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All of the employees of the VA Franchise Fund are to be commended for another successful year! A decade of unqualified “clean” audit opinions is truly outstanding!

## Letter to Stakeholders

Eleven years ago, the Department of Veterans Affairs (VA) embarked on a bold experiment that required six different organizations to become entrepreneurial and customer-focused. These six organizations became “fee-for-service” Enterprise Centers that no longer received annual appropriations. “Serving Government Clients Today to Build a Better Tomorrow” is the theme for the fiscal year 2007 VA Franchise Fund Annual Report. It’s a theme that each of our Enterprise Centers has embraced during the past 11 years.

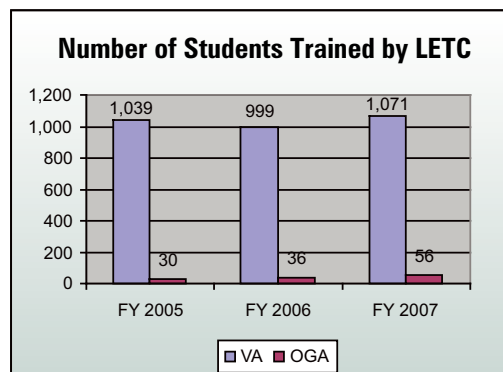
Even before the VA Franchise Fund began operations, our Department established a governance structure centered on a Board of Directors. I have the privilege of chairing this board, which is composed of senior leaders from the staff offices and the Administrations. The Board of Directors approves the annual business plans and rate structures of the Enterprise Centers. In addition, it is responsible for overseeing the financial stewardship of the Franchise Fund.

Having an active, engaged Board of Directors has been an important factor underlying the success of the Enterprise Centers. Although our board members are highly skilled and experienced individuals, I believe it’s necessary to consult experts on how we can improve and function at the highest level of performance. One of our board members, the Acting General Counsel, helped us engage such an expert, who provided a special training session during the past spring. Providing the proper level of oversight to the Enterprise Centers will help ensure that the interests of our customers continue to be at the center of our business model.

During FY 2007, the Enterprise Centers delivered high-quality services to a wide range of Federal clients. On behalf of the Board of Directors, I want to share some of our most significant accomplishments. The VA Franchise Fund:

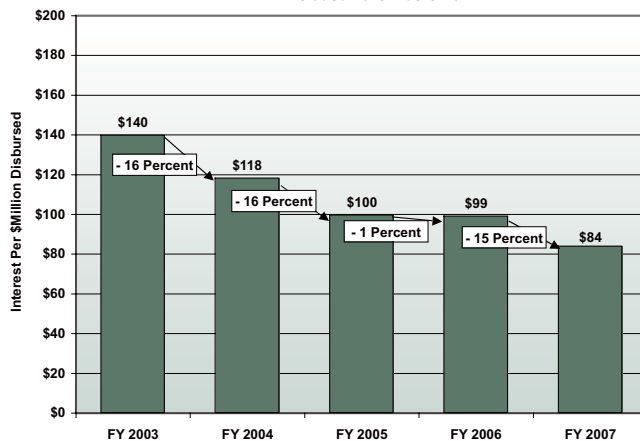
- Received the 10th consecutive unqualified “clean” audit opinion, which clearly demonstrates a decade of responsible financial stewardship.
- Delivered information technology services at significantly reduced rates. Comparing FY 2007 to FY 2006, direct access storage device (DASD) rates were reduced by 24 percent and central processing unit (CPU) rates were reduced by 23 percent.

- Demonstrated efficiencies in debt collection services with a rate of return of over \$80 collected for every dollar spent.
- Reduced interest penalties for late payments to vendors by 15 percent and obtained discounts whenever offered over 90 percent of the time.
- Completed the processing of over 14,000 background investigations.
- Strengthened course offerings to the police forces within VA and other government agencies (OGAs).
- Initiated a 75,000-square-foot expansion of the Records Center and Vault to accommodate records from a new customer.



These are only a few of the accomplishments detailed later in this report. All of these accomplishments provide key support to VA programs that serve veterans directly. We take great pride in this and look forward to adding to our record of success in the coming year.

### Department of Veterans Affairs Interest Per \$Million Disbursed Excludes Purchase Card



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Good is a Downward Trend

