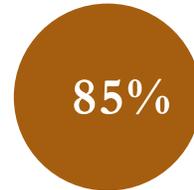
Faster process
completion time



Accuracy in reporting
of processing status



Accuracy in
processing



Reduction in
manual work effort



Were originally dedicated to
perform this process manually.
Half of them were redeployed
to higher value add tasks.



Appendix B – Use Cases

USE CASES IN FINANCE
AND ACCOUNTING

Use Cases



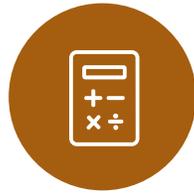
Financial Ops & Accounting

- General Ledger Close
- Reconciliations
- Manual Journal Entries
- Intercompany Settlements
- Fixed Asset Management
- Regulatory & External Reporting



Financial Planning & Analysis (FP&A)

- Budgeting
- Forecasting
- Variance Analysis
- Management Reporting



Financial Planning & Analysis (FP&A)

- Bank Statement Consolidation
- Consolidated Cash Position Reporting
- Cashflow Forecasting
- FX Exposure Forecasting & Hedging
- ACH/Wire Payments



Tax Operations

- Tax Provisioning
- Tax Compliance
- Tax Accounting
- Data Management & Reconciliation



Accounts Payable

- Vendor Setup
- Purchase Order Creation
- Invoice Validation
- Invoice & Lease Payments
- Travel & Expense Reimbursements
- Payables Reporting



Accounts Receivable

- Customer Setup
- Sales Order Processing
- Invoice Creation
- Collections
- Payment Processing
- Receivables Reporting



CONCLUSION
AND DISCUSSION

QUESTIONS AND COMMENTS



COMING SOON AT RICHTER

CFO Webinar Series

FALL 2022

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THANK YOU

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BUSINESS ADVISORY | FAMILY OFFICE SERVICES

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