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Assistant Secretary for
Management

All of the employees of the VA Franchise Fund are to be commended for another successful year! You have successfully combined best business practices and state-of-the-art technology to improve service delivery.

Letter to Stakeholders

The franchising concept promotes efficiency and conserves resources by reducing administrative costs, enhancing financial management practices, and expanding competition.

I am pleased to present the Fiscal Year (FY) 2006 Department of Veterans Affairs (VA) Franchise Fund Annual Report, which celebrates our success as a thriving government business. Over the years, we have emerged as a leader by embracing business practices that promote efficiency and responsiveness.

The VA Franchise Fund functioned as a pilot subject to annual reauthorization during our first 9 years of operations. At the beginning of FY 2006, both the Congress and the Administration acknowledged our success and leadership by conferring permanent status to the VA Franchise Fund (Public Law 109-114).

Becoming permanent has not made us complacent. As a Franchise Fund, we must provide the highest level of service to VA and other government agency (OGA) customers. The substantial growth in revenue over the past 3 years clearly demonstrates distinctive achievement in meeting the demands of a diverse customer base. By the end of FY 2006, total revenue grew to more than \$297 million—an increase of 43 percent over FY 2004 levels (\$208 million).

Some of our significant FY 2006 accomplishments include:

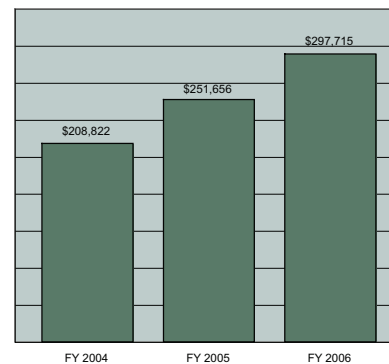
- Received the ninth consecutive unqualified “clean” audit opinion, which caps our extensive efforts to produce timely, reliable, and auditable financial statements.
- Achieved a ranking in the top 8 percent (4.15 out of 5.0) in an information technology customer survey among 232 public and private sector organizations in Gartner’s database.
- Increased debt collections from \$439 million in FY 2005 to \$550 million in FY 2006 by taking advantage of all available collection tools.
- Increased rebates from \$35 million in FY 2005 to \$37 million in FY 2006 as a result of aggressively using the commercial purchase card program for micro-purchases, fee basis, and travel.

- Launched several Web-enabled applications that greatly simplified workflow and drastically improved operations and service delivery:
 - Added enhancements to Pay.va.gov, which offers a simple, convenient payment option for veterans. As a result of this virtual payment mechanism, \$7.4 million was collected in FY 2006—57 percent over FY 2005 levels (\$4.7 million).
 - Rolled out an online interactive Web application for all continuing education, which provides law enforcement professionals with an online learning experience and enables them to monitor VA stations' progress and provide status reports to senior management.
 - Implemented a new database for managing and tracking background investigations.
 - Completed the development of Financial Accounting Service—Federal, which will improve intragovernmental payment and collection transactions by providing customers with a mechanism to obtain documentation of transactions processed, expedite clearing suspense items, and offset outstanding advances.
- Obtained additional space from the VA Medical Center in North Little Rock, Arkansas, to accommodate the advanced investigative training course.
- Completed development of the 80-hour refresher training course specifically designed for 700 VA police officers. The goal of this major 2-year initiative was to bring all VA police officers up to the same level of training.
- Took possession of the Records Center and Vault's newest records storage area (50,912-square-foot build-out), which has over 3,200 13- and 14-shelf steel shelving units that will accommodate the anticipated new records storage growth through FY 2009.

After reading this report, you will see how six vibrant lines of business helped VA leverage its resources in support of our Nation's veterans. Clearly, we are positioned to support VA's noble mission far into the future.



VA Franchise Fund Revenue Trend
(Dollars In Thousands)



Total revenue has steadily increased each year. By the end of FY 2006, our total revenue grew to more than \$297 million—an increase of 43 percent over FY 2004 levels (\$208 million) and 18 percent over FY 2005 levels (\$251 million). This additional business benefits all of our customers because it allows us to spread our overhead cost to a wider customer base.