BLACKLINE
TRANSACTION MATCHING
Adding Business Value Through Streamlined Accounting
Growing numbers of today’s organizations are automating account reconciliations and other financial processes. But many have been slow to add what might be the greatest timesaving tool of all, automated transaction matching.

**BlackLine’s Transaction Matching eliminates the time-consuming tedium of matching transactions by hand, known as “ticking and tying.”** In a business with high transaction volumes, manual matching can tie up accounting resources for many hours a month, requiring accountants to check each and every transaction just to find the small percentage that don’t match.

By contrast, automated transaction matching can reconcile hundreds of millions of transactions each month. It releases accountants for more challenging assignments – reconciling those transactions that don’t match, for example. And it can bring new levels of performance and agility to the business itself, thanks to the more timely reporting that’s possible by automating transaction matching early in the monthly close cycle.

In fact, BlackLine’s accounting automation products bring significant benefits to all aspects of the financial close process by greatly reducing the time and effort – and risks of human error – required for manual spreadsheets and documentation.

This paper explores the use and benefits of BlackLine Transaction Matching, and looks at how one company uses transaction matching for its growing portfolio of business applications.
One Company’s Experience: Profiling Zendesk

San Francisco-based Zendesk builds software for better customer relationships. When the company went public in 2014, it was growing rapidly. But the company’s growth brought challenges. Along with its paid customer accounts, employee headcount was shooting up and Zendesk’s IT group was planning to add new cloud applications for CRM, HR, and other functions to its NetSuite ERP system. Meanwhile, the accounting group was still using mostly manual processes for reconciling accounts at the monthly close.

“Everything seemed to be taking longer than it should,”

—PATRICK LOUGHNAKE, SENIOR FINANCIAL SYSTEMS ANALYST ZENDESK

The company brought in BlackLine to automate its transaction-matching, account-reconciliation and task-management processes in 2014. Since 2014, Zendesk’s paid customer accounts have jumped to 94,000; employee count has grown to 1,600; and annual revenues have grown past $300 million, BlackLine and the automated processes it offers, have become even more valuable to our monthly close processes and to Zendesk’s accounting group.
Zendesk’s accounting workload has also doubled, yet Zendesk continues to cut time and effort from its financial processes. And some of the greatest savings have come from automating key transaction-matching processes.

“We use transaction matching for a number of applications now, and we’re adding more every day,” said Loughnane.

A typical use is to compare systems, such as Zendesk’s bank account with the NetSuite general ledger. The bank-account/GL comparison is used to track the company’s cash on a daily basis. It used to be a manual process, one that kept accountants plenty busy.

BlackLine’s Transaction Matching product automatically links matched transactions to Zendesk’s account reconciliation process. This saves significant time and effort during the monthly close. “An example is the Zuora application,” Loughnane said.
Loughnane pointed out several features that make BlackLine Transaction Matching easy to install and operate:

**Source compatibility**
For a company replacing manual processes with automation, it’s important for users to be able to trust in the new system. BlackLine facilitates that trust by integrating seamlessly with Zendesk’s other systems. In one demo that he performed for a new user, Loughnane was able to import spreadsheets directly into BlackLine. The process, error-free as it was, surprised him: “I didn’t expect to be able to quickly import the Excel sheet she had been using, but it uploaded to BlackLine and it just worked. I ran a quick reconciliation. It was really easy.”

**Operation simplicity**
A family of matching rules and filters makes it easy for non-technical users to create accurate and effective matches. “The BlackLine system can analyze multiple invoices to one payment, account for variances due to bank fees or foreign exchange impact, and anticipate independent payee assignments. And that’s just a small example of the power of its rules,” said Loughnane.

**Data accuracy**
All BlackLine products work from a single, unified code base. As a result, numerical data is always up-to-the-minute accurate. “When you are focusing on an integration, you need something that is reliable, something that the users can depend on and be comfortable with,” Loughnane said. "We need to know that the information coming through is the truth, working all the time, and always accessible. This is what we have with BlackLine.”
In operation, BlackLine’s Transaction Matching is straightforward. It’s compatible with data sources of any type or volume, and can import from any ERP, banking, or financial application. The cloud-based application features a matching engine that can process millions of transactions in a matter of minutes, plus patented BlackLine reporting technology that can process massive data volumes without a breakdown.
BlackLine’s Transaction Matching employs rules, filters and workflows to help users constantly improve match rates, even in the largest, most complex financial operations.

A growing portfolio of logic-driven rules makes it easy for non-technical users to define their matching processes for maximum efficiency. Rules can be ultra-precise — for defining whether a match will be one-to-one, one-to-many or many-to-many, for instance. They can allow for variances by amount, date or other criteria. They can be applied to “suggest” matches by identifying transactions that may fulfill two out of three desired characteristics; where dates and payments might be the same, for instance, but a certain reference number is missing.

There’s no limit to the number of rules that can apply to a match set; rules can be timed for immediate or delayed action — as a means of accommodating expected delays in a transaction, for example.

For help in resolving any open items that remain unmatched, intelligent workflows forward open-item queries to appropriate reviewers for action. The workflows, which are used to resolve suggested matches as well as non-matches, can be easily adjusted to accommodate reviewers’ needs. For instance, a workflow might be programmed to wait for a certain number of days for a transaction that’s often a few days late to report.
“I didn’t expect to be able to quickly import the Excel sheet she had been using, but it uploaded to BlackLine and it just worked. I ran a quick reconciliation. It was really easy.”

—PATRICK LOUGHNAKE, SENIOR FINANCIAL SYSTEMS ANALYST ZENDESK
BlackLine’s Transaction Matching supports continuous improvement with features like these:

**Dynamic grouping**
A powerful command that’s typically applied only after the unmatched “pool” has been reduced via the standard rules. Dynamic grouping can be programmed to investigate various combinations of transactions to find matches that would normally be hidden from view. For instance, dynamic grouping can be used in a many-to-one configuration to interrogate a list of 100 transactions to see which combinations, if any, might make a match.

**Reason codes**
These provide a way to document the reasons for missed matches, and to categorize them for analysis. For instance, a date-variance reason code might show that the two-day variance programmed into one of the rules is too short to capture the match, but instead should be increased to four days. Or a two-dollar variance should be extended to eight dollars for a given set of transactions.

**Lookup tables**
In cases where a bank account number is different from a GL account number, BlackLine’s rules can direct the matching engine to automatically check a user-defined lookup table for the correct reference numbers.

In all cases, rules are guided by business logic derived from BlackLine’s deep knowledge of financial organizations and practices. The result: high success rates for successful matches.
For companies in many industries, BlackLine Transaction Matching is an essential component of continuous accounting. In high-transaction applications such as cash and credit card processing the finance group can set up transaction matching to run on a daily basis throughout the month. This gives the accounting team time to clear unmatched items in advance of the end-of-month close. Meanwhile, every match is automatically linked to the account reconciliation application for the end-of-month closing.

The result: a continuously improving process that facilitates organizational agility – the kind of agility that companies will need as they move into a future dictated by the challenges of processing ever-larger data stores within increasingly tighter timeframes.
How Transaction Matching works

BlackLine’s Transaction Matching is designed to automatically compare the detailed transactions that make up any two or more accounts. As each transaction is matched, the software moves to the next. The application uses customized workflows to channel any unmatched transactions to appropriate personnel for resolution.

Many companies use matching to compare balances between internal general ledger systems and company bank accounts, for instance. Transaction details, which can’t be seen at the account-summary level typically used for account reconciliations, are visible to the transaction matching process.

If there’s a difference between the GL and bank balances, for instance, the matching process can be used to help explain the reason: a check may be slow to clear, for example, or a reference number may be incorrect.

With BlackLine Transaction Matching, the process becomes transparent to the user. What the user does see are the exceptions – those matches that couldn’t be resolved automatically. From there, BlackLine workflows help automate the resolution process.
This end-to-end reconciliation process diagram shows where BlackLine Transaction Matching fits in an automated monthly close. Data from bank, GL and other sources flows into the matching engine, which applies rules and workflows to perform matching and exception handling. Meanwhile, the matching engine links to other BlackLine processes to create automatic journal entries for consistency with the ERP system, as well as links to the end-of-month reconciliation process.