

Office of the Vice President for Finance

The Office of the Vice President for Finance (VPF) in FY2014 extended its work over the previous two years to increase its capacity to serve emerging Institute priorities around the future of education, campus planning and expenditures, financial management and control, international activities, and core operational processes and services.

Leveraging the organizational restructuring of the previous year, VPF was able to sharpen its focus on treasury and tax matters and to extend financial planning and analytical support for such key initiatives as the Institute-wide Task Force on the Future of MIT Education, the Kendall Square Initiative, and Lincoln Laboratory's proposed West Lab. VPF also collaborated with the Office of the Vice President for Research and the Office of the Provost on policies and systems to enhance the faculty effort reporting process.

Supported by the Financial Systems and Data team established in FY2013, VPF completed system projects to improve the delivery of services to the MIT community, to strengthen financial accounting and control, and to increase operational efficiency. To enhance collaboration and cohesion across its functional areas, VPF also started a new Project Management Office, centralized core administration and space planning functions, extended communications and community relations activities, and launched initiatives to support employee growth and development and strengthen employee engagement.

Following are detailed reports from each of the VPF functional areas.

Administrative Services and Operations

VPF's Administrative Services and Operations group focuses on functions related to human resources, budgeting, cost controls for VPF, community relations, project management, emergency preparedness, administration, space planning, organizational effectiveness, communications, process improvement, and training for the MIT community and VPF staff members. The group provides services and support to all areas of VPF to help ensure consistent operating procedures and services to both VPF's internal employees as well as the MIT community. Below is a list of FY2014 accomplishments:

- Extended VPF's organizational commitment to employee growth and development by encouraging staff members to participate in learning and development opportunities offered by MIT and by outside organizations
 - Created and implemented the VPF Institute, a monthly learning series for VPF employees consisting of half-day workshops presented around campus on topics ranging from conflict resolution to process improvement to communications; the series includes tours of research laboratories across the Institute
- Facilitated the VPF Leadership Team as a strategic partner for senior leadership and as a vehicle for aligning organizational messaging and operational management

- Instituted the start of a VPF Project Management Office to further support how VPF carries out projects to enhance the user experience for the MIT community
- Advanced VPF's communications by launching a project to rebuild VPF's website and developing a VPF Identity Guide and communications templates
- Created a recruitment packet, including "Come Work with Us" and "VPF Profiles" brochures
- Provided process optimization support to VPF functional areas, including the laser identification program
- Advanced diversity, equity, and inclusion as a high priority for VPF:
 - Continued to maintain, support, and enhance a highly diverse workforce (21% of administrative staff and 37% of support staff were members of underrepresented minorities)
 - Staff members served on the Council for Staff Diversity and Inclusion and assumed leadership roles with the Institute-wide Diversity Summit and Employee Resource Groups
 - Notably active participation in Institute Employee Resource Group programs
 - Ongoing activities to enhance and support an inclusive community, such as monthly employee e-newsletter and bimonthly new employee welcome breakfasts
- Encouraged and supported staff member participation in the following MIT activities:
 - Administrative Advisory Council II
 - Commencement volunteering
 - Committee for Review of Space Planning
 - Council on Family and Work
 - Employee resource groups
 - Freshman advising
 - IT Partners
 - MIT Federal Credit Union Advisory Committee
 - Working Group on Support Staff Issues

Budget, Financial Planning and Analysis, Treasury

VPF continued to reorganize and add staff in this area to provide additional capacity and strategic capabilities to support the increased demands on the team that are being driven by accelerated Institute initiatives. These initiatives include the Institute-wide Task Force on the Future of MIT Education, the Kendall Square Initiative, and Lincoln Laboratory's proposed West Laboratory, as well as the MIT 2030 campus development framework and its required financing. In addition to adding a second director, this year the group added two financial analysts.

Staff members in these areas help guide financial strategy and analysis in support of MIT's mission. Key ongoing deliverables include the preparation and presentation of financial reports and analysis to the Institute's Executive Committee and the MIT Corporation in the areas of financial performance (Report of Financial Results), capital planning, budgeting (Budget Book), and endowment distribution. These teams also administer the Institute-wide budgeting process, provide representation on the Enrollment Management Group for tuition-setting decisions, and chair the Budget and Finance Steering Group. During the course of the year, they prepare and monitor performance against the annual budget, have a major role in closing the Institute's financial books, and are responsible for the strategic and operational deployment of MIT's working capital.

Significant FY2014 accomplishments include:

- Obtained a 100-year Series C taxable financing of \$550 million to lock in the funding of the Institute's capital plan through FY2018. This financing set a record for a century offering at a 108 basis points spread to the 30-year US Treasury rate, breaking the previous record of 130 basis points set by MIT with Series B in 2011.
- Performed a comprehensive 30-year review of the Institute's finances, which was the centerpiece of September's Executive Committee strategic retreat and provided the foundation of the analysis informing the development of a financial model for the Institute-wide Task Force on the Future of MIT Education. The team also provided significant support to the Working Group for the New Financial Model for Education and its revenue-generation subgroup.
- Collaborated with the Facilities Department to conduct a comprehensive analysis of Institute capital strategy and, specifically, to firm up the campus development strategy through FY2020.
- Continued to collaborate with the MIT Investment Management Company (MITIMCo) on real estate financing projects, which financed the 610 Main Street South building in February.
- Continued to collaborate with Lincoln Laboratory and the Office of General Counsel, as well as banking partners, to develop a strategy for the financing and operation of the West Lab project on the Lincoln Laboratory campus.
- Provided support and guidance to the new provost concerning budget responsibilities and oversight.
- Worked with the Controller's group to improve the process around quarterly reporting to the Budget and Finance Steering Group.
- Developed a web form for making budget change requests. The new tool, the NIMBUS Budget Transaction Request, developed in conjunction with administrative and financial officers across a number of departments, laboratories, and centers (DLCs), allows administrators the option of entering budget changes directly into the NIMBUS system. This streamlined process will improve accuracy by reducing data entry steps and will provide more clarity regarding transfers.

Controller's Group

Comprising Financial Accounting and Reporting (FAR), Sponsored Accounting, Property Accounting, and Tax Services, the Controller's group is focused on providing a high level of customer service within VPF and to the MIT community. Implementing financial processes that emphasize operating effectiveness and efficiency is its primary objective. This was clearly evident in working with various members of the MIT community, specifically regarding two external audits, annual financial statements, and an annual compliance audit of federal awards, that resulted in no management letter comments and no findings, respectively. The following summarizes additional FY2014 accomplishments.

Financial Accounting and Reporting

The FAR team provides broad-based accounting and financial reporting services to the MIT community and senior management and is dedicated to delivering high-quality, reliable, timely, and accurate financial information. The team oversees the Institute's general ledger accounting system and manages the monthly, quarterly, and year-end closing of the Institute's books. The team works to maintain compliance with federal regulations and accounting standards and serves as a resource for training and collaboration with the MIT community for continued improvement in business processes and procedures.

Key activities for the FAR team in FY2014 include:

- Continued collaborations with the community to achieve compliance with PCI 3.0 and the re-coding of more than 120 merchants to use Secure Web Acceptance
- Automated the process to update the annual insurance rates in FileMaker for benefits accounting, automated the dunning letter run and the customer clearing process, and implemented an opt-in choice for benefit account invoices to be emailed to customers
- Implemented the delivery of electronic receipts by email and an online smart form for check deposits
- Successfully negotiated with the Singaporean Internal Revenue Agency to achieve a dramatic reduction of withholding tax obligations for the Institute's initiatives in Singapore, resulting in tax savings as well as improved cash flow at the departmental level
- Collaborated with Accounts Payable and Human Resources to move the tuition reimbursement process from paper checks to direct deposit
- Successfully partnered with various departments, labs, and centers to improve financial reporting and proactively worked with other central offices to streamline and simplify financial postings
- Partnered with the Office of Sponsored Programs to successfully update, shorten, and reformat the Fundamentals of Financial Management class, which now includes an online introduction course to supplement the more detailed, in-class course offering

Sponsored Accounting

The Sponsored Accounting team is responsible for billing and collections, approval of journal vouchers with WBS (Work Breakdown Structure) elements, financial reporting, and audit and closeout for all federal and non-federal sponsored awards on campus, with total annual research expenditures of approximately \$700 million. In FY2014 Sponsored Accounting continued to strengthen the billings and collection process to better manage sponsored receivables. Community engagement improved through group training presentations, interactive demonstrations, and individual tutorials on the sponsored billing and collection process.

Timely financial reporting for all sponsored awards is of vital importance to MIT and its sponsors, and VPF continued to focus considerable resources and effort on this responsibility. Over the past fiscal year, reporting capabilities were enhanced through the continued use of a monthly Cognos pre-audit report and notification and the adoption of a more user-friendly and efficient method for tracking and reporting the amount and timeliness of Federal Final Financial Reports. The Sponsored Accounting team continued to work with the Office of Sponsored Programs and Research Administration Coordinating Committee to address the root causes of reporting and other financial compliance items. Effective management of cost-sharing obligations continues to be the priority of this collaboration.

Property Accounting

The Property Accounting (Property) team is responsible for the accounting and management of all on- and off-campus equipment and capital assets, which in total are valued at more than \$2.5 billion. Among its responsibilities, Property conducts an ongoing inventory of all on-campus equipment and maintains depreciation schedules for all MIT buildings, space changes, utilities, and equipment. In FY2014, Property completed the biennial inventory of equipment records. The results were an improvement over the previous cycles. Property also initiated a pilot program to track Class 3B and Class 4 lasers in conjunction with VPF Procurement and MIT Environment, Health, and Safety, which will help MIT comply with the Commonwealth of Massachusetts reporting guidelines.

During FY2014, Property was part of the National Science Foundation site visit, which resulted in no findings. The Property team continued to work with the grant committee of the Independent Residence Development Fund to manage grants and loans to fraternities, sororities, and independent living groups for improvements to houses. In FY2014, the fund issued 20 new grants (totaling \$325,000), three new loans (totaling \$4.5 million), and \$881,000 for a community-wide project for Dark Fiber. In FY2014, Property will be recognizing major equipment purchases with federal funds on the financial statements for the first time.

Tax Services

Tax Services supports the Institute's compliance objectives by preparing and filing required Internal Revenue Service (IRS) and state tax forms on behalf of the Institute, advising the Institute on the tax implications of its current and proposed activities, and

identifying and managing the Institute's tax risks. In FY2014, with support and guidance from Financial Accounting and Reporting, Budget, Financial Planning and Analysis, Treasury, and others, Tax Services filed the Institute's various IRS Forms 990 and 990-T in a timely manner. Additionally, in an effort to streamline the Form 990 data gathering and organization process, Tax Services adopted tax preparation software.

Tax Services expanded its compliance targets by increasing the number of states in which unrelated business income tax returns were filed. Filings were made with 32 states for the Institute and with 24 states for the retirement plan. Tax Services also partnered with MITIMCo to help manage the federal, state, and international tax compliance of the Institute's diverse alternative investment activities. Tax Services continued to provide the tax research and assistance required to support the Institute's increasing international activities. It continued its collaboration with members of VPF, the Office of the General Counsel, the Office of Major Agreements, and the Office of Sponsored Programs (OSP) in reviewing agreements with international sponsors and worked closely with OSP on tax-related language for agreements with US sponsors.

Faculty Effort Reporting

VPF collaborated with the offices of the Provost and the Vice President for Research to enhance policies and systems related to the charging of Faculty Summer Salary to Sponsored Projects. Known as the Faculty Effort Reporting (FER) initiative, this effort was a component of an overall strategy to enhance research administration capabilities at MIT.

The FER initiative in FY2014 focused on improving compliance monitoring as it is related to effort and distribution. As part of this initiative, a new web tool was developed to assist administrators in processing summer session appointments for faculty and other eligible academic and research staff members. The tool helped support compliance monitoring related to MIT's long-standing policy on charging Faculty Summer salary to sponsored projects.

The tool replaced the previous processes for requesting summer session payments and the Electronic Salary Distribution System for modifying the distribution of Summer Session appointments.

Financial Operations

Financial Operations serves the MIT community in the areas of Buy-to-Pay (Accounts Payable and Sourcing and Procurement), Travel Services, and HR/Payroll by facilitating the processing of transactions, providing guidance and training, reporting that informs strategic decision-making, and supporting overall Institute compliance. By emphasizing seamless and intuitive processes, customer service, and cohesive controls, the team fills an important role in enabling faculty, students, and staff to work toward the MIT mission.

Buy-To-Pay***Accounts Payable***

- Implemented the concept of a “year-end, year-round” reconciliation process by performing quarterly data scrubs and year-end tax reporting simulations
- Continued to make enhancements to the electronic request for payment reimbursement system, allowing for greater ease of use for the MIT community and for faster approvals and payments
- Implemented employee tuition assistance reimbursement payments via Automated Clearing House direct deposit, providing faster payment to employees and a cost savings associated with the elimination of approximately 1,000 paper checks yearly
- Automated all daily segregation of duties reports

Sourcing and Procurement

- Upgraded the electronic catalog user interface and web content to provide a more efficient and intuitive user experience
- Implemented the capability for DLCs to obtain official copies of standard purchase orders on demand within Atlas
- Simplified the requisition creation process by pre-populating user information fields and enabling the distribution of costs among up to 10 cost objects
- Strengthened partnerships with DLCs by utilizing spend analytics data and metrics to collaborate on the identification of operating efficiencies and sourcing opportunities
- Developed additional online learning tools for on-demand assistance and training to improve the user experience with systems and processes, while increasing compliance with policies and regulations
- Implemented procurement processes for restricted and export-controlled items in collaboration with the Office of Sponsored Programs
- Verified pricing integrity and accuracy through third-party audits of major supplier agreements
- Leveraged collaboration with the Facilities Department and the Consortium to drive additional savings on joint bids and reverse auctions

HR/Payroll

- Established a Financial Service Center walk-in desk on the fourth floor of NE49 for all financial operations areas
- Facilitated the adoption of Atlas HR Transactions in the engineering and science areas through outreach sessions and one-on-one training

- Supported the rollout of the new summer session web application, replacing an inefficient spreadsheet-based process, to improve compliance and drive efficiency for the DLC community and VPF;
- Developed functionality to directly deposit off-cycle payments, eliminating paper-check processing and delivering improved service to the community
- Continued to reorganize the HR/Payroll team and developed a plan to move the payroll tax and accounting team from the Controller's Group to Financial Operations

Travel Services

- Rolled out the following enhancements to the Concur travel system: unexpensed travel card transaction reports, automated dunning process enhancements, and Trip Link
- Gathered requirements for Concur 2.0 enhancements
- Continued training and outreach to assist the MIT community with the Concur system
- Currently reviewing the Concur system and making enhancements based on community feedback

Financial Systems and Data

VPF launched the Financial Systems and Data team in November 2012 to support its increased efforts in process optimization, control and compliance, and service delivery. FY2014 accomplishments include:

- Hired a senior business intelligence analyst to focus on reporting and analytics,
- Implemented a system problem-response playbook in collaboration with Information Systems and Technology
- Implemented online budget submission functionality
- Implemented a second direct deposit for payroll
- Automated year-end close functionality for FAR

Israel Ruiz

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