

## Supporting VA's Mission

VA is one of six federal agencies participating in the Franchise Fund Pilot Program authorized under the Government Management Reform Act (GMRA) of 1994. Established in 1997, the common administrative services provided by the VA Franchise Fund were to be financed on a fee-for-service basis rather than through an appropriation. We recover the full cost of our operations through customer revenue; therefore, it is imperative to deliver high-quality goods and services at competitive prices. We must also be responsive to our customers on a continuous basis to retain their business.

The VA Franchise Fund supports VA's mission by supplying common administrative services at competitive prices. We are able to do this by adopting more efficient business processes and by increasing sales to new and existing customers. This conserves scarce VA resources by spreading fixed costs over a larger customer base. By doing so, VA

can devote more resources to its primary mission. As we successfully market our services to other federal agencies, we enable the programs in those agencies to derive similar benefits.

VA business accounted for 77 percent (\$155.9 million) of our FY 2003 revenue stream. We are aggressively leveraging technology and improving customer service to expand our business beyond the walls of VA. In FY 2003, 23 percent (\$46.5 million) of our revenue came from external business.

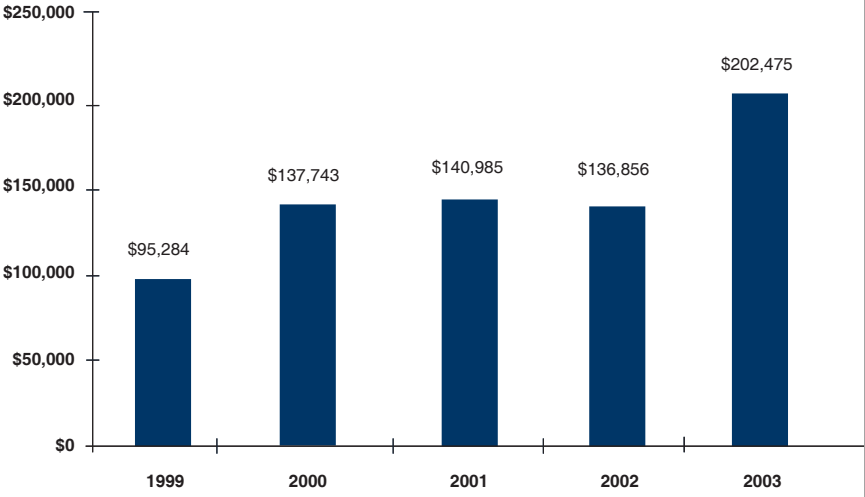
## Stakeholders

*External stakeholders include:* Veterans and their families, private sector vendors, the Department of Agriculture (Agriculture), Department of Defense (DoD), Department of Energy (DOE), Department of Labor (Labor), Department of the Interior, Department of State, Department of the Treasury (Treasury), Department of Transportation (DOT), General Services Administration (GSA), Office of Management and Budget (OMB), National Archives and Records Administration (NARA), National Aeronautics and Space Administration (NASA), Securities and Exchange Commission (SEC), and other federal agency organizations.

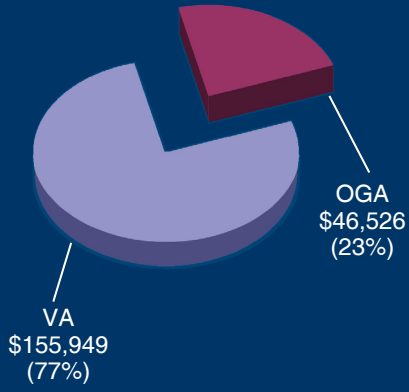
*Internal stakeholders include:* Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and other staff offices within VA.

With the exception of the slight decrease in FY 2002, our revenue has steadily increased each year. By the end of FY 2003, our total revenue grew to more than \$202 million, a 32 percent increase over FY 2002 levels (\$136 million). This dramatic increase was attributed to the significant increase in our external sales. Ending FY 2002 with just over \$7.9 million in external sales, we were able to increase external sales to well over \$46.5 million by the end of FY 2003. It is clear we are doing things right, and we are committed to continuing this growth through high-quality customer service.

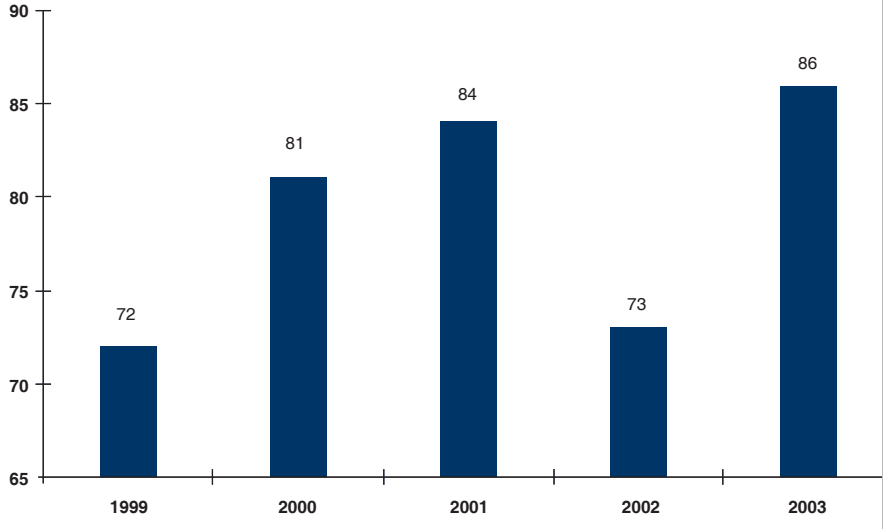
**VA Franchise Fund Revenue Trends**  
As of September 30,  
(Dollars in Thousands)



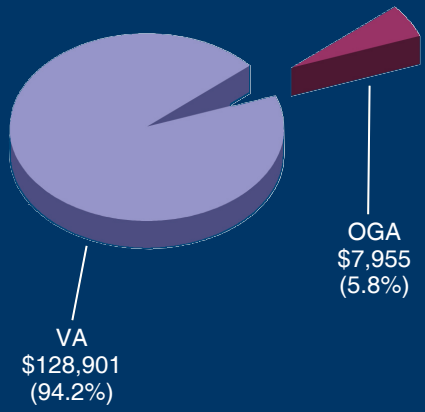
**Revenue Sources - VA vs. OGA**  
As of September 30, 2003  
(Dollars in Thousands)



**VA Franchise Fund Customer Trends**  
As of September 30,



**Revenue Sources - VA vs. OGA**  
As of September 30, 2002  
(Dollars in Thousands)



### Brief Description of the VA Franchise Fund

Made up of six self-supporting organizations and one administrative office, the VA Franchise Fund employs 653 employees. Each center provides its customers with professional, high-quality service. Our knowledgeable and experienced professionals are enabling their federal clients to succeed in today's challenging budgetary climate.

The **Austin Automation Center (AAC)** provides cost-efficient e-government solutions and enterprise best practices. The AAC supports over 100 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, eligibility benefits, and supply functions.

The **Debt Management Center (DMC)** is a leader in the federal debt management community. The DMC oversees the entire collection process: making initial cold calls to debtors, negotiating repayment plans, and administering automated recovery programs. The DMC employs every collection tool available to federal agencies (referrals to locator services, private collection agencies, and computer matching).

The **Financial Services Center (FSC)** provides federal financial solutions and a complete suite of financial management services.

The **Law Enforcement Training Center (LETC)** is the sole provider of a unique federal law enforcement training program that provides an alternative approach emphasizing nonviolent techniques to ensure the safety of VA medical centers' patients, visitors, and staff, while maintaining order in a federal institution. The LETC's program is geared toward resolving incidents in a humane, respectful manner and to utilize law enforcement as a last resort.

The **Records Center and Vault (RC&V)** provides a highly secure, climate-controlled certified storage facility that houses short- and long-term records and files.

The **Security and Investigations Center (SIC)** performs investigations/adjudications, fingerprint processing, and identification badge and access card design and production.

The **Enterprise Fund Office (EFO)** provides administrative support to the Enterprise Centers by directing and analyzing the budget formulation and execution process and overseeing the overall financial and business planning. The EFO prepares the annual report, coordinates marketing activities and ensures the Enterprise Centers are kept informed of current trends, policies and legislation impacting their operations. The EFO also engages a private accounting firm to conduct annual audits of the financial statements.

## Major Product Categories

	Information Technology	Financial Management	Security & Law Enforcement
<b>Austin Automation Center</b>			
IT Systems Hosting Services	*		
Application Management	*		
Information Assurance	*		
Customer Business Continuity	*		
Configuration Management	*		
Data Conversion and Data Interfacing	*		
Acquisition Services	*		
<b>Debt Management Center</b>			
Account Maintenance		*	
Administrative Offset		*	
Administrative Services		*	
Predictive Dialer (Telephone Solicitation)		*	
<b>Financial Services Center</b>			
Invoice and Payment Processing		*	
Payroll Services		*	
Financial Accounting/Reporting		*	
Audit Recovery Services		*	
Financial Consulting Services		*	
Credit Card Processing		*	
Travel Services		*	
Document Management		*	
Electronic Commerce/Electronic Data Interchange		*	
Common Administrative Services		*	
Vendor File Maintenance		*	
Medical Claims Processing and Payments		*	
Data Matching and Reconciliations		*	
Training		*	
<b>Law Enforcement Training Center</b>			
Basic Police Officer Training			*
Baton Instructor Training			*
Detective Training			*
Semi-Automatic Pistol Training			*
Administrative Investigations Training			*
Supervisory Officer Training			*
Self-Protection Training			*
Violence in the Workplace Training			*
Armorer Training			*
<b>Records Center and Vault</b>			
Records Storage	*		
Retrieval Services	*		
<b>Security and Investigations Center</b>			
Investigations/Adjudications			*
Fingerprint Processing			*
Identification Badge & Access Card Design and Production			*

The VA Franchise Fund generated total revenues of \$202 million in FY 2003. Revenue is comprised of three major categories (information technology, financial management, and security and law enforcement). The information technology segment generated \$121,018 (60 percent of the total revenue), while the financial management and security and law enforcement segments generated \$75,265 and \$6,193 (37 percent and 3 percent of the total revenue, respectively). We are proud of this performance and we look forward to maintaining it in the years to come.

**VA Franchise Fund Revenue  
by Major Product Categories**  
As of September 30, 2003  
(Dollars in Thousands)

