

Office of the Vice President for Finance

The [Office of the Vice President for Finance \(VPF\)](#) works to advance MIT's mission by supporting thoughtful stewardship and effective deployment of the Institute's financial resources. In fiscal year 2018, VPF focused its efforts in the areas detailed below.

Major Systems Projects

In FY2018 we completed the implementation of Buy-to-Pay (B2P), a fully integrated electronic workflow system for catalog purchases, external requisitions, and invoicing, and executed an updated release from application provider Coupa.

Also, we shifted faculty, salaried staff, graduate students, and fellows (more than 16,000 payees) from a monthly to semimonthly pay schedule. In addition, we managed a six-month communications campaign and hosted information sessions for the MIT community and payroll administrators, including Lincoln Laboratory.

New Federal Tax Law

VPF played a leadership role in analyzing, implementing, and informing the MIT community about the new federal tax law. For example, we:

- Partnered with the Office of the General Counsel (OGC) on analyses during congressional consideration of the legislation. These efforts supported MIT legislative advocacy, which, in combination with other advocacy, resulted in the removal of taxation of graduate student tuition remission from the final version of the law.
- Initiated and now lead a working group on implementation of the new law. We are partnering with peers through the National Association of College and University Business Officers to provide commentary to the Internal Revenue Service (IRS) on regulatory interpretations of the endowment tax and other provisions.
- Launched a multi-channel communications campaign for the MIT community about new federal tax withholding tables, employee W-4 forms, how to use the IRS tax calculator to calibrate federal withholding amounts, and instructions for adjusting these amounts.

Record Retention Policy

We updated the VPF record retention policy to provide greater flexibility for electronic storage of Procurement Card (ProCard) and MIT Travel Card receipts and to incorporate B2P's electronic goods receipt functionality, eliminating the need to save paper packing slips. Also, we aligned ProCard rules with Travel Card rules so that now neither card requires receipts for charges of \$75 and under. VPF managed a significant communications campaign to explain these changes.

Strategic Procurement and Contracting

Over the past year, we engaged in efforts to expand VPF's impact in supporting strategic procurement and contracting. For example, we worked with the deputy executive vice president (EVP) to design and establish a new governance structure for major IT procurements and played a key role in negotiating major information technology (IT) contracts and amendments, including those for general IT consulting services and for software and IT infrastructure with suppliers Dropbox, BroadSoft, and VMware.

Also, we helped negotiate MIT Medical's contract with Cerner for a new electronic medical records system. In addition, we collaborated with the Office of the Executive Vice President and Treasurer (EVPT), OGC, the Division of Student Life (DSL), the Office of Undergraduate Education, and the Office of Digital Learning (ODL) on MIT's digital accessibility policy.

Major sourcing initiatives in FY2018 included:

- Collaborating with DSL on a dining contract with Bon Appetit for all residential, most retail, and non-exclusive catering services.
- In collaboration with MIT.nano leaders, supporting a request for proposal (RFP) to solicit proposals from and secure contract awards with engineering design firms to develop a master tool installation plan for MIT.nano encompassing both new tools and existing laboratory and fabrication tools currently located in departments, labs, and centers (DLCs) throughout MIT.
- Supporting the Central Utilities Plant (CUP) security request for information (RFI) to understand the service offerings of, and identify suppliers with, physical and cyber-security capabilities and expertise in security standards for utility plants on university property.
- Completing an RFP for procurement of tax compliance services to prepare Federal Form 990-T tax returns for MIT and select partnership tax returns.
- Completing institutional preferred supplier agreements with two major suppliers of promotional items in collaboration with the MIT Technology Licensing Office (TLO) and MIT Communications Initiatives. Both firms are fluent in the MIT style guide (through past collaborations with many DLCs) and have systems in place with TLO to expedite the design approval process.
- Signing agreements with suppliers for tent rentals and related outdoor event needs and for institutional web design and development services.

We developed a framework for implementing the Office of Management and Budget uniform guidance procurement provisions that went into effect in July 2018 and a new online selection of source form to guide the MIT community through the process of documenting supplier selection. Also, we trained internal purchasing teams (Strategic Sourcing, Contracts, and Procurement Operations) on the new policy, processes, procurement thresholds, and the selection form. We hosted six information sessions for the MIT community (with approximately 250 attendees), implemented a communications strategy for B2P users, and scheduled additional community training for early FY2019.

In consultation with stakeholders, we implemented two major policy changes:

- In collaboration with the provost and the EVPT, we updated the MIT policy for business class travel to provide more flexibility to MIT travelers.
- In consultation with the Environment, Health, and Safety Office (EHS) and the MIT Police and informed by community feedback, we changed the policy on purchasing needles and syringes for research and medical use at MIT by removing an outdated requirement for an extra layer of sign-off.

Best Practices in Financial Stewardship and Innovation

Over the course of the fiscal year, VPF completed three versions of the FY2019 pro forma budget for review by the EVPT and the provost to help inform key FY2019 budgetary decisions. Also, VPF facilitated understanding of current-year facilities and administrative cost recovery dynamics.

Efforts related to the FY2019 administrative budget process (in collaboration with the deputy EVP) included development of new dashboards highlighting administrative unit expense and budget trends and new reporting templates to eliminate unnecessary burdens on units. In addition, a long-term financial model was completed for MIT Medical as part of a process addressing MIT Medical's organizational needs, resulting in the return of approximately \$595,000 in recurring budget allocations to EVPT.

With respect to Budget and Finance Steering Group (BFSG) improvements, we created (in collaboration with the deputy EVP) a new position tracker for administrative units to count filled and unfilled positions and compare actual salary expenditures with budgetary levels. Also, we initiated a new, more condensed format for forecasting the General Institute Budget and consolidated full-year results.

Key efforts in FY2018 included the following:

- Development of a reporting framework for MIT's Campaign for a Better World that tracks central receipts and other MIT receipts (in collaboration with EVPT, the Office of the Recording Secretary [RSO], and Resource Development) and completion of the first metrics-based analysis aimed at measuring the financial effectiveness of Campaign road shows
- Completion of a financial analysis (in collaboration with EVPT, MIT.nano leadership, and the Office of the Provost) relating to the opening of the MIT.nano building (Building 12)
- Enhancement of a working capital liquidity model designed to capture the impacts of updated forecasts for operating revenues and expenditures, the 2030 Capital Plan, the Kendall Square Initiative, and other investment real estate on annual liquidity forecasts
- Development of MIT's capital plan halfway assessment and updates to long-term financial modeling based on the FY2019 budget, MIT.nano, other capital plan dynamics, and different endowment return assumptions (in collaboration with EVPT, the deputy EVP, and Facilities Infrastructure Business Operations)

- Assistance in the preparation of a financial framework for the MIT Museum, including forecasting how the museum's financial model will be affected by the move to Kendall Square

We worked with the deputy EVP, the associate provost, the Infrastructure Business Operations director, the MIT Investment Management Company (MITIMCo) real estate team, and related staff to establish new protocols supporting a more coordinated approach to strategic decision making and budgeting for MIT leases.

We provided support for The Engine, including its grand opening event, operations, start-up and staffing, lease issues (expanding to an adjacent vacated commercial retail space), and planning efforts with MITIMCo to pursue significant expansion opportunities.

We developed updated expected return on asset assumptions for MIT pension and retiree welfare plans. In addition, we completed an MIT-controlled entity "organizational chart" to serve as a comprehensive resource on MIT mission- and investment-related entities and developed an electronic playbook for creating new MIT entities along with a process for regular updates.

We created a "core group" to foster stronger coordination and collaboration on analyses of major external funding transactions (with OGC, RSO, the Office of Sponsored Programs, and the Office of Major Agreements) and more robust day-to-day engagement on these issues. This group supplements other vehicles for collaboration on analyzing complex gifts and gift policies, sponsored research proposals, and fee-for-service arrangements, including the International Coordinating Committee and the Gift Policy Committee.

We developed a framework to provide more information to the MIT Corporation Risk and Audit Committee about tax compliance and consulting costs paid to external auditors and other expert consultants.

With respect to stewardship of the VPF budget, we further tightened VPF spending protocols to support a more effective approach to contract renewals, ensuring consideration of whether to put out to bid and leverage the expertise of the Strategic Sourcing and Contracts teams on RFIs, RFPs, and negotiation of contracts for goods or services. Also, we created a position tracker to support budget control and meet new BFSG reporting requirements.

Core Processes

We successfully executed recurring, core processes during the past year (see the key metrics section). Of note:

- We accomplished the earliest-ever issuance of the MIT Report of the Treasurer, reflecting accounting changes (revised treatment of real estate liabilities, non-controlling interests) and changes in financial statement geography (treatment of pension and retiree welfare asset/liability positions). In addition, we completed the first audits (financial statement and uniform guidance audits) with our new external audit lead engagement partner.

- We supported the MIT Hong Kong Innovation Node with its first annual close and Hong Kong Generally Accepted Accounting Principles audit.
- We completed the biennial MIT property inventory of all movable capital equipment.

Building a Foundation for Progress

Over the past year, we continued to build a foundation for progress across VPF units. As an example, we articulated the VPF 2020 Framework, laying out the following core themes for VPF over the next three years:

- Innovate and modernize to improve the community experience
- Forge stronger internal and external connections
- Enhance financial vigilance and resilience
- Practice sustainability
- Advance agility and community within VPF

In addition, we developed the Buy-to-Pay 2020 Vision, identifying the next tier of initiatives, project teams, and governance structure. Key initiatives envisioned include:

- Implementing the Amazon Business Account, enabling DLCs to buy from Amazon using the MIT ProCard
- Adding Amazon to the B2P catalog system, allowing DLCs to shop and create requisitions with Amazon in B2P
- Achieving operational efficiencies through a streamlined supplier set-up process, increasing electronic payments (direct deposits) to suppliers, allowing electronic invoicing, automating audits and reviews of travel expense reports, and enabling employee Travel Card reimbursements to MIT through payroll deductions and credit card payments

We have already commenced a number of initiatives, most notably the Amazon Business Account project and development of potential automation capabilities for travel expense report reviews and auditing.

We launched VPF Training 2020 to modernize and improve the training offered to MIT's administrative community. Also, we upgraded materials and courses for the Fundamentals of Financial Management curriculum and created mechanisms for ongoing community input on and review of training needs and priorities. We identified the Journal Voucher 2020 process improvement project as a FY2019 priority, supported by positive feedback from the Administrative Systems Steering Committee.

VPF revisited long-standing assumptions about payment card industry (PCI) compliance requirements and determined that encryption technology offers greater flexibility for more modern and integrated credit card payment capabilities. The MIT Medical Corner implementation, currently in progress, is the first project to reflect this new approach.

In collaboration with staff from VPF Budget and Financial Analysis, Treasury and Planning, and the Controllershship, we created an internal working group on financial data and reporting. The group is beginning to assess opportunities for improvements across and between these areas and to engage with Information Systems and Technology (IS&T) on this topic.

With oversight from a new assistant controller, VPF's Sponsored Accounting unit began a reorganization effort, aligning resources based on sponsor expertise. The team is planning to move to a metrics-based model to guide resource allocation and measure staff performance.

VPF secured tenant improvement funding and approval from the Renovations Subcommittee of the Committee for Renovations and Space Planning for an office renovation project (new carpeting, painting, new kitchens and collaborative spaces on third and fourth floors of NE49) that will be undertaken during summer 2018.

We introduced *Quick Takes*, a brief email update for staff members, and realigned the schedule for our staff-focused newsletter to bi-monthly. In addition, we further built out the VPF intranet.

Key Organizational Developments

VPF's organizational structure expanded to six directorates, with Treasury and Planning rejoining VPF. Under the leadership of Allen Marcum, this unit plays an extremely significant role in developing and executing major financial strategies and initiatives on the part of MIT, and its return to VPF supports an organizational framework that facilitates collaboration across closely related finance functions.

Rich Crook was promoted from assistant director to director of budget and financial analysis, leading a unit that orchestrates the development and implementation of the Institute's annual budget and conducts analyses to inform financial decisions.

There were significant organizational changes within the Controllershship. Long Tran, who most recently served as assistant director of VPF Tax and Global Operations (TGO), was promoted to assistant controller, overseeing both the TGO and Sponsored Accounting teams. John Donnelly was promoted from assistant controller to associate controller, overseeing financial accounting and reporting – which includes Accounts Receivable, Cashier Services, general accounting, benefits accounting, endowment accounting, and research reporting – and assisting with strategic planning for the Controllershship as a whole. Stephen Hoover was promoted to senior manager of financial accounting and reporting. Jodi Kessler was promoted to senior manager of tax, leading the Tax and Global Operations unit.

Leslie Wright, VPF's consulting business systems analyst on the Financial Systems and Data team, was recognized with the 2018 MIT Excellence Award in the Serving the Client category.

Key Metrics

Key metrics in FY2018 include the following:

- Administering an annual payroll of \$1.472 billion, processing 505,016 payments to 21,782 individuals
- Processing more than \$1.5 billion in payments on more than 381,000 invoices
- Processing 60,086 travel expense reports while overseeing administration of 4,307 MIT Travel Cards and 3,928 Procurement Cards
- Invoicing, collecting, and reporting on \$696 million in campus sponsored research revenue (55% federal and 45% industrial, corporate, and subcontracts) and managing more than 3,400 unique sponsored research accounts
- Directly collecting and processing \$2.18 billion in revenue via wire transfers, checks, and internal transfers
- Supporting 140 campus merchants in securely collecting \$67.6 million (via 450,000 transactions) in credit card payments to MIT
- Processing 45,761 journal vouchers
- Completing the biennial inventory cycle, accounting for more than 60,000 pieces of equipment in 70 campus buildings and off-campus sites
- Tagging and accounting for 5,702 new pieces of equipment valued at \$77.6 million
- Filing 1,478 tax forms, including Internal Revenue Service (IRS) Forms 990 and 990-T, multiple state tax filings, and international tax forms
- Orchestrating the overall Institute budget, encompassing \$3.6 billion in budgeted expenditures
- Managing the submission of 299 departmental budgets and processing 2,980 budget change transactions
- Reviewing, negotiating, and signing 5,110 contracts
- Executing a lease for the expansion of The Engine into an adjacent commercial property, increasing innovation and entrepreneurial space by 10%
- Executing the annual process of closing the Institute's finances, including overseeing publication of the annual Report of the Treasurer
- Preparing and submitting the Reports on the Audit of Federal Financial Assistance Programs (known as the A-133 Audit Report)
- Preparing and submitting payroll and accounts payable year-end tax forms
- Publishing the annual Budget Book and internal Report of Financial Results
- Publishing the annual Report of Sponsored Research Activity (known as the Brown Book)

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