Office of the Controller

The Office of the Controller is composed of the following functional groups:

- Accounts Receivable: includes Sponsored Research Accounting
- General Accounting: includes Accounts Payable, Cashiers, and Travel
- Institute and Enterprise Reporting: includes general ledger and internal and external financial reporting
- Insurance: purchases casualty, property, and construction insurance for the Institute and administers claims
- Lincoln Fiscal Office: provides accounting, payroll, cashier, and cash management services to MIT's Lincoln Laboratory
- Payroll: employee and retiree payroll, insurance benefits, and retirement plans accounting
- Procurement: assists in procuring goods and services by ensuring favorable prices, protective terms and conditions, and compliance with MIT and Federal policies and procedures
- Property: responsible for the accounting and asset management of campus and Lincoln Lab equipment and tracking all capital costs associated with buildings

Highlights

Fiscal year 2004 was a challenging and fulfilling year for the Office of the Controller, as we continued to support the Institute's needs within a constrained budgetary environment. In addition to the business process changes undertaken and the milestones reached to achieve them, discussed later in this report, there were a number of other notable accomplishments in Controller's Office areas over the past year.

Accounts Payable

In October 2003, the Controller's Office outsourced the printing and mailing of Accounts Payable overnight checks to Fleet Bank. This year, for the first time, the miscellaneous 1099 file was produced in Systems, Applications, and Products in Data Processing (SAP). This was extremely helpful in producing corrections to the 1099 file before transmittal to the IRS, and it also allowed us to issue corrected 1099s on preprinted forms using a laser printer rather than a typewriter. The printing and mailing of the 1099s was outsourced to Poorman-Douglas, a company that specializes in printing and distributing time-sensitive documents.

Institute and Enterprise Reporting

Aside from the phaseout of paper reporting, a number of other initiatives were launched or advanced with the aim of increasing efficiency, lowering costs, and improving transparency and collaboration. A new "standard reporting package" is being developed to assist financial administrators in the departments, labs, and centers. The quarterly and the annual close process have been redesigned to provide an earlier and

greater understanding of the Institute's financial position and results, a more standardized closing process, and an alignment of financial information for various audiences. An expanded role in debt accounting now permits interest to be fully reconciled and distributed monthly (rather than annually), and a monthly review of high-risk/high-impact areas is providing timely financial information to facilitate management decision making. Several innovations in the bank reconciliation process have likewise been introduced, leading to a reduction in open unreconciled items by 50 percent, increasing the use of automated information from banks and SAP, and improving cash processes.

Insurance Office

The Insurance Office continued to provide assistance in contract review, preplanning, and risk assessment of MIT activities, collaborations, and endeavors. Premiums for most lines of insurance remained fairly level for fiscal year 2004, albeit at post–September 11 pricing. Market conditions for property insurance abated to a larger extent than the other lines of coverage, as evidenced by MIT's property renewal pricing, additional limits, and coverage enhancements. Additional use of MIT's captive insurance company (Barton) has provided some premium relief and greater flexibility in scheduling coverage, as well as the opportunity to maintain better control of Institute funds.

Frequency, rather than severity, was the common theme for fiscal year 2004 property losses. The widespread procurement of computer and video equipment over recent years has presented increasing challenges to the protection of equipment from theft. Severe freezing temperatures created pipe freezes and breaks, which contributed significantly to MIT's total property losses for fiscal year 2004. The Insurance Office actively assists departments with mitigating or eliminating the potential for water damage to Institute property.

The MIT Owner's-Controlled Insurance Program (OCIP—the wrap-up program purchased in lieu of contractors/subcontractors' insurances for major capital projects) is winding down. With the Stata Center completed, only the brain and cognitive sciences project remains under the program. The merits of OCIP include a five-year rate guarantee, not subject to loss sensitivity, which prevented contractors and their subcontractors from passing along higher insurance costs for new or additional work.

Property Office

The Property Office is responsible for control and management of over 167,000 assets on campus and at Lincoln Lab. In fiscal year 2004, both the Office of Naval Research and the Defense Contract Management Agency reviewed and continued the approved status of the MIT and Lincoln Laboratory property systems. During the year, the Lincoln Property Office acquired and tagged 8,728 items, and Campus Property acquired and tagged 10,137 items. In addition, Campus Property completed the 2003–2004 physical inventory. Property Office staff members also continued to be actively involved as participants in the National Property Management Association, and at Lincoln Lab they were key contributors to the rollout and stabilization of SAP.

Lincoln Fiscal Office

The SAP Financial Module went live in October 2003, becoming the system of record for all financial transactions, and the Fiscal Office staff was a major part of this effort. The Fiscal Office also worked intensively with Lincoln Lab and the Human Resources Department on the launch of the HR module in SAP in May 2004, at which time SAP also became the system of record for all HR transactions and data at the lab. Lincoln Fiscal Office has continued to support the lab's implementation of SAP, making significant contributions in terms of stabilization and enhancements, including collaboration to review changes and Institute improvements to internal controls. Several steps were taken to improve operational efficiency at the Fiscal Office, including increasing the federal cash drawdown (leading to improved cash flow and expense management) and issuing a new set of cash management reports for senior management that provide an analysis of historical data plus future projections to provide better controls.

Business Process Changes

Over the course of the year, we planned for and undertook a number of business process changes, with the following overall goals:

- Continue to streamline and improve business practices, including more e-business
- Reduce costs
- Maximize return on investment in technology by expanding use of existing systems and processes
- Maintain or improve service levels through better tracking, faster service, and fewer errors

The business process changes are partly a response to the fiscal year 2005 budget constraints, and they are occurring in the following Controller's Office areas.

Buy/Pay

Proposed changes within the Buy/Pay area (including Procurement and Accounts Payable) include eliminating paper requisitions, expanding the use of our existing electronic tools, increasing vendor partners, using only DHL for overnight delivery services, moving to direct deposit for all employee reimbursements, and routing invoices via imaging (including both electronic approvals and invoice backup).

Milestones achieved in fiscal year 2004 included increased vendor partners (e.g., Newark InOne for electronics); reduced costs (e.g., new discount pricing on cell phone service and equipment through Nextel and Verizon Wireless as preferred cell phone vendors, based on recommendations of the MIT Cell Phone and Pager Project Team); and introduction of a new, improved ECAT catalog for GovConnection (computer components), which allows faster and easier navigation and searching, improved order tracking, and easy product comparisons. Other milestones included Apple Computer

being set up as a new ECAT vendor partner; elimination of the mailing of DHL airbills; expanded use of existing electronic tools, such as Evaluated Receipt Settlement (for paying several vendors from packing slips rather than invoices) and Goods Receipt Invoicing (for some Facilities and Broad Institute invoices); continued increase of vendor invoices paid by wire transfer via PayMode (currently 650 vendors use this nonpaper option); and a new Procurement Office website (completed in May 2004) and Controller's Office website (under construction), offering an improved customer interface and service.

In addition, the Controller's Office participated in two working groups related to Buy/Pay that were established jointly under the aegis of the Administrative Advisory Council II (AACII). The first, which is examining increased credit card usage across the Institute, has identified a number of issues that need to be addressed, such as expanding use of the card to currently restricted items and the increased effort required to obtain proper backup. The other working group in the Buy/Pay area is looking at electronic routing and approval of invoices, a process that will replace paper transactions now being routed through the MIT mail system with a faster, more efficient electronic system.

Several other projects related to Buy/Pay are either planned for fiscal year 2005 or ongoing, such as online requests for payment via a web-based user interface, with a direct feed to Accounts Payable for review and to SAP for processing; the "Purchasing Initiative," to review and analyze commodity groups (in collaboration with an internal consultant working out of the Executive Vice President's Office); GE vPayment, a tool to integrate credit card preauthorizations with purchase orders and/or invoices; and SciQuest, an e-commerce initiative providing a portal for electronic purchases from numerous vendors.

Payroll

Proposed future business process changes are to improve data retrieval and reporting (through use of SAP and the Data Warehouse for HR/Payroll), to eliminate duplicate data entry functions in HR and Payroll, and to eliminate paper wherever possible (through the use of e-pay stubs, direct deposit/pay card for all payments, and e-W2s).

Substantial progress was made in the HR/Payroll Project in fiscal year 2004, with numerous milestones achieved. The work of the Core HR Phase began with a review of human resources business practices by several Business Process Redesign (BPR) teams. Based on those reviews, the BPR teams made recommendations for future business practices in order to leverage an integrated HR and Payroll system. Benefits Phase II, Personnel Administration, and Organization and Compensation Management teams then worked to implement the many recommendations made by the BPR teams. As planned, the Core HR Phase replaced the legacy HRIS system with SAP in September 2003.

The next phase of the project, SAP Pension Payroll, was delivered in December 2003. In January 2004, the approximately 5,500 retirees began being paid via SAP, and the legacy

pension payroll system was "retired." At the same time, the pension record keeping was outsourced to Towers Perrin. Getting these two components done at the same time was a real team effort between the Controller's Office and Human Resources. This implementation phase integrated the Pension Payroll with Human Resources data and has created a solid foundation for the Employee Payroll Phase by providing an opportunity to leverage functionality that has already been delivered through the pension payroll process.

The HR/Payroll Project is now dealing with Employee Payroll, which focuses on time entry, salary distribution, and tax and payroll processing. The scope of work encompasses both campus and Lincoln Laboratory students and employees, totaling approximately 21,000 persons. As with earlier phases of the project, BPR teams were formed to evaluate better practices for performing transactions. Several of these teams that have a community impact have presented their future process recommendations at the HR/Payroll Project Brown Bag Lunches, with titles such as "Salary Distribution and Certification," "Hourly Time Sheet," "Administrative and SRS Staff Absence Tracking," "Casual Labor (Vouchers)," "Academic and Other Monthly Pay," and "Graduate Payroll." These lunches were an important opportunity for community members to ask questions and share feedback on the work of the BPR teams.

Travel

A number of process changes are being considered or planned, including use of a new travel credit card, possibly eliminating travel advances, use of electronic expense reporting, online booking of air travel (now being done on a trial basis), and using direct deposit/ACH for travel reimbursements. The Controller's Office participated in a third working group established jointly under the aegis of AACII to look at these travel-related changes. A number of issues are being reviewed, including corporate versus personal liability, auditing requirements, and the process map for routing electronic travel vouchers for review and approval.

During the year, the Travel Office rolled out a pilot program using Expedia Corporation for online booking of airline tickets to reduce costs to departments. The service fee associated with booking an airline ticket through Expedia is $5 if an Expedia travel agent is not involved and $20 if an Expedia travel agent is needed. The service fee for using one of the currently preferred travel agents (Navigant, The Travel Collaborative, or OT&T Travel) is between $43 and $50. Although this is still in a pilot stage, the potential cost savings are significant, and we hope to expand this to the entire MIT community in the near future.

Institute and Enterprise Reporting

The most notable change proposed is the phased elimination of paper distribution of monthly account statements and cost object changes (001s). A fourth AACII working group was formed to look at the issues arising from this change, and Controller's Office staff members have been participating actively. A new Brio report was created in the Data Warehouse that allows users to see current and historical changes to important

master data on cost objects and research projects, and in February all paper 001s were eliminated. In August 2004, paper monthly statements in Executive Vice President areas (1,700) and all statements with no current-month activity (14,000) will be eliminated as well. The Institute and Enterprise Reporting Unit has also improved the Institute's GAAP financial statements and the related development process.

Cashier

The changes proposed are expanded use of TechCash and elimination of the Cashier's Office at Lincoln and on campus; this will eliminate duplicate functions (e.g., selling MBTA passes and Harvard Shuttle passes at both the Cashier's Office and Transportation Office). Essential cashier functions, such as petty cash replenishment, student cash payments, and human subject payments, could potentially be outsourced to Fleet Bank. This is still a work in progress.

Representative Metrics

The following selection of metrics gives an idea of the volume of fiscal year 2004 transactions in various operational units in the Controller's Office.

Volume of Payments during Fiscal Year, 2004 (# = thousands; $M = millions)

	Non–PO invoices		PO invoices		Credit card		Travel vouchers		Payroll payments		Pension payroll (excl. lump sums)	
	#	$M	#	$M	#	$M	#	$M	#	$M	#	$M
Campus	77	$307	187	$680	123	$24	28	$33	293	$603	67	$95
Lincoln	—	—	75	$233	—	—	8	$2	59	$201	—	—
Total	**77**	**$307**	**262**	**$913**	**123**	**$24**	**36**	**$35**	**352**	**$804**	**67**	**$95**

On campus at the end of fiscal year 2004, there were 40,626 active cost objects in SAP, comprising 5,887 cost centers, 29,137 internal orders, and 5,602 WBS elements. Approximately 39,000 financial transfers were done via SAP journal voucher, totaling 367,000 individual line items. There were over 122,000 VIP credit card procurement transactions during the year, averaging about $198 per transaction. Paper requisitions were reduced from 8 to 5 percent of all requisitions received, meaning that 95 percent of our purchasing transactions are done electronically. In addition, almost 19,000 items of equipment were tagged by the campus and Lincoln Laboratory property offices.

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Controller

More information about the Office of the Controller can be found on the web at http://web.mit.edu/cao/www/, http://web.mit.edu/controller/procurement/, http://web.mit.edu/property/www/, http://web.mit.edu/ila/, and http://web.mit.edu/cao/www/travel.htm.