

## Office of the Controller

### Mission and Functions

The mission of the Office of the Controller is to support the core teaching and research objectives of the MIT community by providing efficient financial and administrative services, facilitating access to information and resources, and promoting the financial health of departments, labs, and centers (DLCs) and the Institute as a whole. The Controller's Office is composed of the following functional groups:

- General Accounting—includes accounts payable, cashiers, merchant services, 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, manages coverage issues, 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 accounting for insurance benefits and retirement plans
- 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 tracking all capital costs associated with buildings
- Tax—responsible for all non-payroll tax issues, including state, federal, and international filing requirements

At the end of FY2007, a new central financial organization under the vice president for finance was created, encompassing the Controller's Office, the Budget Office, and the Finance Office. We expect this reorganization to provide opportunities to coordinate the work among these groups and to develop a more unified communications approach to the MIT financial community.

### Fiscal Year 2007 Highlights

Fiscal year 2007 was a busy and productive year for the Controller's Office, with a number of significant highlights. Staff in the Controller's Office, Human Resources (HR), and Information Services and Technology (IS&T) devoted considerable effort throughout the year to support the community after the July 1, 2006, launch of the SAP Payroll module. The new payroll system integrated employee personnel, payroll, and benefits information into a single system, providing much-needed data in these key areas. However, the move to a new system that impacted almost every member of the

community was not easy. Staff in central offices, as well as DLCs, are still adjusting to the new system and processes, while the support team continues to identify needs and make improvements. The Procurement and Accounts Payable units increased automation of both front-end and back-end procurement processes, reducing paper handling and manual data entry, and began checking vendors with whom MIT does business, as required by the US Office of Foreign Assets Control. The Tax Unit provided increased support in several areas in FY2007, most notably in collaboration with the Office of Sponsored Programs (OSP) and the General Counsel's Office, in addressing the tax needs of international research.

## **General Accounting**

### **Travel Office**

The Travel Initiative made progress working through two teams with broad stakeholder representation: the travel policy team, which 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/expense reporting vendors. Among the issues being reviewed are a new travel credit card, electronic expense reporting, and direct deposit reimbursement for travelers. We are also working to expand in-house airline ticketing through Expedia.com, which should reduce travel agent fees.

The travel policy team has recommended updates to the travel policy that are now awaiting approval by senior management. The travel operations and procedure team submitted a request for proposals for electronic travel expense reporting to two vendors. After reviewing the responses and checking references, the team selected Concur Technologies as the vendor that best suits MIT's needs.

### **Accounts Payable**

Accounts Payable and Procurement worked with MIT's MITemp temporary help vendor, NextSource, to build an electronic invoice feed that now pays approximately 400 to 450 NextSource invoices per week automatically. Previously, these data were entered manually by Accounts Payable operators.

In April 2007, Accounts Payable started a pilot program with the Plasma Science and Fusion Center to process its invoices using an SAP feature called Goods Receipt, which eliminates the step of sending invoices through interdepartmental mail for approval.

To comply with US Department of Homeland Security regulations, Accounts Payable began checking new vendors against MSR Customs software to ensure that MIT enforces economic and trade sanctions based on US government policies.

### **Cashier's Office**

During 2007, we continued efforts to streamline the Cashier's Office functions and improve control. Business process changes currently in development include:

- Streamlining payment of human subjects by enabling them to receive payment from the testing site at the time of testing, instead of going to the Cashier's Office later. This will allow students to receive payment immediately and will give the testing departments greater control over their payments.
- Instituting improvements to the system for depositing and processing checks to receive credit more quickly.
- Improving and enhancing the policies and procedures related to petty cash.

### **Merchant Services**

We are currently evaluating the existing credit card processing procedures used by MIT merchants to ensure that MIT meets Payment Card Industry compliance requirements. Our goal is to implement a new strategy that will decrease MIT's risk by partnering with an off-site host for processing and handling all merchant activity within MIT.

### **Institute and Sponsored Accounting and Reporting**

Formed in FY2005, the Controller's Accounting Office (CAO) Resource Group includes representatives from the Institute and Sponsored Accounting and Reporting (ISAR) section of CAO, the Property Office, and CAO-Facilities liaison staff. The eight teams of the CAO Resource Group are charged with supporting the MIT community on financial accounting and control matters.

FY2007 proved to be full of new challenges in the financial arena of MIT, and the CAO Resource Group was able to provide significant strategic support. Examples include:

- Investigating business requirements related to the most recent changes to federal accounting guidelines and sharing that knowledge with the MIT community through monthly accounting group meetings, brown bag lunches, monthly statement messages, and postings on the CAO website
- Participating in the pilot project for Hyperion financial planning software through the efforts of two resource group representatives
- Working with the Research Administration Improvement Initiative (RAII) to analyze the current state of research administration processes and to develop best practices that could be adopted by individual research areas to strengthen the quality of financial controlling and reporting on the use of research funds
- Improving regulatory compliance through intensive collaboration with HR; changes include building a new benefits accounting group to enable better execution, recording, and reconciliation of employee deductions
- Providing the MIT community with structured training, drop-in help, and call-in guidance related to the SAP salary distribution certification as well as processing late requests (i.e., more than 60 days after end of quarter) for changes to salary distribution
- Developing, deploying, and training staff to manage a reconciliation process for SAP Payroll, assuring agreement of pay to distribution, as well as financial postings to cash

- Analyzing and making recommendations about late requests for changes to salary distribution
- Continuing outreach to MIT community on best practices for internal reporting

### **Insurance Office**

The Insurance Office serves as a risk management resource to the MIT community. It addresses property, casualty, and travel accident/risk coverage concerns, manages property and automobile claims, responds to requests for evidence of MIT insurance coverage, and collaborates with DLCs on risk management initiatives and assessments.

Workers' Compensation claims, both payments made in FY2007 and claims incurred, dropped by more than 20 percent due to a combination of factors, including a decrease in frequency and severity of claims, thorough investigations and aggressive claims management, working with HR and our third-party administrator, and substantial recoveries from both excess insurers and the Department of Industrial Accidents.

MIT had two significant property losses in FY2007: the water main break at 290 Main Street, with total claims costs in excess of \$1.6M, and the transformer fire at One Broadway, with costs in excess of \$6M, largely associated with the temporary and permanent restoration of utility services. Automobile property and liability losses paid out in FY2007 increased by more than 50 percent, due largely to at-fault claims payments.

The Controller's Office collaborated with MIT Police, Lincoln Lab, Facilities, Environmental Health and Safety, HR, and the Card Office to develop a policy for driver record checks. Training initiatives may be included to reinforce safe driving practices. Following appropriate union and senior management approvals, this new initiative should be phased in during FY2008.

Risk management collaborations are ongoing and include efforts to develop policies or best practices for minors on campus, amusement rentals, student activities events, and the formation of new student groups. The Insurance Office provided general support to the MIT Museum for its launch of the first Cambridge Science Festival.

In line with the Institute's initiative for a heightened global presence, the Insurance Office, with input from many DLCs, has negotiated an agreement with International SOS to provide travel assistance services to the MIT community, with security evacuation services being the most critical. At the direction of HR, coverage benefit limits were increased significantly for faculty, staff, and student groups under MIT's Business Travel Accident Insurance policy.

### **Lincoln Fiscal Office**

#### **Lincoln Payroll**

The Lincoln Payroll Office generated and distributed annual gross pay in the amount of \$240 million for approximately 2,700 Lincoln Lab employees. Starting in July 2006 with the deployment of the new HR-Payroll system, staff labor distribution is now submitted

100 percent electronically via a new web-based system. Customer support for paycheck and time sheet issues was transitioned to the Lincoln Workforce Service Center. We have developed a postconversion clearing account reconciliation methodology, and outstanding issues are being worked on with the Controller's Office on campus. SAP was readied for FY2008 implementation of the new employee benefit rate structure.

### **Cashier's Office**

The Cashier's Office at the Lincoln Fiscal Office (LFO) continued to provide cash management services to Lincoln Laboratory, distributing more than \$2.5 million in cash advances to travelers. Starting in July 2006 with the deployment of the new HR-Payroll system, the Cashier's Office discontinued distribution of payroll stubs and checks; these are now distributed via interdepartmental mail. Also in 2007, the Lincoln Lab Credit Card system (which allows outside attendees to use personal credit cards to register for conferences hosted by Lincoln Lab) was rolled out, and the Cashier's Office migrated to a new online banking system called BA Direct.

### **Data Processing**

LFO's Data Processing group continued to improve services to the Fiscal Office and to collaborate actively with other departments at Lincoln Laboratory and on campus. Efforts in 2007 included providing technical resources to support Lincoln's SAP project and participating in the Institute-wide SAP Payroll launch and the reduced employee benefit rate for part-time employees.

### **Accounts Payable**

The LFO Accounts Payable office processed approximately 69,000 invoices from various vendors used by Lincoln Laboratory and began using a new method for issuing checks by outsourcing the process through PayMode, an electronic payment processing service provided by Bank of America.

### **General Accounting**

In 2007, LFO General Accounting developed documentation on month-end closing, financial statement reporting, and off-contract billing; improved the campus consolidation process by providing meaningful, detailed, transaction descriptions; and reconfigured payroll general ledger costing sheets to accommodate the new employee benefits rate structure.

### **Payroll Office**

As of the end of FY2007, SAP Payroll had paid more than 16,000 faculty, employees, and students for 12 months, which represents more than 350,000 separate payments and a total gross pay of \$946 million. The first quarter of FY2007 was the most challenging for the community and the central units supporting the new system: Controller's Office, IS&T, and HR. DLC training classes begun in FY2006 continued through the summer and early fall of 2006, and community forums (in the form of brown bag lunches) were held monthly during 2007.



Throughout FY2007, the HR, IS&T, and Controller's Office team continued to listen to community feedback and to work with developers who were correcting and customizing the system. In October 2006, we established a formal process for community members to submit system change requests, and a DLC Review Committee to review and prioritize change requests was formed and began to meet regularly. The status of DLC change requests is published in the Payroll section of the Controller's Office website. By the end of 2007, a number of DLC-requested improvements to the salary distribution reporting and time sheet systems had been delivered. Improvements to the system for managing salary distribution are scheduled for fall 2007.

We believe that the conversion to the new HR-Payroll system will provide much-needed data on personnel, related payroll, and benefits. However, moving to a new system that impacts every faculty member, employee, and student was not easy, and when coupled with MIT's decentralized structure, it took awhile for all parties to adjust to the new system and processes. There are still issues to be addressed, and the team continues to make improvements.

### **Procurement**

In FY2007, Procurement worked to reduce paper handling and the manual keying in of invoices by improving front-end and back-end procurement processes. Invoice processing with partner vendors Sigma Aldrich (scientific supplies), NextSource (MITemp temporary help), and Sciquest (an e-commerce portal for electronic purchases from a variety of suppliers) was automated. A new assistant director for e-commerce is leading a project to consolidate existing partner electronic catalogs within the Sciquest portal, which is to be renamed ECAT3.

SAP system enhancements for the Broad Institute staff went live in early 2007. Broad staff may now issue purchase orders (POs) for inventory items through SAP, which then routes POs to Procurement for approval. In addition, supporting documentation for Broad POs is now scanned and attached to the purchase order directly in SAP, eliminating the need to send paper backup through interdepartmental mail to maintain paper backup files. During 2007, we researched how to extend electronic submission of supporting documentation to the rest of the Institute. We have developed a process for receiving incoming faxes electronically that will be available to DLCs in FY2008.

In collaboration with the MIT-Lemelson Program and purchasing credit card vendor GE, we introduced a controlled value card (CVC), a non-cash purchasing tool that can be used at a vast number of locations. The CVC is mainly for high school teachers working with the program. Based on the success of the first year with the cards, the MIT-Lemelson Program plans to continue using them. We will be looking for other opportunities to use the purchasing credit card to reduce cash and increase service.

During 2007, vendor partner contracts for temporary help, office supplies, copiers, and furniture were awarded via a competitive bid process, resulting in significant savings to the Institute. In addition, to comply with federal anti-terrorism regulations, we began checking our vendors per the requirements of the US Office of Foreign Assets Control. We also extended 1099 reporting to procurement card purchases starting with the tax

year 2006. Finally, in collaboration with IS&T, we made the Controller's Office's five introductory training classes (Introduction to Travel, Introduction to Procurement, Introduction to Journal Vouchers, Introduction to Financial Review and Control, and Introduction to Accounts Payable) available in the SAPweb training catalog. The community may register for these classes online, and we are able to keep electronic attendance records.

### **Property Office**

The Property Office is responsible for the management and control of more than 165,000 assets on campus and at Lincoln Laboratory. In FY2007, both the Defense Contract Management Agency and the Office of Naval Research reviewed and continued the approved status of the MIT campus and Lincoln Laboratory property control systems. During the year, the campus Property Office acquired and controlled 9,300 items and retired 7,000; the Lincoln Property Office acquired and controlled 7,280 items and retired 3,500. On campus, 59 new capital projects with a value of \$68.9 million were recorded in FY2007. The Property Office supported successful closings and equipment reutilization and disposition on campus at the Dibner Institute and at Lincoln Lab for the New York Port Authority site.

A recent business process change between Accounts Payable and the Property Office will eliminate review and approval of approximately 3,000 equipment invoices during FY2008. The Independent Residence Development Fund loan and grant program, formerly part of the Treasurer's Office, is now administered in the Property Office. Property Office staff remain actively involved in the National Property Management Association.

### **Tax Unit**

The Tax Unit within the Controller's Office continued providing tax support in several areas in FY2007. We continued collaborating with OSP and the Office of the General Counsel to address the tax needs of the community and to support MIT's research internationally. 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 has a loss carryforward of \$14.9 million for the fiscal year ended June 30, 2006. The vast majority of the unrelated business income loss was generated 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 the general counsel, OSP, and the CAO Resource Group to assist the DLCs with tax matters.

**Volume of Payments during Fiscal Year 2007 (# = 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	61	\$153	218	\$709	136	\$28	29	\$36	290	\$706	70	\$ 94
Lincoln	—	—	69	\$298	—	—	13	\$13	64	\$240	—	—
<b>Total</b>	<b>61</b>	<b>\$153</b>	<b>287</b>	<b>\$1,007</b>	<b>136</b>	<b>\$28</b>	<b>42</b>	<b>\$49</b>	<b>354</b>	<b>\$946</b>	<b>70</b>	<b>\$ 94</b>

\* 61,000 non-PO invoices were keyed manually; another 37,000 non-PO transactions totaling \$42 million were processed automatically via feeds.

The IRS proposed major changes to Form 990. The Tax Unit worked with the National Association of College and University Business Officers to comment on the IRS proposals.

Key accomplishments in 2007 include:

- Increased (from two to four) the number of states in which MIT files UBI returns with continuous review to increase the number of filings in future years
- Streamlined the Massachusetts sales tax collection process
- Filed Form 990 electronically
- Continued analysis of tax-exempt bonds and private use
- Enhanced ability to research tax issues internally by purchase of tax research software
- Community outreach and education on UBI and international tax issues
- Continued working with the MIT Investment Management Company on various projects

### **Representative Metrics**

The following selection of metrics provides an overview of FY2007 transactions in various operational units in the Controller's Office.

There were more than 136,000 MIT Procurement Card transactions during the year, averaging \$210 per transaction. Paper requisitions accounted for less than 1 percent of all requisitions received, which means that 99 percent of our purchasing transactions are processed electronically. In addition, 16,500 items of equipment were tagged by the campus and Lincoln Laboratory property offices.

**James L. Morgan**  
Controller

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