

Case Study

American Electric Power

Moving Beyond T&E to Maximize Cost Savings through Expense Automation



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Based in Columbus, Ohio, **American Electric Power, AEP** (NYSE:AEP) is one of the largest electric utilities in the United States, with almost five million customers on its extensive roster. As a household name and the largest electricity generator in the U.S., AEP owns and operates more than 42,000 megawatts of generating capacity in domestic and select international markets. Upon successful consolidation of several corporate cards and vendors into one program, AEP sought to further leverage its savings through a complete centralization of its expense reporting platform.

The Challenge:

With expense reporting as fragmented as its corporate card programs pre-merger, AEP lacked a meaningful way by which to gain comprehensive insight into company purchasing and T&E card spend patterns. Without this information, the company was at a loss to capture hidden savings, negotiate and maximize preferred rates with suppliers and identify 'maverick' employee spend on multiple cards. AEP needed a way to identify fraudulent claims on expenses being processed and to strengthen compliance within the organization. As a large public utility, AEP needed to comply with a number of auditing rules and government acts - making their expense tracking a priority.

Being able to deter any fraudulent claims through visibility was a necessary step for AEP for financial reasons, as well as corporate compliance with policy and control over spend.

To move away from paper-based systems and relieve overextended resources assigned to manual expense processing, AEP needed a single approach that would remove the administrative burden and bring all the necessary pieces together. "Our high volume of corporate card users, coupled with an extremely cumbersome expense reporting process, led us to seek a high performance, robust solution that could quickly produce and improve service levels throughout the organization," said Steve Quinzel, Manager, Employee Expenses at AEP.

"With fragmented programs, we weren't able to conduct any sort of centralized reporting, so we had no idea how much we had spent with any particular vendor," said Quinzel. "An exhaustive review of our processes, as well as of several expense management solution vendors, opened the door to our relationship with Necho and its highly competent team of professionals."

Results

In selecting the Necho Expense web-based solution, AEP began to witness process improvements almost immediately. "Automation has enabled us to eliminate the re-keying of expense data and as a result, dramatically increase the accuracy of the data being captured," explained Quinzel. "With Necho, we now get it right the first time around."

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Company Details

Vertical Market:
Electrical Utility

Submitters:
14,000 +

Location(s):
United States of America

Solution:
Necho Expense 6

Integration:
Peoplesoft

Card Provider:
Bank One Mastercard

Financial Highlights:

- \$1.6M Spend Reduction
- \$500K Rebate through consolidation of card programs
- \$350K Savings in Processing Costs
- Reduced fraud and personal usage to 0.06%
- Employee reimbursement from 6 weeks to 48 hours

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Through automated email notifications to managers for expense approval, AEP has cut its reimbursement process from as much as six weeks to a mere 48 hours. "The electronic expense system - since it has workflow built into it - is so much faster than trying to move hard copy around. We're able to turn things around so quickly that it is possible to complete an expense report and be reimbursed within two business days," stated Quincel.

When AEP first started using Necho's solution it was for the framework of T&E expenses alone, but once they realized the solution was able to process any number of employee business expenses, they quadrupled the spend processed through the system and extended it to all other accounts of spend - using the solution to deliver more efficiency outside of just travel and entertainment.

As for the consolidation of its card programs to Bank One Mastercard, AEP has benefited from higher merchant acceptance, as well as a \$500,000 first year rebate by capturing all company purchasing and T&E spend from one spot. Named a "Best-in-Class Finance Organization" by Deloitte and Touche, the company has also experienced further savings that are attributed to its Accounting department. AEP now saves \$3.50 per expense report on a total of 8500 reports submitted per month, which represents a \$357,000 annual reduction in processing costs.

"While the numbers are clear, employees are also quite happy about the additional convenience posed by using only one card, eliminating confusion, and speeding up the reimbursement cycle," said Quincel. "Process improvements made possible by Necho have freed up internal resources and given employees time to focus on higher priority tasks."

Perhaps one of the most significant benefits of automating expense reporting is the ability for AEP to maximize spend data to negotiate preferred vendor rates. Using this information to drive negotiations, the company has reduce its spend in this area by \$1.6 million per year. Better yet, AEP is not dependent on its corporate card to provide the data, as Necho's solution allows for a consolidated view of travel spend through a daily feed. "Necho has done the mapping work to take the Mastercard feed and pull it into our expense system, allowing us to view spending patterns with ease and enforce corporate policies."

With 14,000 users now on Necho Expense 6, AEP is exploring further efficiencies in its business processes by uncovering hidden costs associated with VAT, offered to clients in partnership with a third party vendor. An additional enhanced feature offered by Necho is receipt imaging, which effectively scans paper and allows for the elimination of physical retention of these receipts.

Through connecting its consolidated card program with Necho's automated, best-of-breed solution, AEP has become the model and benchmark for organizations looking to adopt best practices in expense management. Necho has delivered the powerful functionality and exceptional performance AEP requires to maintain its high quality of service to its internal and external customers and to simultaneously reap the financial rewards.

“Necho provides solutions that drive implementation costs down, while deliving a more effective process, and giving us access to important information.”

Steve Quincel
Manager of Employee Expenses
American Electric Power

