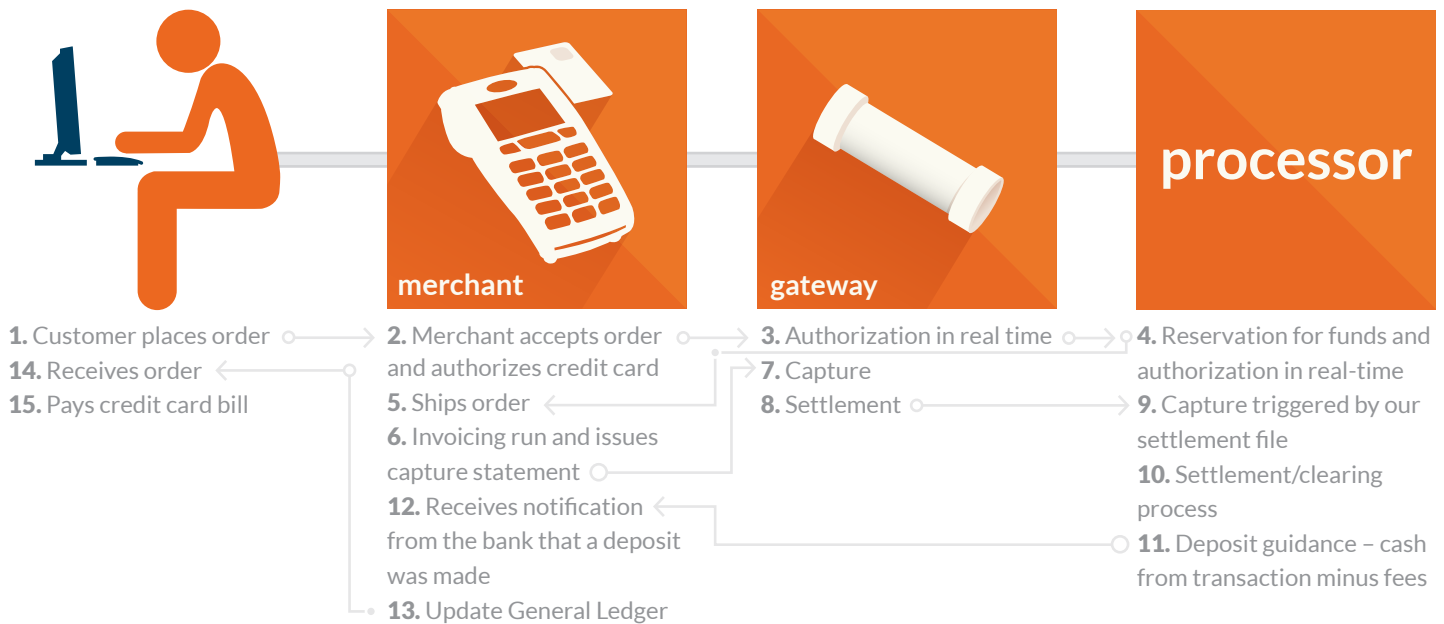# cardconnect™

automated reconciliation in Oracle

The payment process is infinitely more complex than what the consumer sees. From their perspective, they simply enter a credit card number and press "submit", and in several business days their order is on their doorstep. But as merchants and payment processors know, there are a wide range of factors that go into getting that payment from consumer to merchant.

The customer-facing piece of the payment process is an important one, but once authorizations and card security are locked down on the front end, it's in a merchant's best interest to optimize the back end—settlement and reconciliations.

Merchants have two ways to deal with the reconciliation process in Oracle EBS. Either they can assign the task to someone in their finance department to reconcile payments manually, or they can utilize a solution that automates the process. In this white paper we will compare and contrast the two options, and then offer a solution that will maximize efficiency and save your business money.

The Process

merchant   **gateway**   **processor**

1. Customer places order
14. Receives order
15. Pays credit card bill

2. Merchant accepts order and authorizes credit card
5. Ships order
6. Invoicing run and issues capture statement
12. Receives notification from the bank that a deposit was made
13. Update General Ledger

3. Authorization in real time
7. Capture
8. Settlement

4. Reservation for funds and authorization in real-time
9. Capture triggered by our settlement file
10. Settlement/clearing process
11. Deposit guidance – cash from transaction minus fees

What is reconciliation?

Since the payment process isn't instant, it's necessary for businesses to reconcile their bank statements on a regular basis. Reconciliation involves checking payment information against bank records to make sure that they're consistent. While this sounds pretty straight forward on the surface, complications arise when you consider the details.

Interchange fees can be predicted, but when complications happen with a specific payment, it's not immediately evident where or what the problem is. All that your finance staff can see is that the amounts don't match, and the hunt begins. This can become a bit of a wild goose chase when reconciling manually.

Transaction Reports

While SAP features several basic financial reports, over the years the SAP ERP community has requested more detail for easier summation and use. Some vendors of payment applications have a library of add-on reports to enhance SAP's basic capabilities. These augmented reports give you fast access to both high-level data and information about individual transactions and can be customized for specific needs.

Manual Reconciliation vs. Automatic Reconciliation

Manual	*Automatic with CardConnect*
• 2 hours a day • Not 100% accurate • Small discrepancies ignored • Only feasible with low transaction amounts	• 15 minutes a day • Reconciled charges close automatically • Only problem charges need to be dealt with • Unique identifier ensures accuracy

Manual Reconciliation

Manual reconciliation is generally only feasible for businesses that process very few transactions. In order to reconcile payments, the finance department must compare transaction data with their bank statements to identify discrepancies. For example:

Let's say the finance department is checking a settlement file that totals $1000. Since the bank deposits cash into your account once every evening rather than for each individual payment you receive, the transactions are lumped together. Your finance staff will compare that amount with the bank deposit, which due to fees, is expected to be less than the $1000 of sales you did in that day. For example, if your standard interchange fee is 2.4%, you'd expect the deposit on $1000 in sales to total $976.

Your finance staff would likely take one of two approaches.

1. Compare the AR report listing open items with the summary of daily transactions from your bank
2. Compare the AR report with the "cleared" items downloaded from your processor

While these approaches both sound simple, you have to consider that the time frames don't necessarily match up. Neither open items in AR nor the daily deposit you receive from the bank represent yesterday's transactions, but rather transactions from up to several days ago.

What further complicates things is that none of their reports show transaction details—they're simply forced to compare transaction amounts with bank deposits. And since all fees, interchange rates, and penalties have been taken out of this amount already, accuracy isn't an option. They have no choice but to take a "close enough" approach. As you can probably imagine, this method can be quite error-prone.

Despite the lack of accuracy, this still manages to be a time-consuming pursuit for your valuable finance department, who may spend about ¼ of their time reconciling transactions.

Automatic Reconciliation

Automated solutions that allow for automatic reconciliation expedite this process, turning what used to be a 2 hour task into a 15 minute one. With solutions like CardConnect, all matched settlement files are instantly reconciled, leaving you only with records that require investigation. These records are flagged and your team is saved from the lengthy task of troubleshooting.

Once your finance department is left with just the flagged items, they'll be able to match quickly by receipt number rather than fumbling with potentially inaccurate deposit amounts. The receipt gets closed and two journal entries are created entitled "Cash" and "Fees". As your finance department investigates and resolves the source of the red flag, they can mark it to be automatically posted.

Additionally, Oracle will be able to:

- Retrieve the deposit file from the processor
- Map banking reference numbers to invoice or receipt numbers in AR
- Match the deposit details to open items in AR
- Close the associated items
- Stage journal entries for processing to your General Ledger (GL)

CardConnect performs these functions with CardDeposit, the only Oracle-Validated Reconciliation Solution for Oracle E-Business Suite. CardDeposit and CardConnect's Gateway integrate into Oracle without needing any modifications to your application.

CardConnect for Oracle

✔ PABP Compliant
   > under Visa's Payment Application Best Practices Program
✔ PA-DSS Compliant
✔ PCI-DSS Compliant
✔ Patented token-based payment processing