Office of the Controller

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

- General Accounting: includes Accounts Payable, Cashiers, and Travel
- Institute and Sponsored Accounting and Reporting: includes general ledger and internal and external financial reporting, accounts receivable, and sponsored research accounting
- 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: includes employee and retiree payroll and 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
- Tax: responsible for all nonpayroll tax issues, including state, federal, and international filing requirements

Highlights

Fiscal year 2005 was a challenging and rewarding year for the Office of the Controller, as we continued to support the Institute's needs within a constrained budgetary environment. There were several significant organizational changes during the year, most notably the creation of a Tax Unit and a reorganization aimed at providing better support to the MIT community by merging the service areas of General Ledger (GL) Operations and External Reporting, Pension Accounting and DLC Reporting, Sponsored Accounting, Journal Vouchers, and General Accounts Receivable. We also relocated the HR/Payroll Service Center (jointly staffed and managed by the Controller's Office and Human Resources) from E19 to NE49 in preparation for the "go-live" of the SAP Payroll module in January 2006. And the Cashier's Office, which was downsized as a budget-reduction measure, prepared for a move from its traditional location in Building 10 to NE49 in August 2005. Finally, we renovated and redesigned the Controller's Office website, which is scheduled to go live in September 2005. The new site will provide much better access to a range of information and resources designed to meet the financial business needs of the MIT community. It will also be powered by content management software that will make it easier for the units within the Controller's Office to maintain the site.

General Accounting

In order to improve our Accounts Payable service, we installed a new, fast check printer that allowed checks to be issued with an authorized signature as well as printing the MICR line on the check. In the Travel section, we convened a focus group of DLC and

central administration representatives to review the initiatives that we are planning to bring to the MIT community. The focus group examined the current business processes for how departments handle travel, as well as current travel policies and what the group would like to see changed. The group was asked their opinion on a new travel credit card, electronic expense reporting, and direct-deposit reimbursement for travelers. The result was the establishment of a community-wide travel team to recommend changes and assist in rolling out new procedures. As noted above, we announced and prepared for moving the Cashier's Office from Room 10-180 to Building NE49. The Cashier's Office has discontinued some services to the MIT community: cashing personal or MIT-issued checks and selling American Express traveler's checks, full price MBTA passes, the Harvard Shuttle tickets, master's and PhD theses, course notes, and transcripts. These functions have been transferred to other MIT departments.

Institute and Sponsored Accounting and Reporting

This new group was created in FY2005 and combines several previously separate groups: GL Operations and External Reporting, Pension Accounting and DLC Reporting, Sponsored Accounting, Journal Vouchers, and General Accounts Receivable. The new group continues to provide these functions and has also joined with the Controller's Accounting Office (CAO) Property Office and formed eight cross-units teams to provide improved communications and support to DLCs. This will be especially important during the SAP Payroll rollout in the coming year, and the new teams will be assisting with that rollout.

GL Operations and External Reporting

External Reporting took a strong stride forward with the recording of all generally accepted accounting principles financial statement work sheet entries in the SAP general ledger for the first time, both for the June 30, 2004, financial statements and for each subsequent quarter. The group continues to work to streamline the annual and quarterly close processes and to improve CAO's understanding of the financial position of the Institute. Areas of innovation included improved accounting for tuition, external fees, and services; implementation of a new settlement process to allow for better accounting for the cost of legal services relating to capital projects; and process changes in the reconciliation of gifts and certain bank accounts. All financial statements were issued with clean opinions from our external auditors, PricewaterhouseCoopers.

Pension Accounting and DLC Reporting

The Financial Reporting Steering Committee was formed in FY2005, cosponsored by associate provost Doreen Morris and Jim Morgan, controller. Cochaired by Brian Tavares in the School of Engineering and Gill Emmons from the Controller's Office, the group has representatives from departments across the Institute as well as central groups and will be working to improve financial and other reporting for users. Also this year, an experimental "CAO Reporting Package" was developed, combining a series of queries together with a menu-driven, user-friendly front end. The package is currently being piloted and will be released to the community in FY2006.

This was a challenging year in the Pension Accounting area, with new auditing standards requiring revised and enhanced financial statement disclosure and more detailed reconciliation of information among benefits accounting, pension records, and third-party benefits providers. Pension payroll moved to SAP in January of 2005, requiring significant new learning and changes in processes for the Pension Accounting team, and the team also experienced significant changes in staff. The team rose to these challenges well and is working toward adapting its systems and processes to support these changes even better in FY2006.

Sponsored Accounting

The Sponsored Accounting group continued to make progress toward its goal of a timely, high-quality audit and close-out process for all grants and contracts and an excellent process for billing and drawdown of funds to support sponsored projects at the Institute. During the year, the group's work was audited by numerous external auditors and passed all of its audits with no findings reported or minor findings that were immediately addressed. Staff changes were a challenge to the group in FY2005; despite these difficulties, the group's morale is high and they look forward to new opportunities to improve their work processes and better support the community.

General Accounts Receivable

General Accounts Receivable (A/R) loaned part of its staff to the Cashier's Office this year as that group experienced significant transition. A/R staff members were happy to provide this support and took the opportunity to work with the Cashier's Office staff to simplify some of the processes these groups work on together (for example, application of cash). The group also participated in some external training on collection of accounts receivable, reaching out to other groups, including Sponsored Accounting and Student Financial Services.

Journal Vouchers

The primary goal of the Journal Vouchers group is to ensure that the SAP tools provided are as easy to use as possible and the community has the information and knowledge it needs to make accurate, well-documented adjustments to the general ledger that are in compliance with generally accepted accounting principles and federal and other sponsor regulations. During FY2005 the group worked to streamline the documentation used internally by approvers to make sure all are following the same rules and providing the same level of service to the community. Walk-in training continued every other month, with the content continually revised and adjusted to support the needs of those attending.

Insurance

The Insurance Office continued to serve as a resource to the MIT community to address property, casualty, and travel accident coverage concerns, adjust property and automobile claims, and respond in a timely fashion to requests for evidence of MIT insurance coverages. The Insurance Office also provided assistance with contract review, preplanning, and risk assessment of MIT activities and collaborations.

Premiums for most lines of Institute insurance policies remained relatively flat for FY2005 but were still significantly higher than prior to September 11, 2001, as terrorist threats continue to drive the property and casualty insurance markets. MIT utilizes the Barton Insurance Company, its own captive, for several primary lines of coverage, which provides significant premium relief. While challenging to administer, MIT's self-insured workers' compensation program has been enhanced by the change in third-party administrators, improvement in claims analysis and record tracking, and extended commitment of the collective resources of Human Resources and Controller's Office staff.

Property losses continue to plague the Institute. MIT adjusted over 100 property claims in FY2005. Major losses were due to pipe freezes, damage following power outages, and lab fires. Automobile property and liability losses dropped by over 50 percent, which may be attributed in part to MIT's aggressive approach to adjusting claims and pursuing subrogation against at-fault drivers.

Lincoln Fiscal

Payroll

The Payroll Office generated and distributed annual gross pay in the amount of $219 million for approximately 2,775 Lincoln Lab service, support, and research staff employees. Transaction processing included 300 taxable relocation reimbursements, 904 personnel actions, 1,723 manual checks, and 2,149 payroll changes (benefits, credit union, and tax withholding). The office manually updated 1,390 staff salary appointments and issued 649 variable-pay checks. They reviewed the tax status of 94 employees at field sites in 14 states and Kwajalein, recalculated state tax withholding as necessary, and manually set up 37 field site salary appointments. The Payroll Office continued the change management process for SAP Payroll and continued to work with SAP payroll distribution and SAP time sheets. This included participation in legacy data cleanup in preparation for conversion to SAP Payroll and communicating the MIT payroll direct deposit requirement to the Lincoln Laboratory community (and obtaining 98.6 percent compliance).

General Accounting/Accounts Payable

Balance sheet data is now being extracted to the Data Warehouse, resulting in improved reporting capability, and WBS status control enhancements have resulted in improved performance of month-end processing programs. New Advanced Business Application Programming queries have been developed to streamline financial reporting out of R3 environment, significantly improving data extracts for monthly financial reporting. In May 2005, the Accounts Payable Department, together with the Procurement Office, successfully implemented the Evaluated Receipt Settlement process with a high-volume vendor, greatly reducing the payment process time. Similarly, the billing process for Verizon cell phone users was streamlined from hundreds of individual bills to one central bill, also greatly reducing processing time.

Cashier's Office

The Cashier's Office continued providing cash management services for MIT Lincoln Laboratory. Major accomplishments in the past fiscal year included implementing a new online banking system (Web Connect), which allows us to efficiently provide international and domestic wire payments, and improving communication with Defense Finance and Accounting Service and Air Force Electronic Systems Center departments, which decreased the unpaid receivable by over $6 million.

Network Support Services/Data Processing

The principal activities and accomplishments of Network Support Services and Data Processing included upgrading all servers and desktops to the latest technologies and compliance with the Lincoln Lab and campus policies; ongoing user support and maintenance for our IT systems; successfully implementing centralized desktop management, which has kept the department systems running without any downtime; participation in the SAP Payroll Project; and completing a project with the campus VM Computing team to clean up obsolete Lincoln user IDs.

Payroll

Substantial progress was made in the HR/Payroll Project in FY2005. Following successful completion of the first two phases of the project—the Core HR Phase replaced the legacy HRIS system with SAP in September 2003 and SAP Pension Payroll was delivered in December 2003, replacing the legacy pension payroll system—the focus has now shifted to employee payroll, which focuses on time entry, salary distribution, and tax and payroll processing. The scope of work encompasses both campus and Lincoln Laboratory, including both students and employees, totaling approximately 21,000 persons. As with earlier phases of the project, Business Process Redesign 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."

The HR/Payroll Project's most significant accomplishments for FY2005 were the following: completing the payroll blueprint document for time collection and evaluation and payroll processing, which included defining detailed business and system requirements; completing a full first year of processing the Pension Payroll, including the completion of all year-end tax reporting to federal and state agencies (including issuing over 6,000 1099-Rs to the Pension Payroll annuitants); completing 91 percent of the Payroll realization phase, which includes Payroll and Time configuration, developing interfaces and conversion routines, and other custom programs; through the project's Organizational Change Management Team, forming resource groups for each of the stakeholder areas to further identify, address, and communicate the changes and impacts associated with the SAP Payroll implementation; and creating an ongoing feedback loop with the community by holding monthly Brown Bag Lunch sessions that

provide community members with an opportunity to share input and ask questions on the work of the project.

Procurement

A number of milestones were achieved by the Procurement Department in FY2005. A contract was signed with SciQuest, an e-commerce portal for electronic purchases from numerous vendors, and a pilot was offered to several DLCs in June 2005; full rollout of SciQuest to the MIT community is expected in September. The credit card program (with over 2,000 cardholders spending over $24 million) successfully transitioned from MBNA to GE in September 2004. The Procurement Initiative completed its first phase in June 2005, which included two commodities: shipping/mail services and printing. Future phases will cover other commodity groups (e.g., computers, scientific supplies, furniture, outsourced services, food/catering), with the overall objective being to create nonsalary savings for the budget and stretch research dollars while improving or maintaining service and quality.

Notable achievements with regard to our vendor partners included the following: adding Apple Computer as an ECAT vendor partner; holding the annual Vendor Fair (September 2004); smoothly transitioning from BOC to Airgas; helping develop websites for MIT's two new preferred cell phone vendors (Verizon Wireless and Nextel); establishing Veritude as our partner vendor for the new MITemps Program, which piloted in fall 2004 and went live in June 2005; establishing the MIT Museum as an internal provider; and upgrading the web-based capability to create Office Depot purchase orders.

Property

The Property Office is responsible for control and management of over 167,000 assets on campus and at Lincoln Lab. In FY2005, 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 9,600 items and disposed of 5,300 items, while Campus Property acquired and tagged 8,500 items and disposed of 10,000 items. The Property Office and the Broad Institute established a new procedure to tag and control property. This enabled the Broad staff to tag new assets and reduced the effort for both the Property Office and Broad staff.

The Lincoln Property Office completed and reported a final inventory of a major US Air Force contract and also continued stabilization of property management in SAP. On campus, 68 new capital projects (space changes) totaling $27 million and new equipment totaling $21 million were recorded in FY2005. Depreciation in FY2005 was $80 million on buildings, $7 million on software, and $28 million on equipment. As in previous years, Property Office staff continued to be actively involved as participants in the National Property Management Association.

Tax

With the establishment of a new tax group, the Controller's Office began providing enhanced tax support in several areas in FY2005. In the international area, the new group supported several DLCs working on projects in Australia, China, Brazil, Spain, Singapore, and Taiwan, working in close collaboration with outside consultants, the Institute's Senior Counsel's Office, and the Office of Sponsored Programs. The tax group researches tax exposure to the Institute resulting from its collaborations, partnerships, and other activities outside the United States and provides an analysis of exposures to the DLCs. This research and analysis function has been useful as part of the planning process before agreements are finalized to help structure programs to take into account international tax laws and regulations. It is also critical to ensure that the Institute is in compliance with international tax law after an agreement has been completed that requires withholding and payment of tax and/or filing of tax returns outside the United States.

The tax group has also taken a leading role in state tax issues. More and more states are requiring not-for-profit organizations, including colleges and universities, to report on and pay sales and use tax, gross receipts tax, and unrelated business income tax—even when the organization is not resident in the state. During FY2005, MIT became aware of an obligation to pay tax in California and took advantage of a tax amnesty period offered by the California state tax authorities to pay sales taxes retroactively without penalty. Going forward, the tax group will continue to file sales tax to California on a quarterly basis for those departments with activities in California. The tax group is currently researching a potential tax exposure relating to activities at the MIT Lincoln Lab in the state of New Mexico, with the goal of structuring the project to be eligible for a waiver of a potentially significant New Mexico gross receipts tax.

As the tax environment for nonprofits continues to change, CAO's tax group is focused on staying current with state, federal, and international tax issues through training, collaboration, and networking. In the coming year the tax group will continue to reach out to the Institute's DLCs to increase their awareness of state, federal, and international tax regulations through sharing of written materials, presentations, involvement with our office's new "DLC Support Team" model, and direct involvement with DLCs requesting assistance with tax matters.

Representative Metrics

The following selection of metrics provides an overview of Fiscal Year 2005 transactions in various operational units in the Controller's Office.

Volume of Payments during Fiscal Year 2005 (# = 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	60	$230	201	$642	132	$26	29	$39	283	$604	67	$92
Lincoln	—	—	85	$323	—	—	9	$12	56	$219	—	—
Total	**60**	**$230**	**286**	**$965**	**132**	**$26**	**38**	**$51**	**339**	**$823**	**67**	**$92**

On campus at the end of Fiscal Year 2005, there were 43,523 active cost objects in SAP, comprising 5,967 cost centers, 31,563 internal orders, and 5,993 WBS elements. Approximately 39,000 financial transfers were done via SAP journal voucher, totaling 384,000 individual line items. There were over 132,000 MIT Procurement card transactions during the year, averaging $197 per transaction. Paper requisitions were reduced from 5% to 1% of all requisitions received, meaning that 99% of our purchasing transactions are done electronically. In addition, 20,000 items of equipment were tagged by the campus and Lincoln Lab Property Offices.

James L. Morgan
Controller

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