Exception Management Best Practices:
Reduce Costs and Increase Efficiency with Accurate™: Workflow

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Agenda

• What is Exception Management?
• The Business Cost of Exceptions
• Market Needs
• Benefits of Automation
• Automating Exception Management
• Summary
What Is Exception Management?

- Exception Management is the investigation of items that were expected to match but didn’t.
- Exceptions are a source of risk:
  - Financial risk
  - Compliance risk
  - Reputational risk
- Exception Management seeks to mitigate and negate those risks through a process of investigation and remediation.
Cost of Exceptions

- Reconciliation accounts for between 1.5 percent and 2 percent of operating expenses\(^1\)
  - Majority of costs are labor-related
- Between 2% and 5% of payments result in an enquiry\(^2\)
- Only 5% of exceptions are processed automatically\(^2\)
  - 95% require manual input
- Cost of managing enquiries 50 times greater than cost of managing the payment\(^2\)
  - Resolving exceptions can consume 80% of back office costs

\(^1\)Source: PriceWaterhouseCoopers
\(^2\)Source: SWIFT
The “Hidden” Cost of Exceptions

- Manual activities
  - Manual identification and allocation of exceptions
  - Time-consuming and costly paper-based research and documentation
- No tracking or indication of progress
  - Inability to assess true risk or tailor processing according to materiality
- Inconsistent exception research and resolution process
  - Increased risk of loss due to error
  - Increase staff training for manual activities
- Lack of timely response
  - Manual activities may delay resolution, and increase the risk of losses and write-offs
- Less agility to support emerging requirements
Market Needs

- Minimize financial impact from exceptions
- Support regulatory compliance
- Support for higher transaction volumes
- Reduce exception processing costs
- Demonstrate effective governance and controls
- Maintain service levels with fewer resources
- Integration of all business units
Benefits of Automation

• Increased operational control
  • Standardized processes ensuring consistent application of best practice
  • Improved visibility of exposure across the enterprise
  • Audited proof of progress and resource accountability allowing dynamic risk monitoring

• Faster exception resolution

• Reduction in labor-intensive manual tasks
  • Reduced operational costs
  • Reduced error rates

• Sustainable and scalable solution for exception management
  • Flexibility to easily evolve and adapt to new working practices or requirements
  • Scalability to support growing transaction volumes and meet increasingly demanding schedules
Fiserv Four-Phase Process Flow

- Automated handling of exception cases
  - Less manual effort and improved performance
- Configurable, managed workflow
  - Embeds best-in-class business practices
  - Enforces consistency of resolution
  - Enforces segregation of duties
Identify

- Continuous monitoring of exception sources
  - Timely identification of exceptions
- Automated, rules-based identification of exceptions from internal sources
  - Configurable criteria to identify exception items and groups
- Automatically respond to external events
  - Handle inbound query messages
  - Automated creation of acknowledgments
- Automated case creation
  - Process tailored to exception type
Identify

• What is a case?
  • Internal case, e.g. aged outstanding transaction
  • External query, e.g. RFI/chargeback, or phone query
• Cases can be created automatically or manually
  • Automated Case Creation
    • By matching in Reconciliation via Post Match Script
    • By scanning transactions in Reconciliation using WFLoad
    • From external files via CaseFeed
  • Manual Case Creation
    • Directly create a case in the Workflow user module
    • Create Case from one or more items in Reconciliation
• Case consists of a set of data and associated additional documents attached to the case
  • Case Mapper Script controls the information from Reconciliation items copied to the case
Assign

- Intelligent rules-based routing of exceptions
- Automated enrichment of case information prior to manual intervention
  - Classification against standard reason codes for analysis
  - Standardized assessment and quantification of risk based on materiality factors
- Assignment to appropriate community
  - Improved customer service by integrating disparate divisions
Assign

- How should we respond to the exception?
- Workflow process defines the life of the exception until resolution
  - Ensures consistent resolution of cases in line with best practice
- Process design is made up of states and transitions
  - States define the steps in the process
  - Transitions define the paths between the states

![Diagram showing the relationship between Interest Date Differences, Potential Gain, Complex Cases, Potential Loss, and Interests not worth claiming.]
Assign – Design Techniques

- Design Workflow process to assess and enrich case information, and apply rules to route the case appropriately
- Automatically apply calculations and lookups to enrich the case data and provide more context to the exception Investigator
- Use automated queries to retrieve data from other systems
- Think about the user access privileges when you are designing the process
  - Limit case field access according to user role
  - Grant access to states based on tasks to be performed
- Top tip: Always have a field to indicate the data of next action
• Automation of time-consuming activities
• Automated and proactive escalation based on time, case age or other sensitivity criteria
• Standardized communications through automated generation of templated messages
• Securely capture supporting evidential documents and messages
• Dynamic workload balancing across team
• Efficient task focused interface
• Real-time monitoring offering clear and timely tracking of cases, preventing bottlenecks
Action

- Case progresses through the process by executing transitions
  - Transitions may be fired automatically or manually by the user
- Transitions contain one or more actions
  - Set a case field, print an HTML document, send an email or SWIFT message, or run a script
  - Message actions use templates to provide consistency
- Intelligent rules engine governs when a transition can be fired
  - Most decision criteria can be automated
  - Firing rules can be used to automate routing based on case data
Action – Design Techniques

- Use events to drive process automation
  - EventGen for timer and custom events (e.g. event outside of Accurate)
  - RecEvent to detect when a linked Reconciliation item has been matched
- Top tip: Tailor the interface according to the user task through the Accurate Forms feature
Resolve

- System of record
- Support post mortem analytics of resolved cases
  - Root cause and outcome analysis
  - Financial and productivity metrics and KPIs to trend performance over time
- Support process improvement initiatives
“What gets measured, gets done”
- U.S. Secretary of State, Hillary Clinton

- Use Accurate: ViewPoint widgets to monitor current state of Workflow processes
- Use Accurate: Reporting module to monitor exceptions over time to identify root cause and exception trends
Workflow Components

- Create cases from file (CaseFeed)
- Create cases from Reconciliation items (WFLoad)
- Create case from Match Pass (Post Match Script)
- Workflow Autoclient Script
- Create Case from Reconciliation items
- Create Case in Workflow

Workflow

Workflow Designer

- Timer and Custom Events (EventGen)
- ReconciliationEvents (RecEvent)
- Manually executed transitions
- Tailored User Interface (Accurate Forms)

Workflow Administration

Automated

Manual
Calculating the Benefit

• Automation of exception processing can generate big savings
  • Calculated saving of $10-$25 per exception\(^1\)

• Automation of manual tasks delivers tangible gains
  • Very conservative example
    • Sample workload of 50 exception cases per day or 12,500 cases per year
    • Save 5 minutes per case through automated routing and escalation
    • Annual saving of 7.5 man months effort

• A typical customer can achieve 50% improvement in exception management proficiency

\(^1\)Source: SWIFT
Summary

Automation of Exception Management:

- Increases efficiency
  - Reduced manual intervention and turnaround time
  - Support higher case volumes with existing resources
- Reduces risk from exceptions
  - Faster identification of exceptions
  - Quicker resolution with increased recovery rate
  - Improved visibility of exposure
- Reduces operational costs improving profitability
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