Office of the Controller

Functions

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 fixed asset management of campus and Lincoln Lab equipment, and for tracking all capital costs associated with buildings

- Tax—responsible for all non–payroll tax issues, including state, federal, and international filing requirements

Highlights

Fiscal year 2006 was a busy and productive one for the Controller's Office. Considerable energy and attention was devoted to the implementation of the SAP Payroll module, which is to be completed in July 2006. This project spanned many years and will impact nearly the entire MIT community, and we were extremely gratified to see the hard work of so many people come to such a successful conclusion.

Also this year, a new Institute and Sponsored Accounting and Reporting (ISAR) unit was created to provide better support to the MIT community by merging several existing service areas. The Cashier's Office, which was downsized as a budget-reduction measure, was moved as planned from its former location in Building 10 to Building NE49 in September 2005. The Controller's Office website was renovated and redesigned. The new site, which went live in January 2006, provides better access to a range of information and resources designed to meet the financial business needs of the MIT community. It is powered by content management software that facilitates ongoing maintenance and modifications.

General Accounting

The Travel Initiative made significant progress, working through two teams with broad stakeholder representation: the Travel Policy Team, which has reviewed MIT's current travel policies and made recommendations for changes that can be implemented immediately; and the Travel Operations and Procedures Team, which has done a market analysis of best practices within Fortune 500 companies, peer universities, and travel providers. Various expense management system vendors were invited to make presentations on their systems, and several will be invited back for more in-depth discussions. Both teams made their recommendations to the Travel Advisory Group, which will develop a proposal to management for policy and procedural changes. Among the issues being reviewed are a new travel credit card, electronic expense reporting, and direct deposit reimbursement for travelers.

In September 2005, the Cashier's Office was moved from Room 10-180 to Room NE49-3077. The office continues to serve the MIT community from its new location, although several functions have been transferred to other MIT departments, including the cashing of personal or MIT-issued checks and the sale of American Express Traveler's Checks, full-price MBTA passes, Harvard Shuttle tickets, master's and PhD theses, course notes, and transcripts.

Institute and Sponsored Accounting and Reporting

This new group, created in FY2005, combines several previously separate units: General Ledger Operations and External Reporting; Pension Accounting and DLC Reporting; Sponsored Accounting; Journal Vouchers; and General Accounts Receivable.

In FY2005, Institute and Sponsored Accounting and Reporting (ISAR), together with the Controller's Accounting Office (CAO) Property Office, created eight cross-unit teams to provide improved communications and support to departments, labs, and centers (DLCs). These teams comprise what is now known as the CAO Resource Group. Since its inception, the group has reached out to the MIT community to ask for suggestions about how CAO could provide better service and to offer general assistance, analysis of DLC operations, and guidance on how to balance local business practices with Institute policies and procedures. Examples of the CAO Resource Group's efforts in FY2006 include:

- On-site consultations with all schools, as well as with DLC-level constituencies such as the Computer Science and Artificial Intelligence Laboratory, the Office of the Dean for Student Life, and the Broad Institute

- Training and support of the salary distribution and certification tools for the HR-Payroll Project

- New guidance on how to improve the clarity and consistency of journal vouchers created by central departments so that DLCs can assess the accuracy and completeness of their charges

- Quicker access to month-end information through a two-stage closing process that enables DLCs to utilize monthly statements sooner

- Improved reporting and collection of sponsored accounts receivable

- A faster process for routing sponsored accounts payable that require approval from the Office for Sponsored Research (OSP)

- Development of a clearer, simpler travel advance form

- The addition of a business tip to each of the Controller's Office monthly statement messages, highlighting opportunities to enhance local processes

This year, one of the new requirements from the Financial Accounting Standards Board had an impact on the way MIT recognizes future facilities management obligations in its financial statements. In response to this requirement, the Controller's Office worked with the Department of Facilities and the Real Estate Office to understand MIT's obligations so that an estimate of related costs could be recorded. MIT addressed this issue early and found creative ways to comply effectively with the new rule both from a facilities management perspective and from a financial perspective. We also were able to provide guidance for sister universities on how to meet their obligations through MIT's participation in a conference held by the Accounting Principles Council of the National Association of College and University Business Officers, in a webcast, and through informal networking and consultation.

Sponsored Accounting focused in FY2006 on several ways of improving reporting and collection. First, we worked with the community to enhance communication by initiating a formal internal reporting process that provides DLCs with monthly email reports of sponsored accounts receivable that have been outstanding for more than 90 days. Next, we stepped up our efforts to work with sponsors when billing issues arose, and brought about collection of some older receivable balances. We also worked with the Office of Sponsored Programs to clarify roles and began to provide regular reports in an effort to strengthen that collaboration. Our objectives were to improve the skill base of our staff, develop guidelines for successful collection of outstanding sponsorship balances, and form closer alliances with colleagues throughout the Institute. These efforts have resulted in faster, more complete collection of funds.

Insurance

The Insurance Office provides several services to the MIT community: addressing property, casualty, and travel accident/travel risk coverage concerns; managing property and automobile claims; and responding in a timely fashion to requests for evidence of MIT insurance coverage.

In October 2005, MIT terminated the owner-controlled insurance program (OCIP), which had allowed the Institute to purchase project insurance coverage directly, rather than paying construction managers their costs for contractor/subcontractor insurance coverage. Over five years and six capital projects, OCIP saved MIT more than $6.7 million.

Although MIT's claims expenses for self-insured workers' compensation continue to rise, recoveries are being pursued regularly, both from other insurers and from the Department of Industrial Accidents, to mitigate incurred expenses for payments in excess of self-insured retentions, cost-of-living adjustments, and second injury

fund claimants. With the assistance of Human Resources' disabilities service team, the Department of Facilities, and the Environment, Health, and Safety Office (EHS), new programs are being implemented for modified duty, accident investigation, and remedial action with the goal of ensuring that employees are properly trained, best practices are followed, and work areas are properly designed and maintained.

MIT had two significant property losses in FY2006, both involving transformer damage due to fire and water damage from sprinkler releases. Repairs are estimated to exceed $1 million. Fortunately, with expected insurance and subrogation recoveries, MIT's net expense should not exceed $350,000. Automobile property and liability losses increased by almost 50 percent, due to a significant increase in the frequency of claims (60 percent), and the increasing trend for personal injury claims as an included cost for at-fault accidents. The Insurance Office, with the support of MIT Police, EHS, and other DLCs, intends to implement new policies, training, and guidelines to address the increasing number of automobile accidents.

The Insurance Office also provided ongoing assistance to the DLCs and student groups for advance planning and risk assessment related to student activities, group travel, and risk-challenging research proposals.

Lincoln Fiscal Office

Network Support Services

Network Support Services continued to improve services to the Lincoln Fiscal Office (LFO) and to collaborative actively with other departments at Lincoln Laboratory and on campus. FY2006 projects included: upgrading all LFO servers and desktops for compliance with laboratory security patches and campus policies; improving LFO's centralized desktop management system, which has kept all of our servers running without any downtime; and revising our strategies and operating procedures to meet our priority work challenges.

Cashier's Office

The LFO Cashier's Office continued to provide cash management services to MIT Lincoln Laboratory, distributing more than $2 million in cash advances to travelers.

Payroll Office

The Payroll Office generated and distributed $230 million in annual gross pay for approximately 2,782 Lincoln Lab employees. Transaction processing included 230 taxable relocation reimbursements, 1,518 personnel actions, 1,309 manual checks, and 2,419 payroll changes (benefits, credit union deductions, and tax withholding). The office manually updated 1,926 staff salary appointments and set up 648 variable-pay appointments. They reviewed the tax status of 96 employees at field sites in 14 states and on Kwajalein, recalculated state tax withholding as necessary, and manually set up 46 field site salary appointments. The Payroll Office intensified its efforts to manage changes relevant to the SAP Payroll conversion. Major HR-Payroll Project accomplishments included:

- Conducting a risk assessment analysis
- Defining post-conversion roles
- Issuing individual vacation balance letters five times during the fiscal year
- Developing tools to assist employees in calculating their accrued vacation
- Communicating with field site employees relative to state tax withholdings
- Developing a new time sheet
- Conducting two pre-go-live presentations to time administrators
- Developing and issuing a Lincoln guide to payroll go-live
- Transitioning a payroll resource to the Workforce Service Center

Payroll Office

In FY2006, the HR-Payroll Project moved through its final development, testing, and system cut-over phases and, on June 30, 2006, SAP Payroll went live at MIT. More than 20,000 people are now paid through this integrated module of the Institute's financial system of record. As the transition approached, the change management subteam, centered in the HR-Payroll Service Center, continued to prepare the community through brown bag lunch events that focused on specific system tools as well as process changes, such as the move to quarterly salary certification. Throughout the year, the team continued to listen to community feedback, to work with developers who were customizing the system, to develop and deploy effective training, and to design and implement a multifaceted support network that could anticipate community needs. During the go-live phase, customer calls spiked to more than 10 times the normal volume, yet in spite of this, customer support was delivered quickly and accurately.

Procurement

The Procurement Department reached several milestones in FY2006. Sciquest, an e-commerce portal for electronic purchases from a variety of suppliers, went live in August 2005 with seven vendors. In October 2005, the department passed the audit of its procurement practices conducted every three years by the Office of Naval Research to ensure sound business practices regarding procurement management and administration. With regard to the Smart Buy Purchasing Initiative, Phase 1 (covering printing and shipping) was completed, and Phase 2 (covering food and catering, furniture, and copiers and printers) kicked off in October 2005. As part of this initiative, a new Smart Buy website was launched in February 2006.

Several developments were aimed at streamlining business processes and procedures. We are completing a project undertaken with the Broad Institute that will allow Broad staff to issue purchase orders (POs) for inventory items through SAP. POs will then be routed to Procurement for approval. For the first time, supporting documentation for these purchase orders is being scanned and attached to the PO directly in SAP. We are researching how to make this facility (PO document attachments) more widely available and hope to extend the Broad approach to other DLCs as appropriate. In addition, a release strategy for the purchase of radioactive materials was implemented; this allows for approval directly through SAP workflow.

Notable achievements with regard to our partner vendors included: all electronic data interchange invoices for Apple Computer and GovConnection were automate; Veritude/MITemps was replaced with NextSource; and three-year extensions with GovConnection and Dell were signed. In early 2006, a "How to Buy Quick Guide" was developed that summarizes the essentials of procurement at MIT and lists key resources and contacts for common commodities and services.

Property Office

The Property Office is responsible for control and management of more than 167,000 assets on campus and at Lincoln Lab. In FY2006, 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 7,298 items (valued at $61.6 million) and retired 5,478 items ($34.1 million), while the campus Property Office acquired and tagged 8,836 items ($49.5 million) and retired 7,059 items ($30 million). On campus, 92 new capital projects totaling $359 million were recorded in FY2006. Depreciation was $88.7 million on MIT buildings, $30.3 million on equipment, and $5.8 million on software.

As in previous years, Property Office staff continued to be actively involved as participants in the National Property Management Association. The campus Property Office also assisted with the successful transfer of ownership of the Bates Linear Accelerator Facility and test equipment to the Institute.

Tax Unit

The Tax Unit continued providing tax support in several areas in FY2006. In the international area, we collaborated with the Senior Counsel's Office (SCO) and the Office of Sponsored Programs (OSP) to support several DLCs that are establishing projects and programs in China, Cyprus, Spain, Hong Kong, India, Singapore, and Portugal. This collaboration has led to a better understanding of MIT's array of international activities.

The Tax Unit continues to file federal informational returns (IRS Form 990) for MIT, *Technology Review*, the MIT Real Estate Foundation, and the Technology Broadcasting Corporation (Radio Station WMBR). MIT and *Technology Review* are also required to file a federal tax return (IRS Form 990-T) for any unrelated business income (UBI) generated. MIT had positive UBI for the first time since FY2001, resulting in tax payments to the IRS. Approximately 51 percent of the unrelated business income generated came from investments in limited partnerships.

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 collaborate with SCO and OSP and the CAO Resource Group to further assist the DLCs with tax matters.

Representative Metrics

The following selection of metrics provides an overview of fiscal year 2006 transactions in various operational units in the Controller's Office.

Volume of Payments during Fiscal Year 2006 (# = 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	78	$203	212	$666	145	$28	29	$34	281	$646	67	$92
Lincoln	—	—	81	$323	—	—	13	$14	62	$230	—	—
Total	**78**	**$203**	**293**	**$989**	**145**	**$28**	**42**	**$48**	**343**	**$876**	**67**	**$92**

On campus at the end of FY2006, there were 47,273 active cost objects in SAP, comprising 6,167 cost centers, 34,777 internal orders, and 6,329 work breakdown structure (WBS) elements. Approximately 40,000 financial transfers were done via SAP journal voucher, totaling 403,000 individual line items. There were more than 145,000 MIT Procurement Card transactions during the year, averaging $196 per transaction. Paper requisitions accounted for 1 percent of all requisitions received, meaning that 99 percent of our purchasing transactions are done electronically. In addition, the campus and Lincoln Lab Property Offices tagged 18,000 items of equipment.

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Controller

More information about the Office of the Controller can be found at http://controllers.mit.edu/.