

Vice President for Finance

The precipitous decline of global financial markets in the fall of 2008 posed a profound challenge to MIT and the Office of the Vice President for Finance (VPF) for the balance of FY2009 and the foreseeable future. Organization evolution already under way in the VPF, however, put us in a strong position from which to address that challenge. VPF began FY2009 with an expressed goal of “delivering the 2011 experience today” —a conceptual framework for achieving operational excellence befitting MIT’s 150th anniversary in 2011. Working toward that goal, we had already begun to optimize operations and invest in areas of critical importance to the Institute by the time market uncertainty arose. As a result, the financial challenge did not derail our work; it accelerated it.

Instead of retrenching in the face of financial uncertainty, VPF moved ahead with plans to modernize and optimize processes, to build productive partnerships across the Institute and with our vendors, to rework our organizational structure to better serve the community, and to foster a culture of transparency, collaboration, and innovation. FY2009 saw two major steps toward the 2011 experience, a project aimed at modernizing the MIT travel system and a broad-based effort to optimize payroll functions. Each initiative entailed significant collaboration with stakeholders across the Institute, and each is slated to yield greater process efficiencies and major improvements in service to the community. The travel project will transform the way MIT faculty, staff, and students travel, with the adoption of a travel credit card and an online expense reporting system. Payroll, meanwhile, evolved into a reshaped entity, HR/Payroll, during the spring of 2009, with the hiring of a new director, new organizational connections to Human Resources (HR) and Information Services and Technology (IS&T), and a redoubling of efforts to stabilize and strengthen the payroll function.

VPF as an organization continued to evolve in FY2009, with a square focus on shaping an organizational structure best suited to serving the community and to investing in critical processes. Three areas were separated from VPF. Lincoln Fiscal and Lincoln Property operations were moved to the Lincoln Laboratory organizational hierarchy. Insurance became part of the Office of Major Agreements. These moves produced more logical organizational alignments and facilitated efforts by VPF to focus on its core functions and objectives.

VPF initiated a major change in how the Institute purchases products and services. During the spring of 2009, VPF hired a director of sourcing and merged Procurement and Travel under a new Sourcing umbrella. The ambitious goal of this move is to transition Travel and Procurement from transactional areas to strategic areas, focused on optimizing the MIT supply chain and making full use of MIT’s buying power in supporting the community.

VPF contributed significantly to the work of the Institute-wide Planning Task Force during FY2009. Vice president for finance Israel Ruiz served on the Task Force Coordinating Team, and numerous VPF employees took part in task force working groups.

As reflected in the detailed accounts that follow, each area within VPF continues to evolve toward operational excellence, as expressed in the “2011 experience,” and this evolution will directly support the Institute’s cost-cutting goals. Work in each of these areas, however, is geared not only toward achieving efficiencies and cost savings but also toward shaping a new, innovative mode of operating in support of MIT’s mission. As guideposts toward operational excellence, VPF has adopted eight themes: Automate, Fewer, Leverage, Optimize, Reduce, Share, Simplify, and Stop. These themes were central to our accomplishments in FY2009 and are central to our goals for FY2010. We are convinced that following them will both lead us to the “2011 experience” and prepare us for the challenges and opportunities that lie in 2011 and beyond.

Accounting Services

Overview

FY2009 was an eventful year for Accounting Services. In November 2008, the Lincoln Fiscal Office moved out of Accounting Services to report through a newly created financial department head to the chief operating officer of the laboratory, maintaining dotted-line accountability to the vice president for finance and the MIT controller. In May 2009, the HR/Payroll unit became its own distinct area within VPF, with a mandate to improve quality and service to the community and to make real the vision of a single voice for HR and Payroll services to the MIT community. Accounting Services now consists of five units: General Ledger Operations and Financial Reporting, Accounts Payable, Property, SPAARC (Sponsored Projects Accounting, Accounts Receivable, and Cashier), and Tax Services. Accounting Services also maintains a dotted-line relationship with the financial functions of the Department of Facilities and has responsibility for internal control and accounting policy matters on behalf of the vice president for finance.

A major focus for much of the year was the departure of the Broad Institute. While the official separation occurred on July 1, 2009, considerable planning and preparation was required in the months before to provide for a smooth transition for the Broad Institute and uninterrupted support for all other parts of the MIT community. Separation activities, including the final closeout and reporting of Broad’s sponsored projects, will continue through November 2009.

Staff members from all of the units in Accounting Services have participated in VPF projects and activities, from the development of new cash flow models to the two major bond offerings, a project with Xerox to look at paperless operations, the Professional Development Initiative, and a VPF Idea Bank project. Members of our organization served on three of the Institute-wide task force working groups (including the data group), and many of us contributed to the effort to provide data to these task forces in support of their work.

Additional details are provided below on activities in each of our five groups, as well as in connection with our support of the Department of Facilities. In addition to the activities and projects described below, all of our units have risen to the double challenges of supporting the Institute’s teaching and research activities in an increasingly complex compliance environment and engaging with our VPF colleagues and the MIT

community to find creative ways to address the budget challenges resulting from the economic downturn in 2009. We look forward to continuing these efforts in fiscal 2010.

General Ledger Operations and Financial Reporting

The Institute's financial statements, as well as those of our Retiree Welfare Benefits Trust, the Defined Benefit Pension Trust, the Institute's 401(k) plan, and the Singapore-MIT Alliance for Research and Technology (SMART), were audited, and in each case received unqualified audit opinions from our external auditors, PricewaterhouseCoopers. The Institute's A-133 audit (completed by the [Defense Contract Audit Agency](#), PricewaterhouseCoopers, and MIT's Audit Division) was issued in March of 2009, and MIT continued in its status as a low-risk auditee.

Key activities of the General Ledger Operations and Financial Reporting group included:

- Active participation in the MIT Business Intelligence Initiative to provide a tool for departments, labs, and centers (DLCs) to view the financial health of a project with forecasting capability.
- Identification and development of metrics to measure the effectiveness of certain business processes, to identify tracking and reporting accountability, and to use as a vehicle to develop goals to improve service delivery and measure progress toward those goals.
- Progress toward the goal of shortening the time to close the Institute's books on a monthly basis in order to deliver more timely accounting statements and transaction reporting to the MIT community.
- Improved SAP benefits data integrity through collaboration with the HR/Benefits and Payroll areas, reconciling participant data in all major benefits programs among HR data, Payroll deduction data, and vendor data. In addition to improving the quality of the information available to HR for planning and management, this effort also has resulted in reduced benefits costs and a streamlined audit process.
- Provided ongoing accounting support to SMART, MIT's first international subsidy in Singapore.
- Collaborated with MITIMCo on the implementation of the new accounting rules for investment valuation, Financial Accounting Standard 157, "Fair Value Measurements," effective for the first time this year.
- Created the Friday morning learning series, focusing on balance sheet and income statement areas, Excel and Brio Query techniques, and strategies for use of data from data warehouses. Participation in these sessions has been expanding to include many of the groups involved in financial statement development and monitoring. The sessions have been highly valued by the presenters and participants.

Sponsored Projects Accounting, Accounts Receivable, and Cashier

Sponsored Projects Accounting

Sponsored Accounting generated approximately 7,200 invoices this year to industrial and government sponsors with an average of 1,000 open customer accounts each month; over the year, approximately 2,700 accounts were closed out and 2,800 added.

During 2009, Sponsored Accounting established a dedicated billing and accounts receivable role. This focus has enabled a continued level of payment against open receivables in a volatile economic environment with increasing research revenue. All sponsored accounts over \$50,000 are documented and actively worked to ensure payment as quickly as possible. Metrics on accounts receivable aging and days sales outstanding have been made available on a wiki set up for VPF decision makers.

To inform and enable compliance efforts, a new tracking process has been developed that identifies reasons for delays in financial reporting and closeouts. With a full staff now on board in Sponsored Accounting and with DLC participation, improvements to support faster turnaround with better information are being developed and will be piloted early in FY2010. This effort will enable us to accommodate earlier American Recovery and Reinvestment Act (ARRA) reporting deadlines and anticipated volume increases. Also, the ARRA awards will require more extensive reporting and cash drawdown requirements as well as presubmission principal investigator sign-off. Planning for this is currently under way in partnership with the Office of Sponsored Programs (OSP); the increased research dollar volume is estimated to be \$200 million.

A significant area of focus that will carry into FY2010 is planning in support of the Broad transition, which will result in 400 project closeouts to be done by the end of Q1 FY2010.

Cashier

For a number of years, the Cashier's Office has been reviewing the services provided to the community at the cashier's window and the extent to which the community's needs for access to cash and deposit services could be met in other ways, without a cashier's window. During 2009, the group focused on tracking metrics to help quantify use of the cashier's window services and began to work with key units to pilot alternative ways to meet community cash needs in areas such as research participant studies. During 2010 these experiments will continue, with an eye toward the possible closing of the window in the spring of 2010. The Cashier's function is expected to evolve into a high-quality back-office operation that will continue to provide excellent customer service to DLCs and be complemented by electronic payment and reimbursement tools and banking locations across campus.

As a result of the separation of investing and treasury functions at MITIMCo, and in collaboration with the Office of Budget, Finance, and Treasury, the Cashier's Office has taken on additional operational banking responsibilities and addressed the need for greater DLC support. As of today, this additional work constitutes primarily "ledger postings," but as work is further rationalized this role may be expanded to include increased DLC banking support.

Merchant Services

In recent years the requirements for merchants who accept payment by credit card have become increasingly strict, and new, very stringent requirements are expected to become effective soon as a result of changes in Massachusetts state law. To comply with these new requirements, MIT has implemented an outsourced credit card processing solution, CyberSource. CyberSource has now been in place since June 2008 for MIT's approximately 110 merchants. Early in FY2009, the transition from the CyberSource project implementation team to ongoing operational support in VPF was completed.

In the ever-changing merchant services areas, significant progress has been made toward the goal of achieving Payment Card Industry-Data Security Standards compliance certification, with over half of the merchants successfully completing their self-assessment questionnaire and earning compliance certification. During 2010, with IS&T, new tools and processes will be implemented to enable our merchants with more complex business models to become compliant.

General Accounts Receivable

In 2009, General Accounts Receivable produced approximately 17,000 invoices while continuing its outstanding customer service. Behind the scenes, efforts were focused on data quality. Among these initiatives was the elimination of customer records that included Social Security numbers, a significant collaborative effort with the Medical Department and Benefits Accounting. Additionally, 41,000 customers with no activity in the last two years were flagged for deletion in SAP, and internal orders with no activity for three years were closed, which required the negotiation of appropriate disposition of balances in the accounts.

Improvements were made to the internal billing feed as well, including the enabling of credit postings, which further streamlined the business process. We also explored expanding billing services at the request of the Sloan Management Review. On the reporting side, we expanded metrics collected to encompass more customer-focused data and began populating aging information on the VPF wiki.

Property

Property is responsible for the accounting and management of all on- and off-campus equipment and capital assets with a fiscal year-end value above \$2.1 billion. In FY2009, the group was involved in a number of collaborations, as follows.

Cooperation between Broad and Property resulted in the successful inventory of all Broad capital assets, as well as the transfer of those assets to Broad.

Property's work with the Grant Committee of the Independent Residence Development Fund Program Administration resulted in over \$843,000 in new grants in FY2009, as well as \$370,000 in new loans. The Network Project is expected to be completed by late August for all of the 39 houses. This project will add high-quality internal telecommunications wiring, enabling excellent computer network connectivity.

Cooperation among Property, Finance, and OSP resulted in successful completion of the facilities and administrative costs study provided to the Defense Contract Audit Agency for FY2008.

Property was also involved in several initiatives and business improvements:

- On campus, Property successfully implemented a process to have Dell Computer tag equipment prior to shipment to MIT. This new process has reduced the amount of fieldwork needed to create an asset record. We will continue to work with other major suppliers to set up such a process.
- Property has been granted access to Facilities' Building and Space Construction database, which has significantly improved the process of tracking capital projects.
- Property coordinated the reuse of over 850 items of furniture and equipment throughout 55 DLCs. This process reduced the need to purchase new equipment and furniture and resulted in great savings on disposal costs.
- In the area of compliance, both the Defense Contract Management Agency and the Office of Naval Research reviewed and continued the approved status of the MIT control system. Property is in the process of completing the 2008–2009 physical inventory of campus equipment.
- In FY2009, Campus-Property took part in a number of customer service projects involving relocations, dispositions, sales of major equipment, ad hoc inventories, and special reporting in the following Institute areas: Alumni Association, Resource Development, Broad Institute, Housing, Sloan School of Management, and Sea Grant.
- Two Property office staff members attended the annual educational seminar of the National Property Management Association (NPMA). One Property staff member was a panelist at the regional NPMA educational seminar. Two Property staff members participated in the VPF Professional Development Initiative, and one staff member is involved in the VPF Idea Bank Project.

Accounts Payable

Accounts Payable processed 285,665 invoices during 2009, an increase of 14,708 (5.4 percent) from the prior year. Of these 146,105 were Purchase Order invoices, 44,772 were requests for payment, and 94,788 were fully electronic, processed via a feed from our vendor partners; 11,495 invoices were processed through the “goods receipt” process in place at the Plasma Science and Fusion Center, at the Broad Institute, and in the Department of Facilities. Accounts Payable has been actively involved in several automation projects, including the SAPweb electronic request for payment project, expected to go live in the spring of 2010, and e-invoicing, a project being undertaken along with the Sourcing/Procurement group. E-invoicing will, in its first phase, move our catalogue vendors to a fully end-to-end electronic state. Currently a number of our catalogue vendors are electronic only on the “buy” side—e-invoicing will make the process fully paperless, with electronic rather than paper invoices.

In addition, during FY2009 Accounts Payable instituted a new program of daily random document audit checking to reduce error rates and improve transaction quality. To improve internal control, Accounts Payable worked with Property to separate bank wire initiation and approval functions between the two offices, providing for improved segregation of duties. Accounts Payable staff members, moreover, participated in a team developing operational metrics for accounting services in order to understand process issues and work toward their resolution.

Facilities

During 2009, Facilities financial staff contributed to the implementation of new SAPweb functionality, enabling electronic requisitioning of a wide range of Facilities services. This effort entailed working with the community to integrate features and understand the accounting impact of the new tool with local processes.

Through our staff in Facilities, we continued efforts to reduce the use of paper invoicing, as well as to facilitate on-time payment of vendor invoices. Between these two measures, we achieved a 51 percent reduction in invoices processed between the last four calendar weeks of FY2008 and the last four calendar weeks of FY2009. The average weekly volume of paper invoices processed fell by 24 percent in the last six months of FY2009.

Tax

During FY2009, Tax established a “990 Working Committee” to create a plan to implement the requirements of the new Form 990. These requirements greatly expand the information that must be disclosed as part of the informational return that not-for-profit organizations are required to file with the Internal Revenue Service each year.

The committee meets monthly to coordinate data for completion of the new 990. It is composed of representatives from central offices— such as the Office of the General Counsel (OGC), the Recording Secretary’s Office, the Office of Major Agreements, and Human Resources—and from units across the Office of the Vice President for Finance.

Consistent with the Institute’s compliance objectives, Tax continued to increase the number of states in which unrelated business income tax returns are filed. For the Institute, filings increased from 13 to 17 states. For the retirement plan, filings increased from 11 to 12 states.

Tax continued to collaborate with MITIMCo to increase the number of state nonresident forms signed, in order to limit income withholding by investment-limited partnerships in other states. More tax processes were migrated to electronic format, including distribution of due diligence/confirmation letters for limited partnerships, storage of partnership returns (K-1s), and use of additional electronic work papers for tax returns.

Tax collaborated with OSP, OGC, and the Office of Major Agreements in reviewing agreements with sponsors in Germany, Singapore, and Italy. We provided tax research required by increased international activity in Singapore and India (SMART, New University, MIT India Trust) and worked closely with OSP on tax language for agreements with US sponsors (e.g., MIT Energy Initiative, Lockheed Martin).

We coordinated with Payroll and Human Resources concerning our tax treatment of employees at CERN, the European Organization for Nuclear Research, and in collaboration with OGC we continued a project to research the Institute's state tax filing responsibilities.

During the summer of 2009, Tax implemented Financial Accounting Standards Board Interpretation 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes. FIN 48 requires MIT to evaluate its tax positions and determine whether those positions are more likely than not to be sustained upon examination by the applicable taxing authority based on their merit. We also provided information and guidance related to foreign bank account reporting awareness and compliance; forms were filed for three entities and additional pro forma forms were created as a convenience for individuals who themselves may have a reporting requirement.

In addition, Tax continued to provide guidance to and research tax-related topics for members of VPF and the MIT community as needed.

Special Projects

Accounting Services staff played a role in several special projects in FY2009. Staff members:

- Coordinated the development and sharing of operational metrics among VPF business units, including the launch of a wiki to share goals, forecasts, and performance metrics.
- Participated in the development, piloting, and community launch of an electronic tool for the submission, review, and processing of late payroll change requests.
- Collaborated with colleagues from VPF, OSP, and HR on the development of a new curriculum for sponsored research administrators.

Budget, Finance, and Treasury

Budget, Finance, and Treasury (BFT) has continued to provide financial insight and analysis and, in particular, helped to stabilize MIT during a year that saw significant turmoil in the financial markets and an economic slowdown. Despite the external crisis, BFT has been steadily working toward balancing fiscal operations and successfully implementing executive-supported initiatives, which are testimony to the strong relationships we enjoy among different MIT stakeholders. These activities have made MIT stronger than many of its peers as we enter FY2010.

Against the backdrop of the financial crisis, MIT has engaged in a substantial capital program in order to maintain our status as the world's premiere research institution. BFT carried out numerous analyses and executed such operations as tax-exempt debt issuances and capital budgeting processes to support this necessary growth in our campus infrastructure and physical plant.

BFT has used tools created in the last fiscal year, notably the financial flexibility model and budget reduction analyses, to help maintain MIT's financial strength through the

ongoing financial crisis. These critical activities will continue as we support those of the Institute-wide Planning Task Force and head into the FY2011 budget process.

FY2009 also saw the arrival of Allen Marcum to BFT as the new director of Budget, Finance, and Treasury.

Budget

Budget manages the yearly budget cycle and the production of financial reporting, including the Budget Book and the end-of-year Report of Financial Results. It also provides ongoing budget support and advice to various groups across the Institute. The FY2010 budget was particularly difficult to compile, as this year a \$50 million reduction in general operating costs was necessary and the traditional timeline for budget development was altered to provide academic units more time to thoughtfully establish their budget-cutting strategies.

Fiscal 2009 Highlights

Members of BFT participated in several VPF teams set up to improve processes and services provided by our organization. These projects included the Training Alignment Team and various “quick-win” teams. One member of the office graduated from the first class of the newly developed VPF Professional Development Initiative. Budget also served the Institute at large by offering several training opportunities to the MIT community, including budgeting fundamentals, budget submission, and closing process classes and Brio training. In addition, staff members participated in the Institute-wide Planning Task Force working groups on student life and data and in the Administrative Advisory Council II.

Finance

Finance is often called upon to provide financial strategy and analysis to support MIT’s platform for education and the advancement of knowledge, to participate in the writing of all of the annual reports and the creation of presentations made to the Executive Committee and the MIT Corporation, and to act as thinking partners for individuals and groups across the Institute.

Fiscal 2009 Highlights

Finance staff members participated in three Institute-wide Planning Task Force working groups (Education, IT, and Research) and separately on the MIT Data Team. Finance also saw a team member graduate from the MIT Leader to Leader Program, and staff members spoke at the annual National Association of College and University Business Officers conference on “Navigating the Perfect Credit Storm.”

Treasury

FY2009 saw the migration of daily cash management and other treasury functions from MITIMCo to BFT. Jason Boutin joined BFT in December 2008 as a treasury analyst. The focus of Treasury will be to put governance policies and strategies in place to support MIT’s cash needs going forward, as well as to provide customer service to Institute units.

Key BFT Accomplishments in 2009

Support of Broad Separation

Finance played an important role on coordinating teams that looked at the pricing of services to be provided to the Broad Institute postseparation. Services priced included telephone and network services, research-related services (e.g., animal purchase care, committee on human subjects), and human resources services, including payroll and visas. Finance also participated on a team that examined the pricing of capital assets/investments made by MIT and Harvard in support of Broad's laboratory construction and fit-out.

Bond Issuances

The bond team—which included representatives from Finance, Accounting Services, MITIMCo, OGC, and a multitude of external partners—executed two bond issuances in FY2009, Series N and Series O. Series N was a \$325 million tax-exempt bond issuance that took place in August 2008. Series O was an additional \$266 million in tax-exempt debt issued in December 2008 in the midst of difficult financial markets and completed in record time.

Termination of Lehman Swap and Remarketing Agent Switch

In September of 2008, Lehman Brothers, one of MIT's long-standing banking partners, filed for bankruptcy. Lehman Brothers had served as remarketing agent on a variable rate note and counterparty on a related interest rate swap. The Finance team worked diligently with banking partners to completely mitigate the Institute's exposure to a potentially adversarial financial outcome.

Sloan Student Loan Program

In November 2008, Citibank cancelled its Citiassist student loan program, which provided loans to Sloan's international students without need for a US cosigner. This program's cancellation also affected many other schools, but Sloan called upon BFT to help identify a solution. We were asked to help find another lender that would be willing to provide no-cosigner education loans for international students. After reaching no solution with Bank of America, Wells Fargo, and others, we approached the MIT Federal Credit Union, which implemented a replacement student loan program. MIT was the first university in the country to support its international students in this way.

Financial Flexibility Modeling

In response to the turmoil and decline in world financial markets and the ensuing decline in MIT's total endowment value, Finance undertook a significant process of scenario analysis and financial modeling of the FY2010–FY2018 General Institute Budget. This financial flexibility modeling effort helped inform our FY2010 budget plans, as well as the strategic path for our FY2011 and FY2012 budget cuts, the focus of the Institute-wide Planning Task Force in the spring of 2009.

Creation and Automation of Dashboards for Executive Reporting

Given the reduced staffing levels of both Budget and Finance, automated processing of regular reports has become a priority. In this case, the two offices have created dashboards for reporting to executive management and the Budget Finance Steering Group. These dashboards report weekly and monthly (respectively) on a set of data that will help the two management groups interpret the financial health of the Institute. It is the goal of BFT to have these reports fully automated.

FY2010 Budget

Each year, Budget collaborates with Institute-wide clients to create the Budget Book for the following fiscal year. The Budget Book is a published record that communicates the Institute's budgetary goals to senior management. This is a difficult task, even in financially healthy times. However, this year, Budget was tasked with supporting the Institute's objective to cut \$50 million in expenses from the General Institute Budget. In order to do so, each unit was asked to make a level of cuts that aggregated to \$55 million, exceeding the goal. In and of itself, this work was difficult and politically challenging.

Treasury Policies

In an effort to support increasingly collaborative and clear relationships with MITIMCo, Treasury undertook the writing of many Treasury policies on the governance of working capital, including the authorities and hierarchical relationships between the various parties involved, to best benefit the mission of MIT.

Pool C Modeling and Debt Strategy

As a function of the transition of Treasury management from MITIMCo, Finance has been working to update the Institute's debt strategy and model Pool C cash flows for predictive use. Pool C cash inflows in excess of expenditures are the source of Institute liquidity. This year, an unprecedented effort has been made to track those cash flows and create a working model that predicts them, given various stressors. Outcomes of these model tests will help us understand what kind of liquidity the Institute can count on in the coming months as the market continues to fluctuate.

Understanding our cash flows and liquidity provides a backdrop to our debt strategy. Given this past year's unprecedented collapse of the worldwide debt markets and MIT's ongoing need for debt to fund our capital program and other Institute priorities, working to understand this strategy has been a very high priority for Finance this year. The Finance team has worked collaboratively with our banking partners, MITIMCo, and Treasury to ensure that the Institute's priorities retain their funding through the coming years.

FY2010 Priorities

One of the objectives of vice president for finance Israel Ruiz is to "create the FY11 experience today." Because BFT is not as transaction driven as many units, we have found it challenging to identify our ideal state via process improvements. However, now we understand that the key to developing ongoing operational efficiencies while

simultaneously providing MIT with the best in fiscal leadership lies in envisioning a series of operational changes that will alter the way all three service units respond to their clients' needs.

This will involve continuing to develop reports and analyses that answer the questions that are being asked by the various parties across the Institute and automating those reports wherever possible. Automation of many of our most requested reports and projects is under way, allowing us much-needed time to address new and urgent requests from our clients. We also hope to initiate greater interaction with clients so that we are better able to anticipate and respond to their comments and concerns, and finally to solicit feedback from our customers to obtain useful feedback on how we can meet their needs.

HR/Payroll

In FY2009, HR/Payroll made over 350,000 payroll payments to approximately 17,000 faculty, staff, and students. Total employee payroll disbursements exceeded \$1 billion. In FY2009, HR/Payroll also made more than 68,000 monthly payments to 5,600-plus retirees, with total disbursements of approximately \$80 million.

During 2009, HR/Payroll, in collaboration with IS&T, HR, and MIT community members, continued efforts to stabilize and strengthen the payroll function, with goals of consistent high quality in paying employees, tax reporting, and compliance, as well as timely and accurate distribution of pay.

A number of these efforts, including those described below, were designed to streamline processes.

Establishment of an Interface between MIT's Student Information System and SAP HR/Payroll

The initial delivery for this project (Release 1) in September 2008 automated new graduate student appointments. Release 2 will automate the processing of updates (changes to existing appointments). As of June 2009, over 6,700 graduate appointments have been automatically transferred to SAP, eliminating manual data entry.

Implementation of Vacation Tracker for Sponsored Research Staff

A web-based vacation tracker for sponsored research staff was piloted during the fall term with four DLCs. Sponsored research staff members can access vacation tracker directly through SAPweb Self Service. The pilot departments—Biology, the Sloan School, the Computer Science and Artificial Intelligence Laboratory, and the Microsystems Technology Lab—provided invaluable feedback and testing of this new tool. A phased deployment of the vacation tracker to other DLCs began in the spring term and will continue through summer 2009.

Redesign of the Appointment Process

Launched in summer 2008, the goal of the Appointment Process Redesign Project is to automate processing of the approximately 10,000 faculty members and staff HR/

Payroll appointment transactions a year, improving accuracy and service. The project team includes participants from HR, IS&T, and VPF. A 17-member DLC User Advisory Group representing the five schools, research areas, and key administrative units has been convened to assure that the needs of the community are met. The redesigned processes will be delivered incrementally. In FY2009, termination and supplemental pay transactions were piloted with eight DLCs. In FY2010, the phased implementation will continue with leaves, changes, and new hires.

Establishment of a New Process for Summer Session Appointments

A new summer session appointment process was initiated to improve accuracy and make the process easier and more efficient for DLC administrators. The new process uses an improved spreadsheet for DLC administrators and an automated transfer to SAP by HR/Payroll. As of June 30, 2009, approximately 2,000 summer sessions have been created using the new process. DLC feedback about this year's process will be incorporated into next year's summer session process so that the process can be further improved.

Other initiatives were designed to achieve a higher quality of service to the MIT community. Among such initiatives were the following.

Technical Corrections to SAP HR/Payroll

A series of technical corrections to the Salary Distribution Program were made in three phases over the course of FY2009. Corrected were a number of technical issues experienced since the conversion to SAP payroll, and the corrections significantly improved the efficiency of the Salary Distribution Program. Improvements included implementing new logic to handle the charging of salary distribution to departmental suspense cost objects, automated application of the reduced employee benefits rate for part-time exempt employees, and corrections to the handling of vacation credit distribution. The benefit to the community is improved accuracy of salary distribution and correction of some long-standing errors.

New Audit and Reconciliation Processes

HR/Payroll has implemented several new processes to audit HR/Payroll data before, during, and after payroll processing. The goal is to proactively identify and correct appointment and pay errors before they impact community members. For example, two days before every monthly payroll run, a payroll simulation is conducted, giving HR/Payroll staff an opportunity to review and correct errors before the actual payroll run. We have also focused on improving reconciliation processes, developing robust processes to identify, resolve, and prevent discrepancies.

In FY2010, HR/Payroll will continue to focus on its goals of consistent high quality in paying employees, tax reporting, and compliance, as well as timely and accurate distribution of pay, building on our work this year and strengthening our relationships with the MIT community.

Sourcing

In FY2009, VPF consolidated Procurement and Travel under a newly created umbrella of Sourcing to support an organizational focus on strategic sourcing. Leo McNerney was hired in May 2009 as director of sourcing. In collaboration with the Procurement@MIT Working Group, Sourcing began a number of strategic sourcing initiatives.

Systems

SciQuest recognized MIT's impressive growth of eCAT³ during its Customer Forum NextLevel 2009. The annual conference, held in Dallas, TX, honored MIT for achieving year-over-year purchase volumes greater than any other client that SciQuest serves. In FY2009, MIT more than doubled its purchase order transaction volume and tripled its purchase order value in terms of spend.

Since January 2009, MIT has added 38 vendors to the eCAT³ portal, bringing the total number of vendors to 58. Sourcing is well on its way to achieving the procurement strategy of having one-stop shopping with our partner vendors and many of our preferred vendors. The eCAT³ system has been well received by the MIT community and is a quick and efficient way to order products from the enabled suppliers. Sourcing/Procurement has been able to negotiate additional discounts for orders processed through the system. The system allows our vendors and MIT to conduct business in an electronic format, which streamlines the purchasing function and helps reduce the number of errors that may occur when orders are processed manually.

Collaboration with Lincoln Laboratory

Lincoln Laboratory continues to partner with the main campus to leverage the eCAT³ portal and our contracts. Consistent with our overall sourcing objectives, we are also looking at how we source and negotiate contracts for Lincoln Laboratory in order to leverage more effectively MIT's significant buying power.

Dun and Bradstreet's Supply Portfolio Manager Tool

MIT has contracted with Dun and Bradstreet to provide a comprehensive tool to better manage the spend analysis process within Sourcing. This tool (Portfolio Manager) measures spend activity, identifies diversity and risk, and categorizes commodities. It will enhance our ability to better serve the MIT community.

Procurement Operations

Procurement processed more than 115,200 purchase orders in FY2009. Approximately 83,000 orders were placed through eCAT³. Total dollars spent overall were approximately \$739 million.

Procurement continued to serve the MIT community by acting as the vendor relationship manager for many partner and preferred vendor agreements concerning office and lab supplies, computers and peripherals, contingent labor, and many products and services. Procurement continued to assist DLCs in the day-to-day procurement of a wide range of goods and services in a cost-efficient and timely manner. In addition, it provided customer service assistance for expediting orders, resolving vendor disputes,

and formulating change order requirements. Among the new contracts rolled out were one with Federal Express and MIT-specific contracts with Le Meridian Cambridge, the Hyatt Cambridge, the Cambridge Marriott, and the Royal Sonesta Cambridge.

Procurement provided a training session, “Introduction to Procurement/Contracts,” quarterly in FY2009; 124 members of the MIT community attended. In addition, eight training sessions were held in individual DLCs at their request. Other Procurement initiatives included collaboration with Lincoln Laboratory on SciQuest and a strategic sourcing program, the SAPweb redesign, and participation in the planning for the Broad transition. Procurement also produced a revenue stream of \$446,369.83.

Procurement/Travel Credit Card Programs

In an ongoing effort to enhance our commitment to the MIT community, VPF negotiated two attractive card programs in FY2009—the Procurement Card (ProCard) and a MIT-sponsored Travel Card. The ProCard, which replaced the previous ProCard provided by GE Capital, was rolled out in the spring of 2009 to more than 2,700 users. These new credit cards greatly improve our services to the MIT community in meeting Institute purchasing needs.

Using the new cards, sponsored by Bank of America, will also generate significant rebates. Considering the revenue-generation opportunities associated with increased use of the credit cards, Procurement and Accounts Payable are working to incorporate them into a new e-invoicing system. The new system, being piloted by Accounts Payable and Procurement, will create an electronic end-to-end experience for our eCAT³ suppliers and is expected to generate many thousands of dollars in rebates for the Institute.

Administration of all of these new programs merged to provide operational efficiencies without adding to headcount. ProCard volume increased from 149,208 transactions totaling \$30,767,000 in FY2008 to 158,028 transactions totaling \$31,824,626 in FY2009.

Total Travel Card transactions through May 31, 2009, were \$10,695,818.32 (\$8,778,211.67 for the GE Travel Ghost Card and \$1,917,606.65 for the Bank of America Ghost Card).

Diversity

Sourcing has begun an aggressive program to expand the use of minority and diverse vendors within the community, in alignment with MIT president Susan Hockfield’s commitment to diversity. Our efforts have included outreach to the State Office of Minority and Women Business Assistance, the City of Cambridge, and the Greater New England Minority Supplier Development Council (GNEMSDC). Our diversity officer, John Doyle, was recognized for his efforts by being nominated as “Advocate of the Year” by GNEMSDC. Several diversity suppliers have been invited to attend MIT’s Provider Fair scheduled for September 2009.

Vendor Fair

Procurement held another successful Vendor Fair in September 2008, with 114 participating vendors and approximately 1,500 community members in attendance.

Travel

Travel kicked off the travel modernization project in March 2009. The goal of the project is to provide a portfolio of options to assist travelers with trip planning, payment for expenses, posttrip expense reporting, and reimbursement for out-of-pocket expenses.

Travel signed two contracts this year: one with Concur for an expense reporting system and the other with Bank of America for a travel credit card. The new travel credit card is corporate pay versus individual pay, which will dramatically reduce the number of travel advances and out-of-pocket expenses for MIT travelers.

One hundred eight members of the community attended Travel's "Introduction to Travel" quarterly training sessions in FY2009.

Travel Vendor Fair

Held in September 2008, the Travel Vendor Fair showcased the services of 30 vendors and drew significant attendance from the MIT community.

VPF Human Resources

VPF had another year of significant organizational change. The Office of Insurance, led by Regina Dugan, was moved to the Office of Major Agreements. Both the Lincoln Fiscal and Lincoln Property offices were moved functionally and organizationally to Lincoln Laboratory. Travel and Procurement were merged under a newly formed umbrella, Sourcing. HR/Payroll was also designated as its own functional directorate, reporting directly to vice president for finance Israel Ruiz. There were continued efforts to integrate the Budget, Finance, and Treasury areas, and further efforts were made to create and offer functional Human Resources and communications support for the entire organization. Lastly, two new directors were hired to lead Sourcing and HR/Payroll.

VPF's continued commitment to supporting employee growth and development was evident in many forms. This included the successful completion of VPF's first Professional Development Initiative, with 21 graduates, as well as a commitment to offer a second program in January 2010. All VPF employees with supervisory responsibilities participated in a 360 Feedback Review, followed by a feedback coaching session for each participant. VPF HR partnered with central HR to offer customer training and management development classes. Additionally, the VPF Performance Appraisal tool, created and utilized by all VPF employees in FY2008, was developed and implemented as an online application for FY2009.

After VPF conducted an employee survey in the fall of 2007 that identified a need for better communications and opportunities for employee growth, significant efforts have been made to better communicate with and engage VPF employees. A second, similar survey is planned for fall 2009 in order to assess VPF's success in both communications and other areas highlighted by the initial survey. A monthly VPF HR e-newsletter is shared with the staff, reflecting a consistent message in support of VPF's goals and commitment to employee growth and development. The e-newsletter also serves as a method to introduce new members of VPF; it includes photographs of all new VPF

employees, temporary workers, and student co-ops, thus emphasizing each employee's contributions to the aggressive goals VPF has set out to achieve. In addition, VPF created its own "Idea Bank," modeled after MIT's Idea Bank, as a way to provide a forum for VPF employees to identify cost savings more specific to VPF. Lastly, a VPF internal website is currently in production to better share VPF-specific information for employees.

As VPF continues to evolve and integrate, efforts have been made to bring the different groups together. We host a monthly breakfast to meet new and current colleagues, which has generated many new working relationships. Vice president for finance Israel Ruiz hosts a quarterly meeting with expected attendance by all employees. A leadership team was created to further support the department's evolution.

Twenty-one new employees were hired in FY2009, as well as several temporary workers and student co-ops, to account for new positions and attrition. To support these recruiting efforts and the new employees, partnerships with central HR were fostered and resources and tools were created to support hiring managers and new employees. A formal on-boarding program was created, and an emphasis was placed on recruiting a more diverse employee population.

VPF hosted another successful Infinite Mile Luncheon, at which all employees were recognized. Executive vice president Terry Stone and provost Rafael Reif attended and their remarks were well received by the staff. A more formal Appreciation Spot Award program was launched, as well as a VPF Thank You Card Campaign to offer more informal "thank you" opportunities.

Israel Ruiz
Vice President for Finance

More information about the Office of the Vice President for Finance can be found at <http://opf.mit.edu/>.