Forecasting the Drift: How an $8.5B Investment Manager Automated Manual Accounting and Discovered New Client Value

Our client sought to automate their cost-basis reconciliation and reporting. What they discovered was an opportunity to create significant tax benefits for clients.

$8.5B RIA · equity, fixed income & multi-asset · 6 custodians · SpecID lot-level accounting

Executive Summary

CHALLENGES	BOAGENT'S SOLUTION
– Cost-basis reconciliation manual and partial; lot-level drift invisible until it surfaced downstream (~1 in 12 lots affected) – Drift sources a black box across legacy systems and impossible to fully specify upfront – Every rec issue required one of two specialists; conservative tax posture and slow reporting cited in competitive reviews	– Agent-run daily reconciliation, exception resolution & reporting; human sign-off on every action – Plain-language rule and report changes: no code, full audit trail; known issues first, new archetypes as data reveals them – Runs in parallel with the existing stack leveraging IMEX file exchange with no need to rip-and-replace legacy software
PROJECTED ROI	**ADDITIONAL BENEFITS**
– Approximately 3× reduction in manual rec effort ≈ 825 analyst-hours reclaimed annually – $4–5M/yr projected client tax benefit in first year, with expectation for increases as they adopt more aggressive asset-specific tax strategies – Platform cost recovered several times over on operations hours alone	– Rec coverage beyond two specialists — the broader ops team, including management, can run the process – Same-day client basis & gain answers from daily-verified lots – Foundation for a more assertive, continuously run tax-optimization policy

Background

The initiative was driven by commercial pressure as much as operational load. In competitive reviews against larger, more automated RIAs, the firm's tax posture read as conservative and its hand-assembled client reporting lagged; internally, routine basis and gain questions routed through two specialists, turning same-day answers into multi-day turnarounds. The firm's practice was otherwise industry-standard: lot-level SpecID accounting across six custodians, a disciplined daily rec sequence under T+1. They sought to fix a structural gap and systemize more than just the transaction and position reconciliation workflows available in their legacy provider's reconciliation module.

> *"It puts reconciliation in a friendlier, more usable context, and it gives us the metrics being able to see what's happening, and have it documented, that we needed to modernize our process and fix issues we didn't know we had."*
>
> — Director of Operations, $8.5B RIA

Boagent automated their existing process and exposed the data breaks in real time. Despite the "black-box" reality of their legacy system, Boagent was able to identify and resolve breaks rapidly with our embedded agent architecture and automated process improvement.

Ultimately, understanding and managing lot drift allowed the firm to uncover millions in client tax benefits, with plans for improvement as tax strategies are further optimized by asset class.

Previous Approach Didn’t Catch Lot Drift When Positions Reconciled Clean

In the firm’s reconciliation data, position-level share counts reconcile cleanly while roughly one tax lot in twelve carries basis drift beneath them: from rounding pennies to a $627 amortization gap on a single municipal position. Across the book, that meant thousands of lots diverging from custodial records at any given time, undetected, because drift never surfaces in position-level reconciliation.

Drift archetype	What it looks like in the firm’s data
Fixed-income accounting gaps	Premium amortization and discount accretion computed on different methods between custodian and accounting system: continuous, compounding, and the dominant driver in the firm’s municipal bond lots.
Lot-relief mismatches	A specific-lot sale relieved differently by the custodian resulting in totals that still match while lot-level basis crosses (in the data: basis swapped between two lots of one holding).
Reinvestment residue	Dividend reinvestment pricing, fees, and fractional shares were penny-level differences that compound monthly.
Corporate actions	Spin-off basis allocations, merger cash-in-lieu, return-of-capital reclassifications were often applied retroactively at 1099 time.
Structural noise	Placeholder cash/accrual lots carried by one system only; legacy securities with re-used tickers and mismatched CUSIPs.

The Cost of Misunderstood Drift

Drift compounds until it surfaces during close or large liquidations. With no way to triage which breaks would become material, the options were exhaustive review, which did not scale, or sampling. Ultimately, this constrained tax strategy: a specific-identification sale is only as reliable as the lot basis behind it, so the firm harvested conservatively. Prospects and clients read this a prudent decision as a capability gap.

And it concentrated risk in two people: every investigation required one of two specialists, across legacy systems whose matching rules only they understood.

Alternatives Considered

Option	Assessment
Add specialist staff	Ongoing cost to manually monitor lot-level accounting, with no guaranteed detection — and it deepens dependence on scarce specialized knowledge.
Custom development	Permanent maintenance burden for a deliberately IT-light firm — a prior data-warehouse initiative stalled for this reason. With drift sources unknown, a fixed build would target the wrong problem.
Agent-automation (selected)	Incrementally modifiable reconciliation, reporting, and resolution: new drift archetypes are met with plain-language rule changes, and the agent implements and automates the corrective action. The firm didn’t need to understand its systems completely before starting — known issues first, unknowns as they become visible, each discovery becoming an automated rule rather than tribal knowledge.

Boagent's Approach: Human + Agent

Boagent runs alongside the team and interacts seamlessly with the existing process. The agent takes the deterministic volume and involves the team to make judgement calls without previously scoped decisions.

- Agent maintains matching rules aggregating data from four scattered systems into one place
- Daily 8 AM runs reconcile portfolio management system against custodians and DTCC, classify breaks by root cause, and pre-draft counterparty remediation emails for one-click send.
- Cost-basis reconciliation, previously unautomated, runs at the lot level, with drift attributed to archetype and a distributable dashboard in 15–20 minutes
- Confidence in lot-level basis enables increases in intra-year harvesting and specific-lot direction at trade time
- Coverage no longer depends on the two specialists: the broader operations team can run reconciliation end to end, position and trade recs included.

Reconciliation Step	Effort Reduction	Ops Still Manages the Agent:
Daily custodian / DTCC / PMS matching	4×	Reviewing agent-flagged breaks
Break investigation & counterparty comms	2×	Judgment calls on true exceptions
Cost-basis reconciliation	3×	Full lot-level coverage & drift forecasting
EOD reporting & documentation	4×	Sign-off on agent-generated reporting
Overall	**~3×**	**≈ 825 analyst-hours reclaimed annually**

Client Gained More Than Hours Saved

With lot basis verified daily and drift forecast rather than discovered, the projected return spans four areas beyond reclaimed hours:

Client tax outcomes	A faster, continuously-run harvesting and optimization cadence, currently projected by the client to add over 10 bps of after-tax benefit on the firm's taxable assets ≈ over $4–5M per year across client accounts, pricing only the increment over existing practice.
Trading integrity	Specific-lot direction executed against basis verified that morning: the right lot on every sale, avoiding unplanned gains from mis-relieved lots.
Operational resilience	Reconciliation no longer depends on two specialists being available, retiring a standing key-person risk among management.
New business & advisor leverage	Closes the tax-sophistication and reporting-responsiveness gap cited in competitive reviews; a single won or retained $5M relationship covers the platform's annual cost several times over, year over year.