Vice President for Finance

Fiscal year 2010 proved to be another year of evolution for the Office of the Vice President for Finance (VPF), as we continued work to align our services with the increasingly digital and global nature of MIT and provided ongoing support of the Institute's efforts to manage the effects of global economic challenges. Our efforts in FY2010 were closely tied to themes that emerged from the Institute-wide Planning Task Force and reflected ongoing collaboration with Information Services and Technology (IS&T), Human Resources (HR), and representatives from departments, labs, and centers (DLCs). At the core of all of our work was an emphasis on serving the needs of the MIT community and supporting MIT's bold mission to best serve the nation and the world in the 21st century.

VPF's focus in FY2010 was geared toward not only meeting present needs but also enabling MIT's future, as we helped lay the foundation for a financially stable MIT for years to come and took initial steps in building a sustainable suite of easy-to-use, efficient, and modern financial and administrative services for the community. As part of a campaign to forge a digital MIT, VPF launched the MIT Travel Modernization Project, provided an electronic request for payment (RFP) service, implemented an ePaystubs service in place of paper paystubs, and adopted more modern cashier services. All of these achievements were consistent with themes from the Institute-wide Planning Task Force process and were the product of collaboration with DLCs and administrative partners, notably IS&T and HR. VPF also continued the pilot phase of the Appointment Process Redesign Project (APR) and laid the foundation for a next wave of projects, including the implementation of electronic W-2s for the 2010 tax year, the development of an expedited and streamlined procurement requisition process, and a redesign of the budget process.

In support of strategic planning for the Institute's finances, VPF provided data and financial analysis to MIT's senior leadership and continued to manage the budget flexibility model, which helped guide MIT's budgetary response to the economic challenges in 2009. VPF also adopted a more strategic approach to sourcing products and services, which was a major theme emerging from the Institute-wide Planning Task Force. The emphasis on strategic sourcing led to new savings opportunities, enhanced product and service offerings to the community, and a more coordinated approach to Institute procurement.

In order to realize the achievements highlighted above and detailed under each section below, VPF continued to evolve as an organization in FY2010. To formalize the importance of strategic sourcing, the Procurement team was refashioned from providing purely transactional support to also providing strategic guidance, with a goal of maximizing cost savings and service delivery to DLCs. To ensure ongoing service enhancements in MIT's payroll system, a new director of HR/Payroll unified the payroll team and initiated greater coordination of services with IS&T and HR. The Travel team also evolved, as Travel staff transitioned to supporting the new travel system, which is being implemented in phases across the Institute, while continuing to support the legacy paper-based travel expense reporting and reconciliation process during the transition.

A key element of VPF's evolution in FY2010 was the development of a model for collaboration in process and system redesign. Consistent with the collaborative nature of the Institute-wide Planning Task Force, the VPF model for modernization ensures community involvement at key junctures of a process redesign and features pilot testing, when feasible, to make certain that new tools and services are optimized prior to being launched Institute-wide. Following this model has enabled VPF project teams to learn from each project and refine the model prior to applying it to other projects.

The success of the task force illustrates that collaboration across MIT is critical if we are to provide tools and services that best serve the evolving needs of the MIT community and the demands of MIT's mission to best serve the nation and the world in the 21st century. As such, collaboration with DLCs and our administrative partners is fundamental to the work of all VPF staff, as we seek to operate more efficiently and more effectively and to partner with and support the dynamic MIT community.

Budget, Finance, and Treasury

FY2010 has been a year of budget reductions that were necessary to help ensure a strong financial future for MIT following the global financial challenges of 2008–2009. Similar to the work across all of the VPF areas, Budget, Finance, and Treasury (BFT) has been at the forefront of these activities, providing financial analysis, budget guidance, and cash and liquidity analysis and operational support. Through these efforts, and in concert with other departments across VPF and the Institute, BFT has contributed to building a stronger MIT for FY2011 and beyond.

Budget

Budget manages the yearly budget cycle and the production of financial reports, including the Budget Book and the end-of-year Report of Financial Results. It also provides ongoing budget support and advice to senior leadership and to all units across the Institute.

The development of the FY2010 and FY2011 budgets was particularly challenging given the state of the global economy, its impact on MIT, and the necessary budget cuts. Budget helped academic and administrative leadership take the high-level budget reduction targets necessary to achieve balanced budgets in both 2010 and 2011 and transform them into smaller, individual reduction targets for each DLC. This work included providing an extensive amount of financial analysis and reporting to the provost, executive vice president, and treasurer and participating in the annual budget meetings held with the executive vice president and treasurer's direct reports.

Budget helped monitor FY2010 financial performance and reported on this quarterly to the Budget and Finance Steering Group, chaired by the provost, executive vice president, and treasurer. Budget is happy to report that the actual results for the General Institute Budget in 2010 came in better than budgeted, even with the $58 million in reductions built into the budget.

Barring further economic volatility, the reductions achieved in these two fiscal years should provide the Institute with the solid foundation necessary to continue to invest in our cutting-edge research and education mission.

Budget officers and other staff continue to support improved processes and services across the Institute, including participation on the Student Life Task Force, the Administrative Advisory Council II, and various VPF Digital MIT projects. Two budget officers graduated from VPF's Professional Development Initiative this year, and we are very proud of the Institute's recognition of the contributions of assistant budget director John Donnelly, who won the MIT Excellence Award this year.

Finance

Finance is often called upon to help guide financial strategy and analysis to support MIT's platform for education and the advancement of knowledge, as well as to participate in the writing of annual reports and presentations made to the Executive Committee and the MIT Corporation. The group also acts as a thinking partner for individuals and groups across the Institute. Furthermore, throughout FY2010, Finance continued to develop a strategic plan for Institute liquidity while working in concert with the operational efforts of Treasury.

This year, Finance staff members participated in continued Institute-wide Planning Task Force working groups and other supportive, strategic investigations. For the second year in a row, Finance sent a team to speak at the annual National Association of College and University Business Officers conference. This year's presentation, developed in concert with the vice president for finance and HR's director for organization and employee development, was titled "Building a Bridge to Community-based Solutions: Engaging MIT's Community and Culture to Collaborate for Success." It recounted the success of MIT's Institute-wide Planning Task Force through the lens of financial management. We were also honored to share the same presentation at the annual conference of the National Consortium for Continuous Improvement in Higher Education.

Finance continued to support the reporting needs of the Institute by, for example, providing weekly performance dashboards to senior leadership, continuing to update the budget flexibility model that has helped guide MIT's budgetary response to the financial crisis, and meeting other modeling needs across the Institute, as follows.

- *Enrollment Management Group:* Finance is participating on a team that will continue to investigate the impacts and sustainability of MIT's enrollment, tuition pricing, and financial aid policies.

- *MIT 2030:* Finance team members have participated in the strategic discussions surrounding MIT 2030, providing analyses of its impact on Institute debt capacity, balance sheet, and operations.

- *Dining model:* In support of the House Dining Advisory Group's efforts to investigate options for a new Division of Student Life (DSL) dining plan, Finance built a model in collaboration with DSL that was widely lauded by both staff and students participating in the discussions.

- *Operating cash flow analysis and strategy:* Finance has continued to update the Institute's operating cash flow model. The model has been utilized to support a new cash investment strategy, as well as policy suggestions for operating liquidity thresholds. These new strategies will ensure that the Institute has adequate liquidity to support its mission while improving its returns on operating resources.

Treasury

In FY2010, Treasury continued to capably manage MIT's daily cash needs, coordinating efforts with the MIT Investment Management Company (MITIMCo) and other areas across VPF and the Institute. The treasury analyst position was eliminated in FY2010. The tactical and operational work supported by this role was transferred to Budget, while the strategic functions continued to be supported by Finance. BFT's Treasury role will evolve further in coming months; meanwhile, BFT endeavors to continue to provide excellent customer service in the Treasury function to both internal and external customers and vendors.

FY2011 Priorities

As MIT prepares to celebrate its 150th anniversary with festivities that highlight the excellence for which MIT is known worldwide, BFT will be transforming itself into a more dynamic organization to better support the Institute. As a result of strategic planning, BFT will more fully integrate its work across the platforms of functions that it serves. Simultaneously, we remain committed to the ongoing professional development of our staff so that they can fulfill their career objectives while serving the Institute more efficiently and with our trademark excellence.

We look forward to supporting the Institute at large through the challenges that FY2011 will bring.

HR/Payroll

In FY2010, HR/Payroll, in collaboration with IS&T, HR, and MIT community members, made progress towards its goals of strengthening the HR/Payroll function and delivering high-quality service in paying employees, tax reporting, and compliance. HR/Payroll continued to focus on engaging the MIT community in gathering the requirements for new services and is grateful for the time and feedback of so many community members.

In FY2010, the web tool for tracking sponsored research staff (SRS) vacations was adopted by all DLCs, and the previous paper process was discontinued. With participation from a user advisory group of community members and support from IS&T and HR, the APR progressed. The redesigned process is being delivered incrementally to the community, with a goal of making all components available across the Institute by the end of calendar year 2010.

Metrics

A set of monthly metrics is used to measure both the volume and quality of HR/Payroll services. The metrics enable management to monitor trends and quantify the impact of new services. For example, the number of manually entered SRS vacation days decreased dramatically over the course of FY2010 as DLCs converted to the new web-based SRS vacation tracker.

In FY2010 over 400,000 payroll payments were made to approximately 15,000 faculty, staff, and students, and more than 68,000 monthly payments were made to approximately 5,600 retirees. HR/Payroll service representatives responded to over 16,000 phone, email, and walk-in inquiries.

A benchmark for quality is the number of manual checks issued outside of regular payroll runs. Manual checks may be required for appointment changes submitted after a cutoff date, to replace a lost check, or to correct a data entry error. In FY2010, the total number of manual checks issued for any reason was less than 1 percent (0.6 percent) of all payroll payments.

More information about FY2010 highlights and future initiatives is provided below.

Electronic Paystubs

In a major evolution of HR/Payroll services and a step toward an increasingly digital and sustainable MIT, faculty, staff, and students began receiving electronic paystubs in late June 2010. These ePaystubs replaced paper paystubs as of July 30, 2010. The new ePaystub service gives employees easy web access to current and past paystubs, ultimately up to 24 months of previous paystubs. The development of the ePaystubs service reflects ongoing collaboration among HR, IS&T, and HR/Payroll to develop electronic payroll capabilities that enhance the HR/Payroll experience.

Redesign of the Appointment Process

Launched in summer 2008, the APR will transform the way MIT manages HR appointment transactions for faculty and staff, automating the processing of nearly all of the more than 17,000 paper-based forms processed manually today. The APR system prepopulates data, ensuring accuracy, and guides the user through transactions with prompts.

A collaborative initiative among HR, IS&T, the DLCs, and VPF, the project team includes participants from HR, IS&T, and VPF. To ensure that the needs of the community are met, a DLC user advisory group representing the five schools, research areas, and key administrative units has been convened.

Through the APR system, DLCs will be able to process hires, appointment changes, leaves, supplements, and terminations. The different components of the system are being tested in a series of pilot programs, and the redesigned process will be delivered to the full MIT community after completion of the pilot phase.

Improved Payroll Quality Audit Processes

During FY2010, to proactively validate payroll quality, HR/Payroll continued building a strong structure of payroll audits performed before, during, and after payroll runs. For example, while payroll is running, HR/Payroll staff check for unusual payments. If such payments are found, the employee's records are reviewed to determine whether the payment is correct or caused by a data error. If an error is found, it is fixed before the employee ever sees his or her paystub.

After each payroll run, a trend review audit is performed, comparing the current payroll to prior payrolls, again looking for possible anomalies. With these types of audits, HR/Payroll seeks to identify and resolve problems before they impact community members.

New Initiatives

Electronic W-2s

In January 2010, HR/Payroll mailed more than 23,000 paper W-2 tax forms to MIT faculty, staff, and students. Between February and April 2010, HR/Payroll received over 1,500 requests for replacement W-2s, which were manually printed and mailed to the requestors. In January 2011, HR/Payroll plans to deliver W-2s electronically via the same easy-to-use website as ePaystubs. All MIT faculty, students, and staff will have access to eW-2s. Because of legal requirements, they will have to request not to receive paper W-2s. In addition to offering the benefit of earlier, more convenient, and more secure access to W-2s, eW-2s can't be lost in the mail and can be reprinted by the employee or student at any time.

Student Hourly Jobs Automation

Currently, when students are hired for hourly paid jobs, the department completes a student employment web form. However, the electronic form is then printed out and rekeyed by HR/Payroll, because there is no electronic link between the student employment system and the HR/Payroll system. In FY2011, HR/Payroll will collaborate with the Student Employment Office and IS&T to develop an undergraduate student position feed to SAP, similar to the WebGradAid graduate student appointment feed. This will eliminate rekeying over 7,000 student positions annually and improve the timeliness and quality of hourly student information in HR/Payroll.

Tax Treaty Automation

International students and scholars working at MIT may be eligible to claim a tax treaty if their country of origin has a tax treaty with the United States and they meet eligibility requirements. The current process of applying for a tax treaty is entirely paper based, and the rules for determining eligibility can be confusing to students and scholars.

HR/Payroll is working to automate the tax treaty application process via a web application that will clearly determine eligibility and guide international students and scholars through the steps to complete a tax treaty application for submission to HR/Payroll. This will simplify a cumbersome administrative process for international students and scholars and ensure that eligibility determinations are consistently and accurately applied.

HR/Payroll is committed to making continuous improvements to modernize its processes, evolving HR/Payroll services toward an increasingly digital and sustainable MIT. In FY2011, HR/Payroll will continue to focus on its goals of consistent high quality in paying employees, tax reporting, and compliance, as well as timely and accurate distribution of pay, building on our work this year and strengthening our relationships with the MIT community.

Accounting Services

Overview

Accounting Services consists of five units: General Ledger Operations (GL) and Financial Reporting; Accounts Payable; Property; Sponsored Projects Accounting, Accounts Receivable, and Cashier; and Tax Services. Accounting Services also maintains a dotted-line relationship with the financial functions of Lincoln Laboratory and the Department of Facilities and has responsibility for compliance, internal control, and accounting policy matters as part of VPF.

During the past year Accounting Services has been reflecting on its mission, determining how we can best participate in and contribute to VPF and MIT. We are a diverse group. In reflecting on our mission and goals, each of our teams articulated a desire for excellence. To advance toward excellence, we are starting with the expectation of providing great customer service while striving toward the higher achievement of customer satisfaction. Satisfying our customers requires evolving into the role of compliance partners for the community; being known for the quality of our work and our advice; providing timely, accurate, and reliable information; and being experts in our areas of work.

To reach these goals, we set out to find ways to strengthen our skills and our knowledge of the organization as a whole, to seek opportunities to learn from and work with other parts of the organization, and to share skills and knowledge with the whole organization whenever we felt we could contribute. We have participated in the VPF Idea Bank, a VPF effort modeled on the MIT Idea Bank, contributing our ideas and working with our colleagues on implementation of the many wonderful ideas arising from this project. We are now actively involved in a VPF digital archiving initiative, and the members of our teams participating in this effort are excited about the possibility that the work done here can have broader applicability to other parts of MIT. Several of us were proud to be a part of Institute-wide Planning Task Force groups and valued the opportunities these efforts brought to learn, partner, and contribute.

Several areas within Accounting Services are involved in research compliance activities. In partnership with the Research Administration Coordinating Committee (RACC) and the Institute's assistant deans, and with leadership from the vice president for research and the vice president for finance, several changes were made to the salary certification process. As a result of these process changes, including better communication and follow-up, MIT achieved 100 percent timely certification of salaries for all four quarters certified during FY2010. Many of us participated in the first pilot offering of the program for sponsored projects administration training as part of the steering

committee, as readers and contributors to the curriculum materials, and as guest speakers and experts. We also participated as members, leaders, and facilitators on the VPF Metrics team, working with our colleagues across VPF to find ways to use metrics to convey information and drive performance. This year we began an effort to develop "dashboards" for many of our areas and continued to work on ways to make the collection and display of this information routine.

Training was a focus of our area in FY2010. The GL and Financial Reporting team's "learning series," expanded to include all of VPF, meets twice a month. With presentations on processes and issues from the different areas and special topics of interest, the sessions have been well attended and have expanded everyone's knowledge of activities and areas of expertise across VPF. In addition, Accounting Services and BFT collaborated to offer a pilot hands-on "Excel" class to staff from across VPF. A follow-up series on the MIT Data Warehouse is planned, as well as additional Excel sessions focused on the skills the pilot group found of greatest value.

General Ledger Operations and Financial Reporting

The Institute's financial statements, as well as those of our Retiree Welfare Benefits Trust, the Defined Benefit Pension Trust, the Institute's 401(k) plan, and the Singapore-MIT Alliance for Research and Technology (SMART), were audited in FY2010 and in each case received unqualified audit opinions from our external auditors, PricewaterhouseCoopers. The Institute's A-133 audit (completed by the Defense Contract Audit Agency, PricewaterhouseCoopers, and MIT's Audit Division) was issued in March 2010, and MIT continued in its status as a low-risk auditee.

The Institute's financial statements this year included new language and disclosure for several new Financial Accounting Standards Board standards, including FAS 157 on fair value, FIN 117-1 on endowments, and FAS 159 on the use of fair value techniques for pledges and life income fund liabilities. Language drafted by the GL and Financial Reporting team to comply with FIN 117-1 was cited at several national conferences as an example of "best practice" for this type of disclosure.

Key activities of the GL and Financial Reporting team included:

- Active participation in the MIT Business Intelligence Initiative to provide a tool for DLCs to view the financial health of a project with forecasting capability.

- Identification and development of metrics to measure the effectiveness of certain business processes, to identify tracking and reporting accountability, and to use as a vehicle to develop goals to improve service delivery and measure progress toward those goals.

- Continued accounting support to SMART, MIT's first international subsidy in Singapore. GL and Financial Reporting worked with SMART's director and financial team to develop improved business controls in response to audit findings from SMART's external auditors; participated in the interview process for SMART's financial manager, a new position created in FY2010; and worked with IS&T to implement SAPweb purchasing for SMART.

- Collaboration with MITIMCo and the Recording Secretary's Office in several areas, including changing the process for cash flows between Pool C and Pool A to allow for cleaner balance sheet development and elimination of required and challenging "interpool" reconciliation at each month end, as well as creating a new process for accounting for illiquid assets so that the books and Adonis match, gifts are recorded at fair value, and illiquid assets are clearly identified, recorded, and tracked.

- Responding to MIT's growing portfolio of international activities and projects by adding a senior position for international accounting and reporting. During the year we have collaborated with the Office of Sponsored Programs (OSP) and the Office of Major Agreements, as well as Tax Services, in reviewing and implementing agreements in Singapore (Singapore University of Technology and Design), India, and Massachusetts (Massachusetts Holyoke Green High Performance Computing Center).

Sponsored Projects Accounting, Accounts Receivable, and Cashier

Sponsored Projects Accounting

For Sponsored Projects Accounting, FY2010 began with the Broad Institute becoming a separately incorporated entity on July 1, 2009. Although the Broad Institute began its life as a fully separate research institute on that date, separation activities, including the final closeout and reporting of all 400 of Broad's sponsored projects at MIT and other financial closeout activities, continued through the end of FY2010. These activities involved staff from across VPF but were primarily a focus of Sponsored Projects Accounting and Accounts Receivable.

MIT received over 100 new sponsored project awards under the American Recovery and Reinvestment Act and became subject to a number of new reporting requirements for these projects. Sponsored Projects Accounting collaborated with OSP in the development of an automated system of collecting the required information and reporting it to the federal government on a timely basis and adapted its systems and processes to provide for new, more detailed cash draw-down procedures.

Following completion of the required Broad Institute closeouts, Sponsored Projects Accounting was able to focus on a project to improve the closeout process for federal and industrial projects, responding to strong audit recommendations from our federal A-133 auditors. Sponsored Projects Accounting is working toward both improved short-term results and a better long-term monitoring and closeout process that will reduce the effort required of DLCs, increase coordination among central groups, and ensure consistent timely closeout in compliance with federal regulations. By March 31, 2010, close to 100 percent of federal sponsored projects due to be closed had been closed. Sponsored Projects Accounting continues to work with a subcommittee of RACC to develop a sustainable process and maintain this excellent rate of timely closeouts.

Cashier

During FY2010 the Cashier's area continued to track metrics to quantify the use of the cashier's window services and to work with key units to pilot alternative ways to meet community cash needs for cash deposits, travel advances, petty cash funds, and research participant compensation. More than 60 DLCs transitioned to taking their deposits directly to the bank. A new process was initiated to manage and replenish petty cash funds and to make payments to research study participants. With the rollout of VPF's new travel system and Accounts Payable's RFP service, the decision was made to close the cashier's window as of July 1, 2010, as part of VPF's Digital MIT initiative. The Cashier's function will continue to provide high-quality back-office operations and excellent customer service to DLCs, complemented by electronic payment and reimbursement tools and banking locations across campus.

The challenge of addressing currencies other than the US dollar grew in FY2010, as more sponsors began to require billing and payment in other currencies. The Cashier's area, Accounts Receivable, the GL and Financial Reporting area, OSP, the Office of Major Agreements, and BFT continue to work together to find solutions to this new area of need and to minimize MIT's exposure to currency translation cost and risk.

Merchant Services

In recent years the requirements for merchants that accept payment by credit card have become increasingly strict, and new, stringent requirements are expected to become effective soon as a result of changes in Massachusetts state law. To comply with these new requirements, MIT has implemented an outsourced credit card processing solution, CyberSource. CyberSource has been in place since June 2008 for MIT's approximately 110 merchants. During 2009 over half of MIT's merchants earned compliance certification; during 2010 new tools and processes were implemented to enable all of the remaining merchants with more complex business models to become compliant.

General Accounts Receivable

In FY2010, General Accounts Receivable produced approximately 16,267 invoices while continuing its outstanding customer service. Currently, the group is reviewing its communications to employees and customers, tailoring the approaches used in communicating to be as positive, effective, and informative as possible in support of the team's billing and collection activities.

Property

Property is responsible for the accounting and management of all on- and off-campus equipment and capital assets, which at the end of FY2010 were valued at more than $2.3 billion.

One of the Property area's most significant accomplishments during FY2010 was the replacement of its existing mainframe equipment database with a new Oracle database. The creation of the new database provided several enhancements for Property, including the capability to depreciate equipment monthly, to access updated information on a daily basis instead of once a week, and to draw data from SAP for equipment

purchase orders. The new database enables members of the community to have access to equipment data for their DLCs through Brio Query and provides budget relief for IS&T with the retirement of its mainframe support. Testing of the new database was conducted in June 2010, and the new database went fully live in July 2010.

In conjunction with the implementation of the new database, Property also undertook a project to map all of its processes and to develop suggestions for process revisions and improvements. An area of emphasis during this review was the replacement of paper processes with electronic processes. Property has developed a list of suggested improvements and is in the process of prioritizing these suggestions for implementation. Some of the ideas, including a much more automated process for reconciling the equipment database to SAP data, have already been implemented.

Property's work with the Grant Committee of the Independent Residence Development Fund Program Administration resulted in more than $1.2 million in new grants in FY2010, as well as $250,000 in new loans. The Network Project was completed in fall 2009 for all of the 39 houses. This project added high-quality internal telecommunications wiring, enabling enhanced computer network connectivity.

Cooperation among Property, Finance, and OSP resulted in the successful completion of a facilities and administrative costs study provided to the Defense Contract Audit Agency for FY2009.

In the area of compliance, both the Defense Contract Management Agency and the Office of Naval Research reviewed and continued the approved status of the MIT control system. Property completed its 2008–2009 physical inventory of campus equipment in December 2009 and reported satisfactory results to our federal auditors. In January 2010, the 2010–2011 physical inventory of campus equipment began.

Accounts Payable

The following table shows the volume of invoice documents processed by the Accounts Payable area in FY2010, as compared with FY2009, excluding the Broad Institute.

Invoice Documents Processed by Accounts Payable in FY2010

	No. of Documents Processed			Dollars (in Thousands)		
	2010	**2009**	**Change (%)**	**2010**	**2009**	**Change (%)**
Credit card	165,929	154,402	7	31,534	31,655	0
Purchase order invoices	129,511	125,900	3	834,585	812,547	3
Partners	86,531	85,878	1	30,110	26,897	12
Manual RFPs	51,550	55,623	–7	53,041	62,293	–15
Goods receipts	3,811	3,262	17	4,125	4,366	-6
Electronic RFPs	826	—	N/A	2,846	—	N/A

A major activity for Accounts Payable in FY2010 was the development of the new RFP service, now available through SAPweb. For MIT employees and students using direct deposit for payroll, reimbursements initiated through this application will be remitted through direct deposit as well, making reimbursements quicker and more convenient. The new application was released to a small group of departments as a pilot in May 2010 and went live for the whole community on July 1, 2010, with very positive feedback. The objectives of the application are to save time for the community, reduce errors, and reduce paper consumption—all in support of forging a more digital MIT.

Accounts Payable has been actively involved in several other automation projects, including e-payables, a new payment mechanism offered by Bank of America, and e-invoicing, a project being undertaken with Sourcing, Travel and Procurement Services. In its first phase, e-invoicing will move our catalogue vendors to a fully end-to-end electronic state. Currently, a number of our catalogue vendors are electronic only on the "buy" side; e-invoicing will make the process fully paperless, with electronic rather than paper invoices.

Accounts Payable has continued its focus on quality, working with staff to monitor and improve accuracy in keying and working with Procurement to improve internal controls and vendor file maintenance. Accounts Payable staff members continued as participants on a team developing operational metrics for Accounting Services in order to understand process issues and work toward their resolution.

Tax Services

In December 2008, the Internal Revenue Service (IRS) released a new version of Form 990, the annual informational tax return not-for-profit organizations are required to file with the IRS. The Institute was required to file using the new form for the first time in May 2010. The new 990 form included significantly increased disclosure requirements. To meet these requirements with a minimum of administrative burden while providing clear, meaningful, and compliant information to the public and to the IRS, Tax Services worked with the Office of the General Counsel (OGC), HR, and many other groups throughout the year, leading to filing of the return in May. The completed return was reviewed with MIT's Audit Committee prior to filing and was provided to the MIT Corporation for its review.

The IRS also began an audit of MIT during FY2010, as part of a national review of higher education institutions. This review began with a compliance questionnaire completed by 400 higher education institutions in 2009; approximately 40 institutions, including Harvard and Suffolk University, are part of the second phase of the review, which includes on-site IRS audits.

Consistent with the Institute's compliance objectives, Tax continued to increase the number of states in which unrelated business income tax returns are filed. For the Institute, filings increased from 17 to 20 states. For the retirement plan, filings increased from 12 to 17 states.

Tax continued to collaborate with MITIMCo to increase the number of state nonresident forms signed, in order to limit income withholding by investment-limited partnerships

in other states. More tax processes were migrated to electronic format, including distribution of due diligence/confirmation letters for limited partnerships, storage of partnership returns (K-1s), and use of additional electronic work papers for tax returns.

Tax collaborated with OSP, OGC, and the Office of Major Agreements in reviewing agreements with international sponsors. We continued to provide tax research required by increased international activity in Singapore and India (SMART, Singapore University of Technology and Design, MIT India Trust) and worked closely with OSP on tax language for agreements with US sponsors. We coordinated with HR/Payroll and HR concerning our tax treatment of employees at CERN, the European Organization for Nuclear Research, and in collaboration with OGC we continued a project to research the Institute's state tax filing responsibilities.

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

Sourcing, Travel and Procurement Services

The Sourcing, Travel and Procurement Services area realized significant progress in FY2010 in achieving cost savings and service enhancements related to the Institute's procurement of products and services. The efforts of Sourcing were closely tied to recommendations from the Institute-wide Planning Task Force concerning cost containment, savings opportunities, and the coordination of procurement services and activities. Sourcing, Travel and Procurement Services also drew on recommendations from the task force in working to enhance customer service to the community and in adopting new tools and services that are better aligned with the increasingly digital and global nature of MIT.

In a major evolution of MIT's administrative operations, Travel launched the Travel Modernization Program with the implementation of the new MIT Travel Online Booking and Expense Reporting System. The new system features the optional use of an MIT travel credit card, an online booking tool for arranging trips, electronic expense reporting to replace the existing paper-based system, and direct deposit for out-of-pocket reimbursements. The expense reporting system includes electronic routing for approvals and electronic routing to the VPF Travel team, which expedites reconciliation and reimbursement.

Travel is implementing the system in phases across the Institute over the course of calendar year 2010. Implementing the system in phases area by area has enabled Travel to provide high-touch support for administrators and travelers during the transition and to rapidly address technical and process issues that have arisen. Feedback from those who are using the new system indicates that it has dramatically improved the experience for MIT travelers and administrators. It has yielded operational efficiencies in Travel as well.

Sourcing staff also worked to enhance the travel experience by renegotiating the Institute's contracts with travel suppliers. Working to ensure optimum value and service to the community, Sourcing focused on securing agreements with large travel suppliers, which were in a position to offer substantial benefits in exchange for MIT's business.

As such, even though the number of travel suppliers with which MIT has agreements declined in FY2010, the cost savings increased and the travel services and options expanded.

The Sourcing team took the same approach in negotiating contracts with suppliers of other products and services. Through a highly competitive bidding process, Sourcing selected Staples as the new provider of office supplies to the Institute. Effective July 1, 2010, the Staples agreement features substantial cost savings, online ordering, dedicated customer service, and a collaborative effort to improve supply chain sustainability—which aligns with MIT's sustainability effort.

Focused on more effectively leveraging MIT's buying power, the Sourcing team came to terms with an array of other suppliers on agreements for substantial discounts and service enhancements. Among the major new agreements are those with scientific supplier VWR, GovConnection, Dell, and Apple.

Continuing efforts to modernize services for the MIT community, Sourcing, Travel and Procurement Services recently began a review of our end-to-end processes related to the procurement of products and services. From the review, Sourcing aims to identify measures for streamlining and simplifying processes and to provide a seamless experience for community members from the point of provider selection to requisitioning through payment for goods received. This project will be a focal point of efforts in FY2011.

Sourcing, Travel and Procurement Services will continue its implementation of the travel system and its work to be more strategic about procurement agreements with suppliers. The Sourcing staff is also focused on two other priorities: continued improvement in service to the community and greater coordination of procurement decisions with members of the community. The team recognizes that responsive, high-touch customer service is vital to new tools and services fulfilling their potential. Moreover, more strategic contracts with suppliers are beneficial to MIT only if they are forged in partnership with the community and are tailored to serving the community.

VPF Human Resources

VPF continued to evolve over the past year, guided by the Institute-wide Planning Task Force recommendations. After being designated as a single functional directorate reporting directly to vice president for finance Israel Ruiz, the HR/Payroll area reorganized and hired strong leadership to better focus on customer service and delivery. The Travel function also reorganized to best support the rollout of the MIT Travel Modernization Project while continuing to support the existing process.

VPF's ongoing commitment to supporting employee growth and development was evident in many forms, including the implementation of a targeted workshop series for all managers within VPF focusing on topics such as employment law, employee career development, and diversity and inclusion. VPF's second Professional Development Initiative graduated 25 employees, exposing them to a deeper understanding of VPF's processes and MIT's mission. One VPF employee was selected to participate in the

Partnership Program, sponsored by MIT central HR, and two VPF employees were selected to participate in MIT's Leader-to-Leader program.

After VPF conducted an employee survey in fall 2007 that identified a need for better internal communications and opportunities for employee engagement, significant efforts were made to better communicate with and engage VPF employees. In fall 2009, an almost identical survey was conducted to assess the progress made in both communications and employee engagement highlighted by the initial survey. The results of the survey indicated significant improvement in several areas. Noteworthy were the improvements concerning an inclusive environment, better communications, and ongoing opportunities for employees to focus on career development. Changes in VPF's workplace flexibility and standard work-week expectations were announced, in an effort to ensure consistent customer service and employment equity for all VPF employees.

A monthly VPF HR e-newsletter continued to be shared with the staff, reflecting a consistent message in support of VPF's goals and commitment to employee engagement and as a method to introduce new employees, temporary workers, and student co-ops. Informal monthly, bimonthly, and quarterly get-togethers served to build relationships across VPF, as well as to share individuals' ideas directly with the vice president of finance. These events help to emphasize each employee's contributions to the aggressive goals VPF has set out to achieve and give all employees a voice. The VPF Idea Bank continued as a forum for VPF employees to identify cost savings specific to VPF, as well as a tool for employees to share ideas department-wide. A VPF internal website was created to better share VPF-specific information with employees. The site includes the VPF online performance appraisal system.

VPF hosted another successful Infinite Mile event. For the first time, an Infinite Mile Committee was formed to review 28 nominations and select six individuals and teams for an award. Two VPF employees were recipients of the MIT Excellence Award, and three VPF employees were part of a joint MIT Excellence Team Award. We continue to have an active distribution of Rewards & Recognition Appreciation Spot Awards.

To manage budget constraints, VPF was careful in FY2010 to adjust and align staff resources with the evolving needs of the MIT community. By shifting responsibilities and embracing organizational flexibility, we ensured a continuous high level of service to the community and minimized the impact on staffing. As a result of attrition and emerging trends and compliance requirements, VPF hired 10 new (exempt) employees in FY2010 in the areas of Sponsored Projects Accounting, Sourcing, and international activities. Efforts were made to recruit a more diverse employee population, which resulted in 40 percent of new, full-time, exempt hires being members of underrepresented minority groups.

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/.