NUCLEUS RESEARCH

April 2008 Document I44

ROI CASE STUDY
BLACKLINE SYSTEMS
AT&T

THE BOTTOM LINE

AT&T used Blackline Systems's account reconciliations module to automate a key part of its financial closing process, improving data access and quality, easing regulatory compliance, bolstering end user and management productivity, and cutting printing costs.

ROI: 689%

Payback: 1.8 months

THE COMPANY

AT&T Inc. is one of the largest global telecommunications providers. It offers a wide variety of packages to businesses and consumers, including IP-based communications, wireless, and high speed Internet access, as well as local and long distance voice service. It also provides directory publishing and advertising services. The company recently merged with a number of regional carriers to increase its business, including Atlanta-based BellSouth.

THE CHALLENGE

Prior to being merged with AT&T in 2006, BellSouth's financial reconciliation processes were manual, slow, and lacking in standardized controls. Each of AT&T's separate departments was responsible for handling its own account reconciliation, including reconciling sub-ledgers with general ledgers. Each department used its own methods, and this led to challenges, including:

- Performing balance sheet reconciliation during the asset valuation review (AVR) process was particularly slow and cumbersome. Financials data was kept and maintained in a number of different sources, including thousands of spreadsheets, third party applications, and ERP accounting systems. Accessing and reconciling all this data hindered rapidly closing the books each month. Every discrepancy between ledgers had to be manually reconciled, risking human error and making it difficult to create an audit trail.
- There was no formal way to control the data and make sure it was valid and current. Reports could only be created via a Microsoft Excel spreadsheet and a manager couldn't confirm the reconciliation was valid and compliant with company policy.

Balance sheet account reconciliation is a key process for all companies, especially because of Sarbanes-Oxley legislation, which requires accountability for the

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accuracy of all financials reporting. By the end of 2005, AT&T recognized it needed to automate and better control balance sheet account reconciliation.

THE STRATEGY

AT&T considered a number of choices, but eventually decided on Blackline's account reconciliations module. The reasons included:

- Automation. Financial preparers don't have to retrieve and re-verify account balances and activity, speeding the closing process.
- Certification. The software's auto-certification capability applies auditor-approved rules to automatically reconcile general ledger and sub-ledgers entries that do not need to be reviewed.
- Cost. The cost of Blackline fit the company's budget while meeting all its needs. The application also extracts data from financials systems and automates the reconciliation process without an investment in middleware, APIs, and hardware. AT&T used Blackline's own tools to develop its system queries.

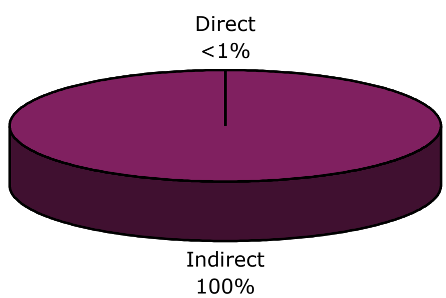
The software implementation lasted 10 days, with two additional months for testing. The first month was spent testing the custom written automated queries. Another month was used running the module parallel with prior methods to allow the financial preparers and approvers to validate the new system. AT&T continues to deploy Blackline throughout its businesses, including Cingular Wireless. Bringing each new company online typically takes about three months.

KEY BENEFIT AREAS

Deploying Blackline enabled AT&T to reduce its reliance on error-prone manual based accounts reconciliation and monitoring processes. This enabled it to improve efficiency while reducing risk – and made it easier to integrate the accounting processes of new acquisitions. Key benefits of the project include:

- Reduced printing costs. The system reduced the need to print reconciliation documentation and reduced printing and paper costs.

BENEFITS



TOTAL: $4,847,234

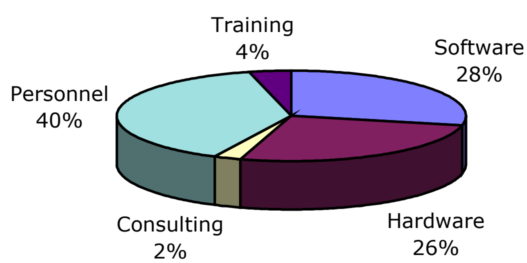
- Increased productivity. AT&T processes more than 70,000 account reconciliations a month; previously account preparers and managers had to review every one of those transactions. Now, Blackline automates the resolution of more than half of the reconciliations, so managers and account preparers can devote their time to only the more complex reconciliations. Managers save five minutes each for every reconciliation, and the combined time savings represent over $1 million in annual productivity gains.

- Improved data access. Blackline offers out-of-the-box dashboards to ease compliance monitoring and enable the creation of report statistics. Managers can get real time finance information, and auditors can see directly what's in the system without requesting end users to provide them with a spreadsheet. Executives can ensure their groups are completing reconciliations quickly enough to meet deadlines. The reconciliations activity can also be viewed by a particular area, such as fixed assets, or by a region or workgroup.

KEY COST AREAS

Key cost areas for the deployment included personnel, software, hardware, consulting, and training. Personnel was the largest cost area, as staff is needed to support further deployment of Blackline across other business units. In 2008, AT&T will make an additional investment in hardware and upgrade the supporting Microsoft SQL Server database to support further scalability and growth.

COSTS



TOTAL: $928,204

LESSONS LEARNED

AT&T realized it was critical to automate the financial reconciliation process, particularly as it was adding new acquisitions and needed a consistent way to do balance sheet reconciliation. Older, less technical users initially resisted the system, and required extra training and encouragement. However, showing them how their jobs would become easier drove greater adoption.

CALCULATING THE ROI

Nucleus calculated the costs of software, hardware, consulting, personnel, and training over a 3-year period to quantify AT&T's investment in Blackline. Nucleus took a conservative estimate of the direct paper and printing cost savings. Indirect benefits quantified included increased productivity of users and managers.

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DETAILED FINANCIAL ANALYSIS

AT&T

SUMMARY

Project:	**Blackline Systems**
Annual return on investment (ROI)	**689%**
Payback period (years)	**0.15**
Net present value (NPV)	**1,342,931**
Average yearly cost of ownership	**309,401**

ANNUAL BENEFITS	**Pre-start**	**Year 1**	**Year 2**	**Year 3**
Direct	0	360	360	360
Indirect	0	1,615,385	1,615,385	1,615,385
Total Benefits Per Period	0	1,615,745	1,615,745	1,615,745

DEPRECIATED ASSETS	**Pre-start**	**Year 1**	**Year 2**	**Year 3**
Software	76,600	110,000	0	0
Hardware	0	0	245,000	0
Total Per Period	76,600	110,000	245,000	0

DEPRECIATION SCHEDULE	**Pre-start**	**Year 1**	**Year 2**	**Year 3**
Software	0	15,320	37,320	37,320
Hardware	0	0	0	49,000
Total Per Period	0	15,320	37,320	86,320

EXPENSED COSTS	**Pre-start**	**Year 1**	**Year 2**	**Year 3**
Software	0	13,022	31,722	31,722
Hardware	0	0	0	0
Consulting	22,500	0	0	0
Personnel	1,280	120,000	120,000	120,000
Training	7,512	28,846	0	0
Other	0	0	0	0
Total Per Period	31,292	161,868	151,722	151,722

FINANCIAL ANALYSIS	**Pre-start**	**Year 1**	**Year 2**	**Year 3**
Net cash flow before taxes	(107,892)	1,343,876	1,219,023	1,464,023
Net cash flow after taxes	(92,246)	624,598	505,671	775,171
Annual ROI - direct and indirect benefits				**689%**
Annual ROI - direct benefits only				-187%
Net present value (NPV)				1,342,931
Payback (years)				**0.15**
Average annual cost of ownership				309,401
3-year IRR				663%

FINANCIAL ASSUMPTIONS

All government taxes	50%
Discount rate	15%