Office of the Vice President for Finance

For the Office of the Vice President for Finance (VPF), fiscal year 2011 brought an opportunity to look back with pride on MIT's 150 years in operation and to look forward boldly to the many possibilities of a 100-year horizon. VPF joined the MIT community in a 150-day celebration of the Institute's sesquicentennial and collaborated with other Institute offices on an exhibit for the 150th anniversary Open House, which drew some 20,000 visitors to campus. In early May 2011, as anniversary activities continued, MIT announced the sale of a $750 million 100-year bond to support ongoing campus development and to help fund another 100 years of innovation. VPF was instrumental in the formulation and sale of the bond, which was heralded as creative, bold, and very much in the spirit of William Barton Rogers's founding of the Institute.

While VPF's Budget, Finance, and Treasury team served a major role in the effort to envision MIT's next 100 years, service areas across VPF continued to drive operational innovation and service enhancements with a shorter-term horizon. VPF continued to advance tools and services to support Digital MIT, a vision of expanded online services to meet the needs of increasingly global Institute operations. Collaborating with Information Services and Technology (IS&T), the Department of Human Resources (HR), the Office of Sponsored Programs (OSP), and stakeholders across campus, VPF service areas in FY2011 completed the adoption of electronic paystubs, electronic W-2 tax forms, an electronic request for payment (eRFP) service, and a new database for managing the Institute's property. VPF also spearheaded the Institute-wide adoption of a more modern system for managing MIT travel. The yearlong Travel Modernization Project provided the MIT community with a travel credit card, an online booking tool for accessing travel discounts, and a fully electronic travel expense reporting system, with electronic routing for approvals and built-in logic supporting travel policies and procedures.

The concept of Digital MIT emerged from the efforts of the Institute-wide Planning Task Force, which was created in 2008 to draw on the creativity of the MIT community in addressing the budget challenges triggered by the 2008 global economic crisis. Vice president for finance Israel Ruiz was co-chair of the Task Force Coordinating Team, and numerous VPF staff members served on task force committees. During spring 2011, the task force co-chairs distributed a letter to the MIT community chronicling the work and results of the task force effort. Aptly, FY2011 and the planning for FY2012 also brought a return to a more traditional budget process, with moderate growth after two fiscal years of reductions. The return to budgetary stability can be attributed to operational efficiencies put forth by the task force and to financial strategies adopted by MIT senior leadership in the face of the economic crisis. VPF served an important role in supporting those strategic decisions with financial and budgetary analyses.

VPF continued to evolve as an increasingly cohesive organization, with a unified mission and a collective emphasis on continued improvement in service to MIT. That evolution included changes to the organizational structure of VPF, with a goal of aligning services to meet the needs of the community. In FY2011, Sourcing and Procurement and Accounts Payable were more closely linked organizationally as a step toward more integrated services in support of the Institute's buy-pay process. VPF also

continued to see an evolution in staffing, with a number of internal staff promotions and staff movement to and from VPF under the MIT umbrella. These changes were in keeping with VPF's ongoing emphasis on employee growth and development and on cultivating the talent and fostering the collective spirit needed to serve the mission of MIT.

Following are detailed reports from each of the service areas within the Office of the Vice President for Finance.

Budget, Finance, and Treasury

FY2011 marked the completion of the budget reduction efforts initiated in FY2009 to help ensure a strong financial future for the Institute following the global financial challenges of 2008–2009. Similar to the work across all VPF areas, Budget, Finance, and Treasury (BFT) has been at the forefront of these activities, providing financial analysis, budget guidance, 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 FY2012 and beyond. Also, as a result of restructuring efforts, BFT added the Accounts Receivable and Cashier' organizations to the team, along with the Merchant Services function.

Budget

The Budget group 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.

In keeping with the VPF theme of "digital MIT," the budget group automated a process that distributes three reports to departments, labs, and centers (DLCs) every month that help track expenditures against budget and overall finances, and completed the automation of a monthly financial dashboard for the budget and finance steering group. The FY2012 budget process resumed a more normal stance of moderate growth after two successive years of substantial cuts, punctuated by a streamlined FY2012 budget book. This work included providing an extensive amount of financial analysis and reporting to the provost and the executive vice president (EVP) and treasurer, and participating in the annual budget meetings held with the EVP and treasurer's direct reports.

Budget helped monitor FY2011 financial performance and reported quarterly to the budget and finance steering group, chaired by the provost and the EVP and treasurer. Budget is pleased to report that the actual results for the general Institute budget in FY2011 came in favorable to budget. Barring further economic volatility, the reductions achieved in the last two fiscal years should provide the Institute with the solid foundation necessary to continue to invest in its cutting-edge research and education mission.

Budget also made significant contributions to the VPF display at the MIT150 Open House, held on April 30, 2011. John Donnelly, assistant director of budget and financial planning, provided much of the research behind a comprehensive financial timeline covering MIT's 150-year history called "Painting the Financial Picture of MIT."

Finance

The Finance group 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 Institute's Executive Committee and the MIT Corporation. The group also acts as a thinking partner for individuals and groups across the Institute. Furthermore, throughout FY2011 Finance continued to develop a strategic plan for Institute liquidity, while working in concert with the operational efforts of the Treasury group.

In May 2011, the Finance team executed an historic bond offering to support the next phase of campus development. MIT sold $750 million in Series B taxable revenue bonds, maturing in 2111 and yielding 5.623%. The proceeds will be used to support MIT's 'ongoing campus development program, including academic and research capital projects within the MIT 2030 framework. MIT 2030 is a framework for determining future needs of the campus with regard to both renovation and the establishment of infrastructure for emerging areas of research and community use. The proceeds from the bonds, combined with gifts and internal funding sources, will provide the Institute with flexibility in scope and timing to support the acceleration of campus renewal as well as other strategic research building and infrastructure projects over the next decade.

The timing of the bond issue allowed MIT to lock into a historically low cost of capital for a long period of time, while at the same time providing an effective hedge against inflation. The bonds were given Aaa and AAA ratings by independent credit-rating agencies Moody's and Standard & Poor's respectively, reflecting the highest possible stability forecast. MIT is seen by these agencies as a low-risk investment due to its status as an elite research university and its history of strong financial performance, including fundraising and revenue diversity.

Finance continued to support the reporting needs of the Institute by 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, including:

- *Enrollment Management Group:* Finance participated on a team that investigated the impacts and sustainability of enrollment, tuition pricing, and financial aid policies.

- *MIT 2030 Financial Model:* Finance collaborated with the Department of Facilities and the Office of the EVP and Treasurer to consolidate academic and MIT Investment Management Company (MITIMCo) real estate capital plans into a financial model projecting the timing of cash requirements, estimating the debt and fundraising requirements, and forecasting the impact of the strategy on MIT's operating budget over the next 10 years.

- *Rating Agency Presentations:* The Series B bond issue, described above, exceeded many banking experts' expectations for its high level of demand in the capital markets. Extraordinary effort was devoted to preparing and delivering the information about MIT's past performance and future capital plans to support the bond's AAA ratings.

- *Net Assets:* Finance began working closely with Accounting Services to streamline the closing process relative to MIT's net assets and to enhance the accuracy of its balance sheet. The initial efforts in this area will be evident as the FY2011 books are closed.

Overall, FY2011 was a year marked by intensified collaboration between Finance and its partners, including Accounting Services, MITIMCo, Resource Development, Facilities, and Cost Analysis.

Treasury

In FY2011, the Treasury group continued to capably manage MIT's daily cash needs, coordinating efforts with 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 the Budget group, while the strategic functions continued to be supported by the Finance group.

One of the more significant changes in the Treasury area this year has been the implementation of more stringent measures to prevent fraud. Treasury added security features to many of the Institute's Bank of America (BoA) accounts to protect them from unauthorized access in ways that minimize impacts on normal account activity.

BoA unveiled a new interactive system to replace its previous online banking system. The new system, CashPro Online, allows MIT to maintain and add users along with managing the functions that its BoA users can perform. The application is also an integral part of the process of managing the daily cash needs for operations. A new BoA account was created in support of the new Student Financial Services (SFS) direct deposit system. This new system will use electronic transfers instead of issuing checks.

Cashier

Since the closing of the Cashier's window on June 30, 2010, the Cashier's area continues to track metrics and work with DLCs to meet their needs for cash and check deposits and to assist them with a new process to manage and replenish petty cash funds. More than 85 DLCs have transitioned to taking deposits directly to the bank. A new process was implemented to manage and replenish petty cash funds.

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. Policies and procedures have been updated and added to the VPF website as of April 2011.

The challenge of addressing currencies other than the US dollar grew in FY2011, as more sponsors began to require billing and payment in other currencies. The Cashier's area, Accounts Receivable, General Ledger Accounting and Reporting (GL), OSP, the Office of Major Agreements (OMA), 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

The payment card industry (PCI) developed a set of security standards known as the PCI Data Security Standards. These standards provide a framework for security best practices that minimize security risks and costs associated with data breaches.

To comply with these standards, MIT has implemented an outsourced credit card processing solution, CyberSource, which has been in place since June 2008 for MIT's approximately 110 merchants. During 2010 all of MIT's merchants earned compliance certification. In 2011, the Merchant Services team started reviewing new tools, such as wireless point of service devices and PayPal, as new payment options. The Merchant Services' website was launched in February 2011, and e-learning in PCI compliance will be available in the first quarter of FY2012.

General Accounts Receivable

In FY2011, General Accounts Receivable (AR) produced approximately 15,977 invoices while continuing its focus on customer service. AR has revised 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. AR has also automated all SAP test scripts, saving approximately two to three hours of manual testing per week.

FY2011 Priorities

BFT will continue to focus on providing improved service to the MIT community through better financial and budget reporting and processes, close partnering with Institute customers, improved modeling and forecasting, and prudent strategies for the stewardship of the Institute's resources.

Simultaneously, BFT remains committed to the ongoing professional development of its staff so that they can fulfill career objectives while serving the Institute more efficiently and with MIT's trademark excellence.

General Ledger Accounting and Reporting

The General Ledger Accounting and Reporting (GL) team is dedicated to delivering high-quality customer service by providing reliable, timely, and accurate financial information to the MIT community and senior management. The team oversees the Institute's general ledger accounting support and manages the year-end closing of the Institute's books. It works to maintain compliance with federal regulations and accounting standards, as well as to serve as a resource for training and collaboration with the MIT community for continued improvement in business processes and procedures.

Staff members support the SAP accounting systems and the journal voucher process, provide accounting guidance to an array of MIT initiatives, and collaborate with MITIMCo, the Office of the Recording Secretary (RSO), and many others in advancing best practice in accounting at the Institute. The team also provides accounting services related to the Institute's increasing international initiatives and serves the Institute's

external reporting needs, including the preparation of the Report of the Treasurer.

Key activities for the GL team in FY2011 include:

- Continued participation in the MIT Business Intelligence Initiative, which is developing a forecasting tool for DLCs. The forecasting capability will be available in late summer 2011.

- Service on the selection committee for a new data-warehouse reporting tool. The committee selected the IBM Cognos tool, and the GL team participated in a pilot program aimed at identifying DLCs' reporting needs. GL will adopt the tool in FY2012 to improve its reporting efficiency.

- Service on the selection committee for a new pension administration system to reduce administrative costs and improve customer service.

- Collaboration with MITIMCo and RSO in documenting and evaluating the current process that supports the accounting and reporting of MIT's endowment net assets. The collaborative effort will work in FY2012 to improve the process.

- Providing accounting support for the Singapore-MIT Alliance for Research and Technology and assisting its finance team in improving the alliance's business process.

- Providing support for MIT international initiatives:

  - Co-leading an initiative with IS&T to identify information technology needs for international initiatives. Numerous systems enhancements were completed in FY2011. In FY2012, GL will work to define an administrative service strategy for a global menu of services. It will also address pain points related to tracking foreign transactions and currency issues and focus on improving reporting.

  - Collaborating with the Office of the General Counsel (OGC), OMA, OSP, and Tax Services in reviewing and implementing agreements in foreign countries, including Singapore, India, and Russia.

- Providing accounting and finance services to the Massachusetts Green High Performance Computing Center management team, including financial statement and budgetary support.

- Continued streamlining of the MIT fiscal year-end closing process to support timely financial analysis for MIT's senior leadership.

Tax Services

In FY2009, the Internal Revenue Service (IRS) began requiring not-for-profit organizations to file a new 990 tax form that included significantly increased disclosure requirements. In FY2010, those requirements were expanded further to include schedules related to hospitals and tax-exempt bonds. The Tax Services group collaborated with OGC, HR, and many other groups in preparing the expanded FY2010 return. The team worked to provide clear, meaningful, and compliant information to the public and the IRS, while minimizing the administrative burden on MIT. The completed FY2010 return was

reviewed with the MIT Corporation Audit Committee prior to filing in May 2011 and was provided to the Corporation for its review.

Tax Services served as the lead contact for IRS representatives conducting an on-site audit of MIT. Begun mid-FY2010, the audit was part of a national IRS review of higher education institutions. MIT was among 40 institutions, including Harvard University and Suffolk University, selected for on-site audits. Fieldwork for the audit concluded at the end of FY2011, and Tax Services is awaiting an IRS closing report.

Consistent with the Institute's compliance objectives, Tax Services continued to increase the number of states in which unrelated business income tax returns are filed. Filings were made with 21 states for the Institute and with 17 states for the retirement plan. Tax Services 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. The team also worked with MITIMCo to put in place processes for filing annual reports related to limited liability companies.

Tax Services collaborated with OSP, OGC, and OMA in reviewing agreements with international sponsors. The team continued to provide tax research required by increased international activity in Singapore, Russia, and India, and worked closely with OSP on tax language for agreements with US sponsors. Tax Services also continued to provide guidance concerning tax issues to members of VPF and the MIT community.

Human Resources/Payroll

In FY2011, Human Resources (HR)/Payroll, in collaboration with IS&T, HR, and MIT community members, progressed towards its goals of strengthening the HR/payroll function and delivering high-quality service in processing appointments, paying employees, tax reporting, and compliance. The HR/Payroll team continued to engage the MIT community in gathering the requirements for new services and is grateful for the time and feedback of so many community members.

Organizationally, HR/Payroll became part of VPF Financial Operations, under a new financial operations director responsible for HR/Payroll, Sourcing and Procurement, and Accounts Payable. The new organization facilitates pooling of resources to improve efficiency. During FY2011, Financial Operations brought all financial accounting operations into one team, and HR/Payroll's business systems team extended its scope to supporting Sourcing and Procurement and Accounts Payable. The business systems team now holds weekly triage meetings with IS&T, Sourcing and Procurement, and Accounts Payable staff to evaluate and prioritize system problem reports and enhancement requests. Other economies of scale are expected to be realized as the new organization develops.

In FY2011, as a result of the new ePaystub service launched in July 2010, 97% of paystubs for monthly-paid employees and 62% of paystubs for weekly-paid employees were issued in electronic form only, saving the Institute over 260,000 paper paystubs, envelopes, postage, and associated paper handling. Most of the weekly-paid employees who continued to receive paper paystubs were employees represented by a union.

Complementing the ePaystub service, in January 2011, HR/Payroll provided 2010 W-2 tax forms electronically to employees and students via the same easy-to-use website as ePaystub, enhancing the delivery and security of this important tax form.

Metrics

A set of monthly metrics is used to measure both the volume and quality of HR/Payroll services, enabling VPF management to monitor trends and quantify the impact of new services. For example, for calendar year 2010, HR/Payroll issued over 21,000 W-2 tax forms. An HR/Payroll quality measure is the number of corrected W-2 tax forms issued for reasons controllable by HR/Payroll. An example of a reason not controllable by HR/Payroll is a name change. In calendar year 2011 to date, only 16—less than 0.1%—corrected 2010 W-2 forms were necessitated for controllable reasons.

In FY2011, over 400,000 payroll payments were made to approximately 21,000 faculty, staff, and students, and more than 68,000 monthly payments were made to approximately 6,400 retirees. HR/Payroll service representatives responded to over 13,000 phone, email, and walk-in inquiries.

Another 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 FY2011, the total number of manual checks issued for any reason was less than 1% (0.5%) of all payroll payments—fewer than in FY2010.

More information about HR/Payroll FY2011 highlights and future initiatives is provided below.

Electronic W-2 Tax Forms

HR/Payroll launched an electronic W-2 (eW-2) tax form service in January 2011, starting with the 2010 tax year. All MIT faculty, students, and staff now have access to eW-2s. In addition to offering the benefit of earlier, more convenient and more secure access to W-2s, eW-2s 'cannot be lost in the mail and can be reprinted by the employee or student at any time. Eventually, up to five years of employee and student W-2 tax forms will be available online. Community members may view, print, and save their W-2 form in a portable document format (PDF). Community members may choose to "go paperless" by electing to discontinue receiving paper W-2 forms via US mail. In 2010, approximately 7,700 community members chose to discontinue paper W-2s. The development of the eW-2 service reflects ongoing collaboration between HR, IS&T, and HR/Payroll to develop electronic payroll capabilities that enhance the HR/Payroll experience.

Appointment Process Redesign

Launched in summer 2008, the Appointment Process Redesign (APR) project will eventually 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 currently processed manually. The APR system prepopulates data, ensuring accuracy, and guides the user through transactions with prompts.

In summer 2010, two new functions—appointment changes and new hires—were added to the APR system, along with several improvements to usability requested by the community. In FY2011, MIT departments submitted approximately 6,000 appointment transactions via APR, compared to approximately 1,500 transactions in FY2010. The volume increase primarily consisted of appointment changes.

Improved Payroll Quality Audit Processes

During FY2011, to proactively validate payroll quality, HR/Payroll continued to build a strong structure of payroll audits performed before, during, and after payroll runs. For example, while payroll is running, HR/Payroll staff members 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 corrected before the employee receives the paystub.

Financial Operations Accounting also made great strides in verifying the quality of the data reported on W-2 tax forms at the end of the calendar year. HR/Payroll initiated a proactive "year-end/year-round" quality control process in which all W-2 data is reviewed quarterly. The quarterly "scrubs" increase the timeliness of error detection and correction and reduce the number of corrected tax forms required at calendar year–end. The HR/Payroll Financial Operations Accounting team worked with Sourcing and Procurement and Accounts Payable to extend HR/Payroll's quarterly "scrubs" of tax form data to include the 1099M and 1042S tax forms issued by these groups. The goal is to identify and correct problems before they impact community members at the end of the calendar year.

New Initiatives

Non-Resident Alien Tax Automation

US tax rules for international students and scholars working at MIT are complex, and the process of completing the required US tax forms can be confusing. Many international students and scholars are "non-resident aliens" for income tax purposes. Non-resident aliens may be eligible to claim a tax treaty if their country of origin has a tax treaty with the US and they meet eligibility requirements. Today, HR/Payroll's process of applying for a tax treaty is entirely paper-based.

To assist international students and scholars in determining their US tax status and whether they are eligible for a tax treaty, and to modernize the process, HR/Payroll has acquired Glacier, a web-based tax compliance system specifically designed to help foreign national community members with US tax processing.

Glacier will automate the non-resident alien tax form submission process, clearly determining tax treaty eligibility and guiding international students and scholars through the steps to complete their tax forms, including any applicable tax treaty forms, 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.

Glacier will initially be pilot-tested with several volunteer DLCs, and then made available to all international students and scholars at the Institute.

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 FY2012, HR/Payroll will collaborate with the SFS student employment office and IS&T to develop an hourly student position feed to SAP similar to the WebGradAid graduate student appointment feed. This will eliminate rekeying over 7,000 student positions annually and will improve the timeliness and quality of hourly student information in HR/Payroll.

Continuing the Appointment Process Redesign

The evolution of the APR system is planned to continue in FY2012, with delivery of new functions such as the ability for department approvers to edit appointments sent to them for review and the ability to attach documents. HR/Payroll will continue its collaboration with a user advisory group of community members and with IS&T and HR to develop and roll out these functions.

HR/Payroll is committed to making continued improvements to modernize its processes, evolving HR/Payroll services toward an increasingly digital and sustainable MIT. In FY2012, HR/Payroll will focus on its goals of achieving a consistently high level of performance in processing appointments, paying employees, tax reporting, and compliance, as well as timely and accurate distribution of pay.

Sponsored Accounting

The Sponsored Accounting team is responsible for financial reporting to MIT's sponsors for all federal and non-federal awards on campus with total annual research expenditures of approximately $650 million. The group is also responsible for handling ongoing billings and receivables for sponsored programs. Pamela Schickling joined VPF as manager of sponsored accounting in January of 2011 to oversee these critical activities.

Timely financial reporting for all sponsored awards is an issue of vital importance to MIT, and one where VPF continues to devote considerable resources and effort to bring the Institute into full compliance. VPF has expanded its pilot program with a subset of departments to provide pre-audit information to operating units 90 days in advance of award expiration, and is working to scale its reporting capabilities so that it can offer this approach Institute-wide. The goal is to raise awareness of the importance of timely financial reporting and give MIT administrators the opportunity to address issues well in advance of award expiration, facilitating timely closeout and reporting. VPF is also working to analyze root causes to correct the underlying deficiencies that lead to untimely financial reports.

Sponsored Accounting continues to work with the Research Administration

Coordinating Committee (RACC) on subteams focused on addressing these root causes. A cost-sharing team is being convened by RACC to develop a proactive approach to assuring compliance with cost-sharing commitments for MIT. The overall goal of the team is to implement policies and procedures that will make it easier for DLCs, in collaboration with VPF and OSP, to track and fulfill cost-sharing obligations.

In recent months, Sponsored Accounting strengthened the billings and receivables team, and has implemented new processes to better manage sponsored receivables. These improvements include monthly reporting for DLC administrators to provide visibility to unpaid balances and inspire cooperation in reaching out to sponsors to collect outstanding receivables.

VPF has a renewed its focus on collaborating with OSP to provide the highest level of service and support to the MIT community in the area of research administration. An OSP/VPF collaboration team will be convened shortly to identify opportunities to improve communication and collaboration between OSP, VPF, and the DLCs to better support Institute requirements for research administration. The work of this group will build on recent efforts of the VPF/OSP Coeus (MIT's electronic research administration system) team where the focus has been on finding ways to improve the use of Coeus in completing financial reporting and billing activities.

Property

The Property team is responsible for the accounting and management of all on- and off-campus equipment and capital assets valued at over $2.3 billion. Among its scope of responsibilities, Property conducts an ongoing inventory of all equipment on campus tracked within the eProp database and maintains depreciation schedules for all MIT buildings and equipment.

Building on the successful completion of the eProp project, which replaced an antiquated mainframe equipment database with a new Oracle database, Property staff members continue to look for opportunities to modernize systems and processes. In recent months, reporting capabilities from eProp have been expanded and members of the community now have access to equipment data for their DLCs using BrioQuery. Property has begun generating electronic files in lieu of paper files for new awards and expects to have 95% of current paper files converted to electronic files by the end of FY2012.

In collaboration with Sponsored Accounting, Property is participating in the VPF/OSP Coeus team, where the focus has been on finding ways to improve the use of Coeus in completing reporting to MIT's sponsors. VPF hopes to replace the current FileMaker database used to facilitate government reporting with direct data entry to the Coeus system, and anticipates that these changes will reduce inquiries from OSP related to documents completed by Property and sent to sponsors.

In an expansion of a program begun with Dell beginning in the fall of 2011, Apple computers purchased as part of the desktop renewal program will be delivered with the MIT barcode tag already attached, impacting approximately 350 pieces of equipment annually. VPF continues to look for opportunities to expand this program. It is also

beginning to evaluate the feasibility of using radio-frequency identification tagging for equipment inventory on campus and is considering possibilities for pursuing a small-scale pilot to fully evaluate the complexities of implementation and inform a path forward.

The Property team also works with the grant committee of the Independent Residence Development Fund (IRDF) to manage grants and loans to fraternities, sororities, and independent living groups for improvements to the houses. In FY2011, IRDF issued 35 new grants, totaling $825,365, as well as one new loan in the amount of $165,000. During the five-year period of FY2007–FY2011, IRDF issued 209 new grants, totaling $4,669,293, as well as 11 new loans amounting to $1,420,175.

Travel

The end of FY2011 marked the successful completion of the travel modernization project, which transformed MIT's travel operations with the implementation of the Concur online booking and expense reporting system. The new system features the optional use of an MIT travel credit card to minimize out-of-pocket expenses for travelers, an online booking tool for arranging trips, electronic expense reporting to replace the previous paper-based system, and direct deposit for out-of-pocket reimbursements.

The expense reporting system includes electronic workflow for approvals and routing to the VPF Travel team, which expedites reconciliation and reimbursement. Approximately half of the expense reports are now processed the same day they are approved within the DLC and received by Travel, and about 90% are processed within two days of receipt. Of the estimated 3,200 reports processed each month, only 10% are still being submitted on paper and it is expected that the paper system will be eliminated in the near term. The new system will improve the ability to gather data and report on travel expenditures and trends in the future and will minimize the need for retaining much of the paper documentation previously stored.

The travel credit card has been well received by the MIT community. To date, 2,312 cards have been activated and approximately 60% of the $40 million annual campus travel-spend on the card is now being captured.

Implementing the system in phases enabled Travel to provide a high level of customer support for administrators and travelers during the transition, and emphasis has been on evolving the organization with a customer-oriented mindset. Both in-class and online training is available on an ongoing basis, complemented by weekly drop-in sessions at which community members can receive one-on-one assistance and become familiar with new systems. VPF continues to work to refine processes and clarify policies in support of the new systems, and the Travel team is dedicated to providing highly responsive customer service to the MIT community.

Buy-to-Pay Services: Sourcing and Procurement Services and Accounts Payable

The goals of Sourcing and Procurement services and Accounts Payable are to achieve a seamless, efficient customer service experience for the buy-to-pay process, to leverage

MIT's buying power to increase cost savings and discounts, and to streamline and modernize business processes from beginning to end.

To support these goals, significant changes were made to the organization during FY2011 to realign its structure to facilitate implementation of its goals. Acting on recommendations from the community and an outside business consulting firm, VPF named a new financial operations director to assume responsibility for the combined Accounts Payable–Sourcing and Procurement service areas and HR/Payroll functions.

The new unified team will focus particularly on the "customer experience." It will also focus on effectively leveraging MIT's buying power, maintaining sound vendor management processes, examining supplier agreements for opportunities to garner greater discounts and service enhancements (including rebates), and encouraging departments to maximize use of a procurement card (P-card)—the most efficient and automated method of purchasing small-dollar items.

In FY2011, Sourcing and Procurement achieved notable cost savings and marked improvements to the service delivery model. Enhancements in customer service included reduced conversion time of requisitions to purchase orders and expansion of electronic catalogs that are better aligned with the increasingly digital and global nature of MIT. Continuing the modernization of services for the MIT community, a review of the end-to-end buy-to-pay processes was launched, identifying opportunities for streamlining and simplifying Sourcing and Procurement and Accounts Payable processes. This project will be a focal point of efforts in FY2012.

FY2011 investments in electronic technology have already yielded results: 98% of RFPs from the MIT community are now submitted and processed through the electronic RFP (eRFP) service, which was launched in July 2010. Accounts Payable's focus on quality continued throughout the year, achieving the goal of a 99+% error-free data entry rate through cross-training and daily audits. Efforts were refocused on customer service, creating office phone teams and rapid response on email inquiries.

More information about Buy-to-Pay FY2011 highlights and new initiatives is provided below.

New Buy-to-Pay Services

Accounts Payable and Sourcing and Procurement services were unified under the new Buy-to-Pay team, which focused on responding to internal and external customer inquiries. The Buy-to-Pay team looks to provide a seamless experience for community members, from product selection and requisitioning through payment of goods and services received.

Conversion to New Office Supplies Vendor

During FY2011, VPF managed the transition to 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. This new partnership aligns with MIT's

sustainability effort. Staples met with the Sourcing and Procurement team throughout the year to ensure that the promise of a partnership was met.

eInvoicing: Receiving Vendor Invoices Electronically

With electronic invoicing (eInvoicing, also called electronic data interchange), MIT partner vendors invoice MIT electronically, eliminating paper invoices. Currently, some catalog vendors are electronic only on the "buy" side but still send MIT paper invoices. eInvoicing will make the process fully paperless, and efforts are being made to move all catalog vendors to eInvoicing.

ePayables: Paying Vendors Electronically

VPF streamlined payments to many vendors that do repeat business with MIT by converting their payments to electronic bank transfer, eliminating paper checks, and generating rebates to MIT from Bank of America. The volume of electronic payments (ePayables) increased from 3,000 in FY2010 to 21,000 in FY2011. Vendor conversion to ePayables will be a priority in FY2012.

New Initiatives

Several process improvements that will launch in early FY2012 are:

- More flexible choices for the method MIT uses to reimburse community members for travel and out-of-pocket expenses, including options for electronic notification when a reimbursement is directly deposited to a community member's bank account, and for choosing a bank account for reimbursements different from the account used for payroll direct deposit.

- Raising the limit for computer purchases on the P-Card from $500 to $1,000.

- Increasing the threshold for invoices paid without departmental signature ("presumed receipt") from $500 to $3,000, to make the invoice payment process more efficient and reduce paper handling within Accounts Payable and the departments.

- Automating low-dollar requisitions to turn them into purchase orders with minimal VPF intervention.

- Auto-approval of eRFPs less than $100 not charged to research (work breakdown structure) cost objects in order to expedite processing and payment.

- Creating an audit process using sampling for eRFPs.

eRFP: Electronic Request for Payment Enhancements

In FY2012, as requested by the MIT community, VPF will make a number of changes to the eRFP system that will make it easier and more convenient for community members to use.

By the Numbers

On the "buy" side, the number of purchase transactions for the easiest and most

automated procurement methods—the ECAT electronic catalog and the P-Card—grew by a combined total of 24,000 transactions (9% and 10% growth, respectively) in FY2011. The number of purchase transactions for the most manual procurement method—non-ECAT purchase orders and change orders—grew by a combined total of 4,000 transactions (9% and 2% growth, respectively).

On the "pay" side, the number of paper RFPs and paper invoices was substantially reduced by eRFPs and ePayables.

VPF will continue working to be more strategic with the partnerships it fosters with the Institute's key suppliers. It will also focus on two other priorities: continued improvement in service to the community, and greater coordination of buy-pay decisions with members of the community. The team recognizes that responsive, high-touch customer service is vital if new tools and services are to fulfill their potential. Moreover, additional 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

The end of FY2011 brought the announcement that Vice President for Finance Ruiz had been nominated to succeed Theresa Stone, who is retiring, as executive vice president and treasurer. This milestone created an opportunity to reflect on the impact and overall evolution of VPF on employees. Under Ruiz's leadership for three-and-a-half years, targeted and focused improvements for VPF and MIT employees resulted in many notable changes in the staff and in the environment of VPF.

VPF continued to focus on growth and development for all employees, including providing workshops for VPF managers on change and evolution in the workplace and on the topic of diversity and inclusion. VPF continued to offer ongoing encouragement of internal as well as external development opportunities for employees. As a result, three VPF employees are enrolled in the 2011 Partnership Program, a professional development program for underrepresented minority professionals. Overall, many VPF employees have completed central human resources training programs, including 10 in the Essentials of Managing class, three in the Managing for Excellence class, four in the Administrative Officer Fundamentals class, three in Leader to Leader, and one in the administrative assistant program. One employee is participating in the YMCA Achievers Program within the Greater Boston community.

Additionally, VPF has offered several internal collaborative efforts aimed at engaging all VPF employees to further address business needs and to better understand each other's areas. These have included a VPF version of the Institute-wide MIT Idea Bank, a VPF digital archiving team, a group to create a financial exhibit for the MIT150 Open House, a VPF technical advisory committee, and a group of VPF technical super users. All of these committees have resulted in a cross-pollination of employee ideas and expertise, thus further enhancing the emergence of a singular VPF organization committed to supporting MIT's mission by serving the community in the best possible way.

In addition to VPF's ongoing commitment to growth and development, a significant and targeted effort was made to recruit underrepresented minorities, promote and grow current minority employees, and create a more inclusive environment for all employees. As a result, since January 2008, VPF's statistics reflect a 6% increase in minority administrative staff employees, to 18% (MIT is 15%), and an 11% increase in minority support staff employees, to 35% (MIT is 18%). Additionally, since January 2008, 34 VPF employees have either transitioned into new roles through a development opportunity or have been promoted to new roles where they have taken on greater responsibilities. Thirteen of these are minority employees. Also, the monthly VPF HR newsletter emphasizes diversity and inclusion, featuring items on workshops and events, MIT's working group on support staff issues, MIT's "You Are Welcome Here" campaign, and access to external diversity and inclusion opportunities.

VPF continues to publish its monthly HR newsletter, which includes announcements about employees' professional achievements, opportunities for new roles, development opportunities, and the subjects noted above. Coupled with the monthly newsletter are monthly events that include either a small gathering with Vice President Ruiz or a gathering of the entire VPF community. These events have offered opportunities for employees to be heard and to share ideas, as well as opportunities to meet and engage with VPF colleagues while learning about each other's backgrounds and achievements.

Through attrition and reorganization in FY2011, VPF had an active recruiting function. In addition to promotions and VPF internal movement, 16 new employees were hired. Among these were four MIT employees who were hired from DLCs into VPF.

VPF's rewards and recognition program continues to be active and VPF conducted another successful Infinite Mile Awards program, with five awards presented to 12 recipients. The VPF Spot Award program continues to be actively utilized, with over 70 Spot Awards presented to both VPF and MIT colleagues over the past year.

Israel Ruiz
Vice President for Finance