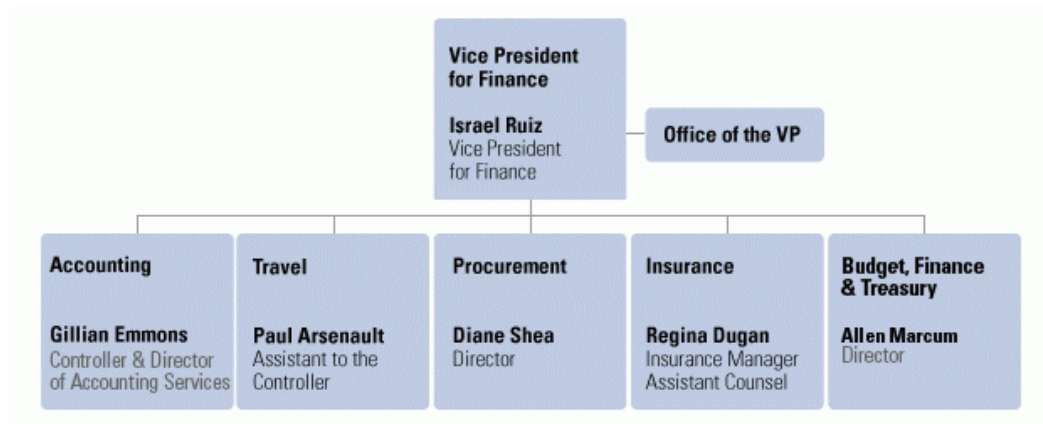


Vice President for Finance

The broad roles of the newly created Office of the Vice President for Finance (VPF) at the Institute are to interpret and comply with the external financial environment, to provide expert advice and policy recommendations to departments, labs, and centers (DLCs) as well as MIT's administration, to perform influential reporting and analysis, and to deliver efficient and effective financial and administrative processes while serving the community with high standards. To that end, VPF set about at the beginning of FY2008 to improve or create the structures—financial and organizational—that would facilitate these roles.

After gathering extensive internal and external feedback and setting critical and organizational priorities, VPF has embarked on a period of organizational change over the past year, working to integrate the former Controller's Accounting Office (CAO), the Office of Budget Operations, and the Office of Finance and Treasury under the VPF umbrella, in an integrated space at Building NE49. The new structure of VPF is organized around five major service areas: Accounting; Travel; Procurement; Insurance; and Budget, Finance, and Treasury.



Efforts to define the organization of VPF have been focused in three major areas:

- Realignment of functional area accountability—VPF has refined the role of the CAO under its new name Accounting Services and Controller, and has created the position of director of finance and treasury to oversee what was formerly the Office of Budget Operations and the Office of Finance and Treasury.
- Strengthening commitment to employee growth and development—VPF has created the position of director of human resources to manage a number of new and improved projects to strengthen VPF's commitment to employee growth and development (including the Professional Development Initiative, a newly created VPF employee performance-appraisal form and process), as well as new efforts to meet the ongoing staffing needs of the organization. VPF has also refocused on the Rewards and Recognition program by hosting a luncheon with visits from President Susan Hockfield and Executive Vice President Theresa Stone, where all employees were recognized with a gift expressing our appreciation to all staff members.

- Developing a communications platform—VPF has created the position of senior director to support stronger external connections, community relations, customer service, training, and business process design.

We have welcomed a number of key new staff members to the VPF organization. Many others have accepted new roles and are contributing in substantial new ways.

With these changes, VPF has renewed its commitment to delivering the highest quality service to our faculty, staff, and students. We have better positioned ourselves to provide smooth systems, streamlined processes, and clear policies that will facilitate the work of administrators across the Institute.

Fiscal Year 2008 General Highlights

Continuing our strong commitment to a more sustainable model of support, the VPF, through its Budget, Finance & Treasury office, has promoted and implemented “rebalancing,” which allows DLCs a greater distribution from endowment while simultaneously relieving the General Institute Budget (GIB) of financial pressures. This new framework guided the formulation of a balanced GIB for FY2009, moving from a \$30M budget gap in FY2008 to a projected surplus in FY2009, which will give the Institute the financial flexibility it needs to incorporate strategic programmatic and capital priorities in FY2009 and beyond, plus small surpluses for funding future initiatives. This strategy is important for the Institute as it helps ensure short-term financial well-being as well as long-term growth and strength.

Regarding debt strategy, VPF launched a considerable effort to analyze, document, and recommend improvements to the Institute’s integrated debt management and capital structure framework. This included a detailed study of municipal bond markets, the credit rating process, and the concepts of debt capacity and debt affordability during a period of considerable market tumult and concern about budget volatility.

Although providing a significant and sustainable flow of funds to the operating budget in the short term and maintaining the purchasing power of the endowment over the long term are fundamental goals for the financial health of the Institute, VPF has made significant strides in other areas as well. The Accounting Services and Controller’s office started providing accounting support to the Singapore-MIT Alliance for Research and Technology (SMART) operation, MIT’s first overseas subsidiary, and it enhanced the collaboration with Lincoln Laboratory to leverage the eCAT³ portal and contracts; Procurement improved the front-end and back-end procurement processes, further reducing paper handling; the Travel Office released an improved travel policy to the MIT Community; and the Insurance Office saw a drop of over 18 percent in both payments and claims incurred in Workers’ Compensation.

VPF has begun process-redesign efforts, with an emphasis on collaborating with other administrative areas (Human Resources, Information Services & Technology, and Office of Sponsored Programs) to better meet the needs of the DLCs. These efforts include automating the process for faculty and employee appointment actions and providing an interface between the WebGradAid system used by academic administrators for graduate student appointments and the SAP payroll system.

These new processes are expected to provide an improved level of accuracy and to facilitate ease of entry by pre-populating and verifying data. Over time, they will eliminate duplicate data entry of over 10,000 faculty and staff and 16,000 graduate student appointment actions on an annual basis.

VPF has also launched a project to automate the request for payment (RFP) form used to reimburse faculty and staff for approximately 50,000 out-of-pocket expenses annually, improving the reimbursement time with direct deposit of funds. In addition, the VPF is implementing a vacation tracking system for sponsored research staff members, replacing the current manual process with a user-friendly web interface to SAP. VPF also plans to implement a travel credit card for faculty and staff, eliminating out-of-pocket expenses for those who choose to use the card.

As VPF enters FY2009, it will continue to focus on some of the initiatives started in FY2008, such as achieving excellence in customer satisfaction and fostering employee growth and productive partnerships. As we look forward to the year 2011 when MIT will be celebrating the 150th anniversary of its founding, we set our sights on delivering the “2011 Experience” today. This implies the achievement of operational excellence by simplifying, automating, and standardizing processes and workflows; developing clear policies, standards, and guidelines; and personalizing communication with relevant links to clear information.

Accounting Services and Controller’s Office

In the Accounting Services functions, FY2008 was a transitional year with significant changes in leadership and organization. Accounting Services is a new organization, under the leadership of Gillian Emmons, controller and director of accounting services, and is comprised of many of the functions in the previous Controller’s Office, including Financial Reporting, the SAP General Ledger group, Accounts Payable, Payroll, Property at Lincoln Laboratory and on campus, Tax, the Lincoln Fiscal Office, General Accounts Receivable, the Cashier’s Office, Sponsored Accounting, and Facilities Accounting operations support.

Staff from Accounting Services participated in many of the initiatives begun by the new vice president of finance this year. Twelve staff members participated in the PDI. Accounting Services has also benefited from closer working relationships with its colleagues in the Office of Budget, Finance & Treasury.

Transaction volume grew in most areas as Institute activities have grown. The trend of movement from paper processing to electronic processing, with the benefit of lower transaction processing cost and greater accuracy, has continued. New initiatives reaching for improved quality and compliance, responding to new needs in the Institute’s research and teaching mission, are described in the detailed reports below.

Key metrics are reflected in the following table:

Transaction Volume 2007–2008

	2008	2007	Quantity Change	% Change
Projects, cost centers, and discretionary funds opened	7,271	6,419	852	13%
PO invoices paid	224,192	217,648	6,544	3%
Sponsored and general receivables billings	83,762	71,783	11,979	17%
Paychecks and automated clearing house (ACH) deposits	30,804	30,450	354	1%
Retiree paychecks and ACH deposits	21,953	21,377	576	3%
New equipment purchases tracked	18,524	16,646	1,870,	11%

General Ledger Operations and Reporting

During FY2008, General Ledger Operations and Reporting (G/LOR) began to provide accounting support to the SMART operation in Singapore, MIT's first overseas subsidiary. G/LOR worked with IS&T and SMART administrative staff to implement SMART as a separate company in the SAP general ledger, tracking revenues and expenses in two currencies for the first time. This SAP implementation project went live in April of 2008.

A focus of the group was also improving regulatory compliance and data integrity through intensive collaboration with HR. This year significant progress was made in a number of benefit areas, including life and medical insurance programs.

G/LOR participated in a pilot project for financial planning using Hyperion Essbase and Microsoft Performance Point Server software with IS&T and several large labs.

A project was started this year to streamline, review, and document key processes where several offices are involved in tracking and controlling financial information for management's use as well as for the Institute's financial statements. This project involved staff in the former Finance and Budget Operations offices, MIT Investment Management Company (MITIMCo), Department of Facilities, and the G/LOR, and resulted in the creation of a framework, a template, and the completion of four process documents.

Accounts Receivable, Sponsored Projects Accounting, and Cashier**Cashier**

While continuing to provide excellent customer service, the Cashier's Office has documented its procedures, enabling cross-training for backup coverage. They have also changed the reimbursement processes for petty cash transactions so that personally identifiable information is not being collected or retained.

In the Merchants Services area, an outsourced credit card processing solution, CyberSource, was implemented for MIT's approximately 110 merchants as of June 30, 2008, replacing OMARS/Clear Commerce. Working with its vendor, Trustwave, the next phase of the project is completion of self-assessment questionnaires by all merchants, with the goal of achieving Payment Card Industry-Data Security Standards (PCI-DSS) compliance certification.

In 2008, general Accounts Receivable focused on ensuring all processes were fully documented and consistently administered across its customer base. Improvements were made to the billing and dunning creation program, allowing local printing of one-time bills, flexible messaging on bills for various customers, and enhanced presentation of payment options—all of which enable an improved payment cycle.

Sponsored Projects Accounting

Sponsored accounting generated approximately 7,400 invoices this year to industrial and government sponsors with an average of 1,000 open customer accounts each month; over the year, 2,644 accounts were closed out and 2,376 new accounts were opened. Business changes included implementation of the newly established Department of Defense (DOD) cap in collaboration with OSP.

Accounts Payable (A/P) instituted a feed process for the MIT Press on Non PO Royalty payments, eliminating the need to keypunch approximately 4,000 manual RFPs. A/P also instituted a Goods/Receipt invoicing arrangement with the Plasma Science and Fusion Center (PSFC). This has cut down on paper flow between A/P and the PSFC and is better utilizing SAP. PSFC was designated for this process due to it having a central receiving area (like the Broad Institute, where A/P first used this three-way match method).

Electronic Data Interchange invoices processed through A/P in FY2008 totaled 83,762, a 16.68 percent increase from FY2007.

Property

Property is responsible for the accounting and management of campus and Lincoln Laboratory equipment and capital assets with a fiscal year end value of over \$4.2B.

In FY2008, the group was involved in a number of collaborations:

- Cooperation between Finance, Property, and OSP resulted in a successful completion of a life-study change for buildings, space changes, and software on campus. The results produced a reduction of over \$25,000,000 in depreciation expense for FY2008.
- Property's work with the Grant Committee of the Independent Residence Development Fund Program Administration resulted in over \$1.3M in new grants in FY2008. This was a new high for the program. The Grant Committee is currently working toward funding and approving a community network project for all of the houses. This project is expected to add high quality internal telecommunications wiring, enabling excellent computer network connectivity.
- Property supported the efforts of various Lincoln Laboratory areas to insure the accountability and physical security of Haystack Ultrawideband Satellite Imaging Radar materials during receipt, transfer, and storage while the Haystack Radar Upgrade program transitioned.
- Property supported the efforts of the Department of Facilities that resulted in a significant reduction in trailer and container storage, improvements to

equipment and material storage at the Hanscom 1718 Warehouse, and the elimination of an administrative database by finding functionality in SAP.

- At Lincoln Laboratory, Property supported the efforts of the Lab in response to internal audit findings regarding effective material stock room management.

Property was also involved in several initiatives and business improvements:

- On campus, Property planned and communicated a business process change regarding minor equipment which eliminated the need to control low risk, low cost property, reducing significant workload and resource requirements. The change will be effective FY2009 and will position MIT to further reduce work by having equipment acquired from major suppliers tagged prior to shipment to MIT. Dell Computer will be the first of the suppliers to adopt this plan.
- Property has been granted access to Facilities' Building and Space Construction database, which will significantly improve the process of tracking capital projects.
- At Lincoln Laboratory, Property negotiated a revised scrap equipment plan with the Defense Contract Management Agency (DCMA) Procurement Contracting Officer that greatly improved throughput of surplus equipment cases to closure.

In the area of compliance, both the DCMA and the Office of Naval Research reviewed and continued the approved status of the MIT campus and Lincoln Laboratory property control systems. PricewaterhouseCoopers (PwC) completed a successful FY2008 IT audit of the SumProp property management application. Property successfully completed the 2006–2007 physical inventory of campus equipment. And at Lincoln Laboratory, it completed the inventory of government property with a value of \$5,000 or greater to an exception level of 0.4%.

Campus-Property was involved in a number of customer service projects involving relocations, dispositions, sales of major equipment, ad-hoc inventories, and special reporting during the year in these Institute areas: Department of Earth, Atmospheric, and Planetary Sciences, Harvard-MIT Division of Health Sciences and Technology, Alumni Association, Resource Development, Broad Institute, IS&T (Athena), MIT Insurance, and PDSI.

Four Property office staff participated in the PDI. Property office staff remain actively involved in the National Property Management Association.

Lincoln Fiscal

The Lincoln Fiscal Cashier's Office continued to provide cash management services to Lincoln Laboratory, distributing over \$2.3 million in cash advances to travelers and taking in over \$1.4 million in cash receipts. Lincoln Fiscal participated in the migration of the Lincoln Laboratory credit card system from OMARS Clear Commerce to Cybersource, a third party supplier, in order to comply with the PCI-DSS. The new merchant services system went live on June 1, 2008.

Lincoln Fiscal Office's data processing group continued to improve and to collaborate actively with other departments at Lincoln Laboratory and on campus. Efforts in 2008

included providing technical resources to support Lincoln's SAP project, participation in the billing voucher conversion from a manual process to an electronic process via Wide Area Workflow, and the semi-annual upload of Property items to the DOD's Unique Identification Registry.

The Lincoln Payroll Office distributed annual gross pay in the amount of \$244 million for approximately 2,711 laboratory employees and posted 1,065 labor distribution adjustments. Coordination with Lincoln HR to implement a consistent method of calculating the layoff period of notice and ongoing monitoring of the HR Transition account has resulted in a reduction in the number of unallowable HR charges. We collaborated with the Lincoln Workforce Service Center and Director's Office staff to implement a process for issuing R&R payments through Payroll. We identified a noncompliance issue concerning pension eligibility of separation pay. The clearing account reconciliation methodology implemented last fiscal year has successfully enabled identification of all reconciling items, and a resource has been identified by the Controller's Office on campus, with whom we will be collaborating to correct outstanding items and prevent future occurrences. SAP was readied for FY2009 changes to the tiered employee-benefit rate structure.

A/P and Procurement worked with MIT's MITemp temporary help vendor, NextSource, to add another vendor to the electronic invoice feed that now pays approximately 250–300 NextSource additional invoices per month automatically. Previously, this data was entered manually by Accounts Payable operators.

In April 2008, Accounts Payable started a pilot program with Procurement to implement the usage of a new credit process at the Laboratory to help reduce the number of purchase orders created and paper invoices that are processed manually.

The General Accounting department issued 275 invoices valued at \$622 million as follows: prime contract \$614 million; IPA \$3.4 million; Contractor Research and Development Agreement/Small Business Technology Transfer Program \$5.2 million. A total of 1,132 journal vouchers comprised of 134,413 line items were posted, and 79 Defense Contract Audit Agency (DCAA) audit requests were fulfilled. A revised Cost Accounting Standards Board Disclosure Statement was submitted, audited by DCAA, and approved by Accounting Services. A new division assessment process was designed, developed and implemented.

A reduced Electronic Banking (EB) rate was implemented, and EB reconciliations were modified accordingly. Prime contract billing by MIPR was designed, developed and implemented. The electronic submission of prime contract billing via Wide Area Workflow was implemented and the monthly allocation of telecommunications charge-backs was automated.

Payroll

During 2008, Accounting Services, in collaboration with IS&T and HR, continued efforts to stabilize and strengthen the payroll function, with a significant investment of resources in this area from all other areas. These efforts will continue in 2009, with the

goal of consistent high quality in paying employees, tax reporting and compliance, as well as timely and accurate distribution of pay.

Tax

During FY 2008, the Internal Revenue Service released a new draft of the Form 990, which is the informational return required to be filed by not-for-profit entities. The Tax group worked with the National Association of College and University Business Officers to provide comments on both the draft form and draft instructions. The new Form 990 will be effective for the fiscal year beginning on July 1, 2008. This is the first overhaul of the Form 990 in almost 20 years. The result is a core form that doubled in size from 6 to 11 pages plus the addition of 16 schedules. We anticipate that MIT will be required to complete 15 of the 16 schedules. The Tax group has been meeting with members of the community, from the Administrative Officers (AOs) in the School of Engineering to individuals in HR, to prepare for the increased detail to be incorporated into the form.

MIT continues to file its Form 990 electronically. In addition to the federal Forms 990 and 990-T filed, MIT files state returns based on Unrelated Business Income generated. The number of states in which returns were filed increased by 160 percent from 5 to 13. Returns were also filed in 11 states for MIT's Basic Retirement Plan. In order to accurately prepare our returns, the tax group collaborates with MITIMCo to send out due-diligence questionnaires to the several hundred limited partnerships in which MIT and the Retirement Plan invest. The process has been streamlined so that all partnerships receive the information request electronically and therefore can respond electronically. The questionnaires and state return preparation process further allows the tax group to collaborate with tax professionals at the investment partnerships.

The group continued providing tax support in several areas in FY2008. The group worked closely with the Office of Major Agreements (OMA) and the Office of the General Counsel (OGC) to support the establishment of a trust in India as well as providing research and tax support during the creation of SMART. The group also supports the larger MIT community with general tax questions and concerns.

As the tax environment for nonprofits continues to change, the 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 OMA and OGC to prepare for the new Form 990 and to understand the tax issues that affect the community.

Office of Budget, Finance, and Treasury

The Office of Budget, Finance, and Treasury (OBFT) was created within VPF in July 2007 by merging the then Office of Budget Operations and Office of Finance. At that time, the director of budget operations, Peg Warner, retired, and the director of finance, Israel Ruiz, became the vice president for finance. The third component of the office, Treasury, has continued to be managed by officers of MITIMCo in the short term. While OBFT has managed the debt portfolio, the management of short-term assets still remains to be transitioned from MITIMCo. Despite its name change, the Budget and Finance groups continued to operate separately to achieve Institute goals while a national search was

conducted to find a director for the office. A new director, Allen Marcum, was hired in June 2008. For the purposes of this year's annual report, we will report on the activities of each office individually while reporting on the FY2009 priorities collectively.

Budget Operations

The Office of Budget Operations (OBO) continued to support the MIT community by compiling the Institute's annual operating budget, which will total \$2.4 billion in fiscal 2009. OBO manages the yearly budget cycle, including the production of the Budget Book and the end-of-year Report of Financial Results.

Members of OBO maintained their excellent support of DLCs in fiscal 2008. Despite the vacancy of one budget officer position since February 2008, and the increased responsibilities resulting from the retirement of Peg Warner, the office was able to accomplish numerous goals over the past year.

OBO members participated in several VPF teams set up to improve processes and services provided by our organization. These projects included the Software Project Review team, the Training Alignment team, and various VPF "quick win" teams. One member of OBO, Lody Petriv, also participated in a newly developed PDI in the VPF area. We also offered several training opportunities to the MIT community including courses on budgeting fundamentals, budget submission, and the closing process, as well as Brio training.

Process Documentation

OBO helped lead a project to centralize and document many of MIT's financial processes, policies, and procedures. This project was in response to our annual PwC audit letter recommending the development of a major accounting processes inventory to identify opportunities to improve the quality of financial information and decision support through better coordination and systemic integration. By codifying these policies and procedures, OBO believes it has ensured consistency, improved internal controls, and increased transparency. The overall project was coordinated by one member of the office and every member helped define and document at least one accounting process. The individual projects included software accounting, the reconciliation of co-mingled endowments, and a more effective gift reconciliation process.

Telephone and Networking Pricing and Budget Allocation

OBO worked collaboratively with members of IS&T and nearly every DLC across the Institute to help implement the first year of a new telephone and network pricing methodology. This was the culmination of a three-year process that started with the formation of a Pricing Steering Committee and included consultations with the Assistant Deans' Group and other various MIT committees, including AIM and Academic Advisory Council II (AACII). Because today's technology and industry standards made prior years' billing methods obsolete, this change was essential for transparent billing practices. OBO then reallocated general funds that cover the costs of telephone and network services among the DLCs as necessary. This project resulted in a cost allocation method that is more sustainable in the long term.

Section 420 Transfer Project

OBO helped coordinate and lead the Section 420 Transfer Project in FY2008. The project will culminate with the transfer of surplus defined-benefit pension assets into a subaccount of the pension plan that can be used to pay for retiree medical costs. This will help MIT's cash flow significantly as we will no longer need to fund the retiree welfare trust, which is normally where retiree medical costs are paid. The project included close collaboration with HR, the OSP, VPF, and Towers Perrin, MIT's actuary.

All Funds Report

OBO helped develop the All Funds Report, which is distributed to the assistant deans and administrative officers on a monthly basis. The report is a one-page summary of financial information, including revenue and expense summaries for each fund type (general, designated funds, research), full-time employee (FTE) trends, changes in available fund balances, principal, endowment market values, modified total direct costs (MTDC) and research volume. It is our hope that this report creates a similar level of understanding between budget and administrative officers and helps provide a springboard for future reports and analytical capabilities.

Finance

The mission of the Office of Finance (OOF) is to support MIT's platform for education and the advancement of knowledge by integrating the institution's bold and expansive mission with a sustainable financial model. Inherent to our mission is balancing the investment in long-term opportunities with the funding of pressing short term initiatives. To that end, we have identified four lines of business built on our analytic process:

1. Financial strategy: formulation and presentation of financial strategies for/to executive management
2. Financial analysis: business analytics focused on providing trend analysis for major revenue and expense categories
3. Internal consulting: facilitating the work of Institute-wide and DLC-specific systems and processes
4. Policies and procedures: support of MIT and VPF operational goals through collaborative formulation of sound policies and procedures

OOF experienced many changes in FY2008, starting with the promotion of our former director, Israel Ruiz, to vice president for finance in July 2007. In November 2007, two members of the office were selected to participate in Leader to Leader, and one member was selected as a Vogt fellow—a Boston Consortium fellowship focusing on leadership training. Finally, Michael Bilostotsky, one of our most capable analysts, left his position in April 2008. OOF navigated these changes while simultaneously responding to requests from senior leaders and other clients for the expert analysis that they had come to expect from OOF.

Financial Flexibility for the Future

For the past several fiscal years, OOF has been involved in promoting and implementing “rebalancing,” which allowed DLCs a greater distribution from endowment while simultaneously relieving the GIB of financial pressures. Following on this Institution-wide success, Vice President Ruiz and the executive vice president and treasurer, Terry Stone, asked OOF to analyze and project the effects of the rebalancing initiative alongside other financial efforts as a means for understanding MIT’s financial operations and the outlook for financial flexibility. Largely as a result of the increased endowment distribution voted in fiscal year 2008 and again in fiscal 2009, we were pleased to project a balanced budget in FY2009 and the foreseeable future. In addition, there will be small surpluses for funding future initiatives. This is a major improvement for the Institute as it helps ensure short-term financial well-being as well as long-term growth and strength.

Debt Strategy

OOF launched a considerable effort to analyze, document, and recommend improvements to the Institute’s integrated debt management and capital structure framework. Working directly with Vice President Ruiz, OOF explored an active approach to debt management and recommended the optimal capital structure for MIT. This included a detailed study of the municipal bond markets, the credit rating process, and the concepts of debt capacity and debt affordability during a period of considerable market tumult and concerns about budget volatility.

Integration with VPF Organization

A key driver of effectiveness for OOF has been our successful integration with the offices formerly under the controller: the CAO, A/R, Payroll, Purchasing, and Travel, etc. Through both formal and informal efforts, such as cross-functional analysis teams and a holiday baking competition, OOF has been working continuously toward the goal of building strategic relationships and improving trust and cooperation within the VPF organization.

Fiscal 2009 Priorities

The Office of Budget, Finance & Treasury adheres to the following, fundamental priorities:

- Building a solid and cost-effective infrastructure to deliver an unprecedented level of analysis and decision-making support
- Developing financial strategies that will help increase MIT’s financial flexibility and overall financial health
- Maintaining a high standard of excellence by providing outstanding fact-based analytical support for decisionmaking processes while adding value to these processes by enhancing understanding of the important issues
- Supporting the president’s, provost’s, and executive vice president’s stated mission objectives through increased connectivity within the MIT community
- Cultivating and expanding established relationships in the MIT community, including possible pilot programs with DLCs to improve the budget process

- Generating efficacy metrics (e.g., degree of penetration versus influential outcomes)
- Recruiting to fill vacant positions (two analysts, one treasury manager, and one budget officer as of August 2008)
- Continuing integration within the OBFT and the VPF

Insurance

The Insurance Office, under the leadership of insurance manager/assistant counsel Regina Dugan, serves as a risk management resource to the MIT community to address property, liability, and business travel related risks, to manage claims associated with such risks, and to collaborate with DLCs on risk management initiatives and assessments.

Workers' Compensation claims, both payments made in FY2008 and claims incurred, dropped by over 18 percent due to a combination of factors including a decrease in frequency and severity of claims, with a remarkable drop in the number of lost-time claims of 40 percent, as well as targeted efforts to obtain substantial recoveries from both excess insurers and the Department of Industrial Accidents.

MIT experienced one significant property loss in FY2008, which was related to damage caused to MIT's cogeneration facility, resulting in a total loss in excess of \$3.6 million. A significant portion of the damages were attributed to extra expenses incurred to purchase electrical power and steam from the utility company, and significant surcharges for purchasing these services at peak demand. Although automobile incurred losses for FY2008 are not fully developed, we've estimated reserves to project a substantial decrease of over 30 percent from FY2007.

To continue to spread the word regarding the travel assistance services and travel accident benefits extended to MIT business travelers, regular presentations were held, website references and links were updated, and general communications were distributed during the year. Through such efforts, the Insurance Office has educated administrators regarding pertinent insurance coverages and risks, and been more successful in serving as a resource to the MIT community.

Procurement

Procurement, under director Diane Shea, continued to work to reduce paper handling by improving front-end and back-end procurement processes. In November 2007, Procurement started the migration of the partner vendors into our shopping portal, SciQuest. All vendors have successfully moved over and the portal was renamed eCAT³. The office has achieved the procurement strategy of having one-stop-shopping for our partner and many of our non-partner vendors. The system has been received well by the community and is a quick and efficient way to order products from the enabled suppliers. 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 is now partnering with campus to leverage the eCAT³ portal and our contracts. We are also looking at how to source and negotiate contracts more collaboratively where possible.

Furniture

Procurement worked with its two major furniture vendors, Office Environments of New England (OE) and Creative Office Pavilion, to provide stocking programs for the Institute. Furniture is a commodity which typically can have long lead times for delivery. One of our goals was to create stocking programs, and both companies are now stocking some of the more popular office items in small quantities with a two to three day delivery. Also, OE is the first furniture supplier to be in the eCAT³ portal. The community has the ability to enter OE quotes or purchase from their stocking program.

Procurement Card Program

In an ongoing effort to enhance the Procurement Card (ProCard) Program in FY2008, we implemented two process improvements: the utilization of FileMaker for audits and the implementation of on-campus audits. The use of FileMaker will be implemented in September 2008. It will enable Procurement to automate the way it handles daily and monthly audits. FileMaker gives us the capability to review each card holder's history to better understand the card holder's normal spending patterns and to reduce the number of unnecessary audits. On-campus audits were implemented in January 2008. By implementing these audits we have achieved an increased communication between card holders and the Procurement Card Team, increased education on card use, reduced swept charges and violations, and increased card use for acceptable purchases.

During FY2008 ProCard volume increased, from 143,120 transactions totaling \$28,852,315 in FY2007 to 149,208 transactions totaling \$30,767,000 in FY2008.

Vendor Fair

Another successful vendor fair was held in September 2007 with 110 vendors and approximately 1,500 community members under the tent. The one-day annual event was enjoyed by all.

Travel

The Travel Office is headed up by Paul Arsenault, assistant to the controller. In January of 2008, the Travel Office released a revised travel policy to the MIT Community. Some notable changes include:

- Allowing the purchase of business class (first class if business class is not offered) tickets on domestic flights that have in-air flying time of six hours or if any part of a round-trip airfare is in excess of six hours
- Eliminating the submission of receipts for expenses under \$75 (travelers still need to submit receipts for airline tickets, hotels, car rentals, and expenses in excess of \$75)

- Granting the reimbursement of phone calls made by MIT travelers to maintain reasonable contact with their families

The Travel Office processed 31,702 travel expense vouchers in FY2008 compared to 29,120 in FY2007, an increase of 8.9 percent.

The Travel Office is working to introduce a new individual travel credit card to the MIT community that will replace the existing Diners Club travel credit card. The new travel credit card will be corporate pay versus individual pay, which will reduce the number of travel advances given out to MIT travelers.

Office of the VP for Finance—Personnel

In addition to the heads of the five functional areas, director of human resources Ann E. W. Harvey, senior director Robin Elices, and administrative assistant Claudia Chuber comprise the core staffing of the Office of the VP for Finance.

Functional Area	Number of Employees	Head
Office of the Vice President for Finance	4	Israel Ruiz
Accounting Services and Controller's Office	112	Gillian Emmons
Budget, Finance, and Treasury	9	Allen Marcum
Insurance	2	Regina Dugan
Procurement	21	Diane Shea
Travel	6	Paul Arsenault

Israel Ruiz

Vice President for Finance

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