Pressing Towards the Mark to Meet Franchise Fund Objectives

The franchising concept has added value to the government by empowering self-supporting federal government business entities to promote efficiencies in common administrative support services, reduce duplication of effort, foster competition, maintain customer satisfaction, and implement improved financial management and best practices.

Promoting Efficiencies in the Delivery of Common Administrative Support Services

We have a professional obligation to maintain excellence and to address the ever-changing challenges to provide the right services to our customers, at the right time, and in the right place. To guide those decisions, and to deliver quality common administrative support services, we are committed to actively listen to what customers say about their needs, and involve them in the development of future business activities. In many cases, the results benefit not only the immediate customer, but also the entire Department and ultimately the veterans we serve.

Online Credit Card Collections
In June 2004, the DMC implemented the use of credit cards using the Internet. Initial processes were developed and implemented to allow the entry of credit card information on a Web site and let that information flow through the banking system to the DMC for application. The system is being thoroughly tested with the DMC telephone operators performing all the key entry of the credit card information. Upon OMB's approval and the fine-tuning of the Web site to make it more user friendly, the Internet-based credit card collection system will be released to the general public in FY 2005. As a result of credit card collections, the DMC collected $3.3 million in FY 2004, compared to $2.1 million in FY 2003.

Receivable Breakout by Delinquency
The chart on page 17 shows the total amount of benefit debt by VA's delinquency status (delinquent debt over 180 days, delinquent debt under 180 days and non-delinquent debt). A delinquent debt is defined as a debt not paid in full within 30 days from the date of notification or a debt not in a current payment plan or offset status. In FY 2004, there was a 9 percent increase in new debt (majority of the new debt resulted from compensation and pension (C&P) debts). These debts are more difficult to collect due to the nature of the benefit. As a result, the dollar value of debts delinquent under 180 days rose slightly from $77 million in FY 2003 to $100 million in FY 2004. However, the DMC was successful in getting many debtors into payment or offset status as evidenced by the $23 million increase in the non-delinquent category from $492 million in FY 2003 to $526 million in FY 2004.
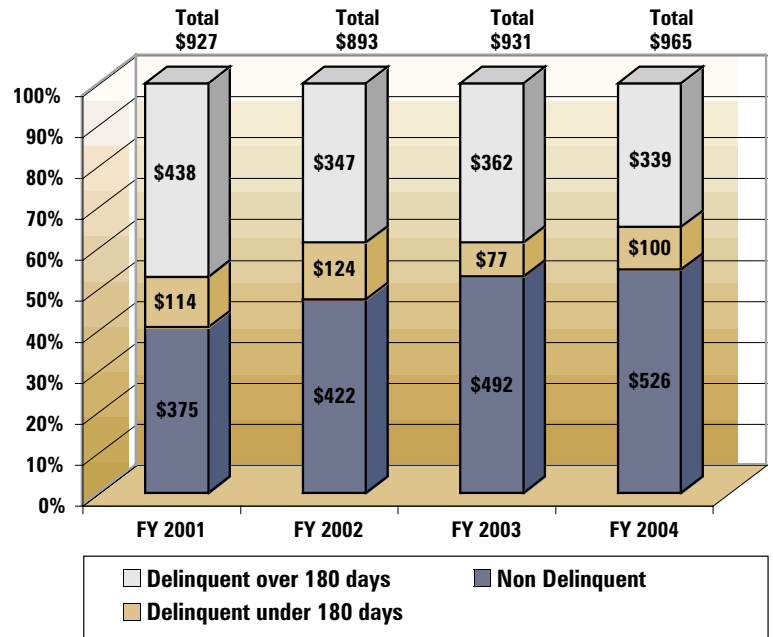
Debts that are delinquent over 180 days have been referred to the Department of the Treasury (Treasury) for offset under the Treasury Offset Program (TOP) or for further collection under Treasury's cross-servicing program. Even though the debts have been referred to Treasury for further action, they remain on our books and are aged accordingly. Reductions in those balances are a result of offsets from TOP, collections through cross-servicing or from write-offs due to unsuccessful collection action. As a result of the reduction from $362 million in FY 2003 to $339 million in FY 2004, the combination of TOP and cross-servicing programs has had a positive affect on the delinquent balance over 180 days.

### Administrative Offset by C&P for First-Party Medical Debts

This chart displays the total dollar amount of C&P benefits that were offset to liquidate delinquent first-party medical debts. VHA's delinquent medical debt file is compared against VA's active benefit payment file on a monthly basis to determine if benefits are available for offset. The number of delinquent medical accounts referred for matching purposes increased 27 percent from an average of 345,118 during FY 2002 to 436,708 during FY 2003. This explains the significant increase in the dollar value of offsets from $5.5 million in FY 2002 to $13.6 million in FY 2003. The volume of referrals has continued in FY 2004, and as a result, offsets exceeded $14 million.

**Receivable Breakout by Delinquency**
(Dollars in Millions)

	Total $927	Total $893	Total $931	Total $965
Delinquent over 180 days	$438	$347	$362	$339
Delinquent under 180 days	$114	$124	$77	$100
Non Delinquent	$375	$422	$492	$526
	FY 2001	FY 2002	FY 2003	FY 2004

☐ Delinquent over 180 days   ■ Non Delinquent
☐ Delinquent under 180 days

Administrative Offset of C&P Benefits for First-Party Medical Debts
(Dollars in Millions)

|	FY 2001	FY 2002	FY 2003	FY 2004
	$4.2	$5.5	$13.6	$14.3
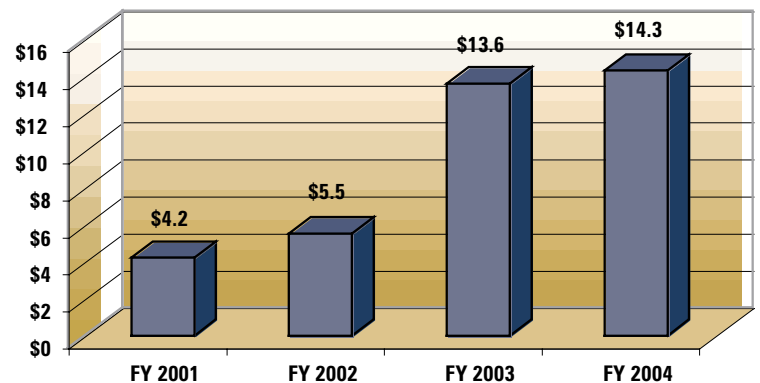
Each component that makes up the VA Franchise Fund makes a concentrated effort to press towards the mark to meet franchise fund objectives. We have a professional obligation to maintain excellence and to address the ever-changing challenges to provide the right services to our customers, at the right time, and in the right place.
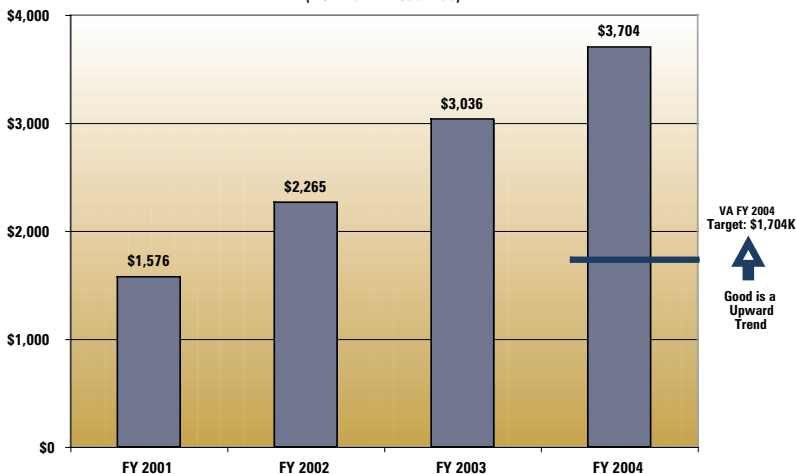
Department of Veterans Affairs
Total Interest Penalties
(Dollars in Thousands)
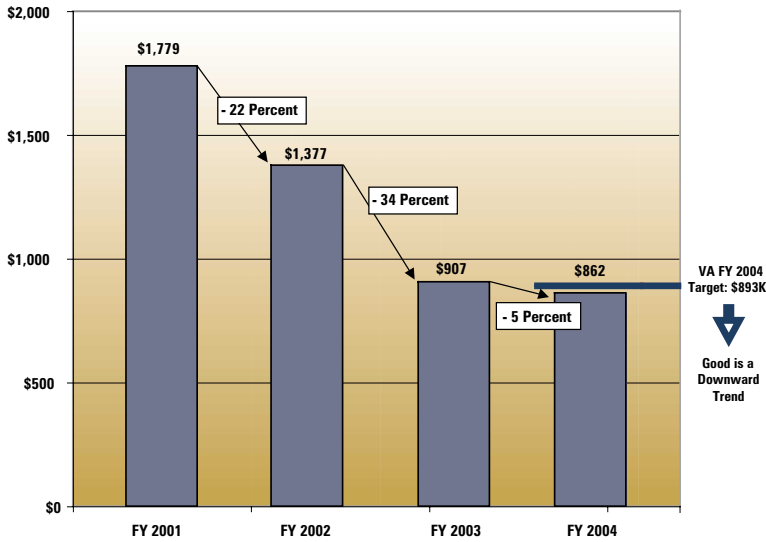
Department of Veterans Affairs
Percentage of Total Discounts
(Earned vs. Available)
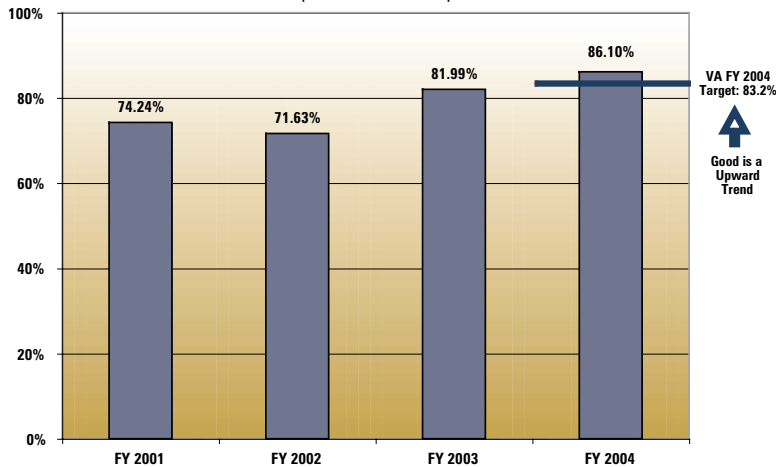
Department of Veterans Affairs
Total Audit Recovery
(Dollars in Thousands)

Prompt Payment

VA continued to enhance its vendor payment processes throughout FY 2004. The Department processed over 5.3 million Prompt Payment Act (PPA) eligible invoices worth over $8.4 billion, with nearly 99 percent paid on time. In FY 2004, interest payments VA-wide declined by $45,000 (from $907,000 to $862,000)—a 5 percent improvement over FY 2003 levels and an annual reduction of $515,000, or 37 percent, over the past 2 years. At the same time, discounts earned surged by $469,000 to over $2.7 million, a 21 percent improvement over FY 2003 levels. VA's percentage of discounts earned also improved from 82 percent in FY 2003 to 86.1 percent in FY 2004.

Payment processing improvements saved VA $514,000 in FY 2004. The Department can use these savings to improve veterans' care. VA also continued to gain efficiencies and better results through an initiative completed in FY 2004 to centralize vendor payment activities at the FSC. By centralizing vendor payment activities, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts over improper/duplicate vendor payments. The FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment and, as appropriate, collection. The FSC also reviews vendor payments to identify and collect improper payments resulting from payment processing such as erroneous interest penalties, service charges, and sales taxes. This initiative, started in FY 2004, recovered over $31,000 in erroneous interest penalties, service charges, and sales taxes for reuse by VA entities.

Overall, during FY 2004, collections of improper payments and the recovery of unapplied vendor statement credits totaled over $3.7 million—a 22 percent increase over FY 2003 collections ($3.0 million). Improved pay-

ment oversight also enabled VA to identify and cancel nearly $3.9 million in potential improper payments prior to disbursement during FY 2004. Since the inception of the FSC's audit recovery effort in FY 2001, VA has recovered over $10.5 million in improper payments and prevented the improper payment of another $9.7 million.

Purchase Card Program

The Department aggressively used the governmentwide commercial purchase card program. Over 3.6 million purchase card transactions were processed in FY 2004, representing over $1.9 billion in purchases compared to 3.2 million processed in FY 2003, resulting in $1.7 billion in purchases. In FY 2004, the electronic billing and payment process for centrally billed card accounts earned VA $30.3 million in credit card rebates—compared to $18.2 million during the same period in FY 2003. These rebates are returned to VA entities for use in veterans' programs. The increase in rebates can be mostly attributed to the increase in basis points VA receives as a result of the recompeted contract with the contract bank.

Fee Basis Credit Card Program

VA's fee basis credit card program went "live" in September 2003. This program electronically automates health care fee basis payments, eliminates processing of paper checks, and earns VA additional purchase card rebates. During FY 2003, the program generated 88 transactions and $8,000 in payments. In FY 2004, the number of fee basis purchase card transactions exceeded 21,000 and were valued at $5 million in payments, earning VA over $81,000 in additional rebates.

Prime Vendor Payment System

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. During FY 2004, 126 VA medical centers used the Prime Vendor System to electronically process over 454,000 transactions worth over $3.5 billion compared to over $3.1 billion during FY 2003.

Purchase Card Rebates
(Dollars in Millions)

	FY 2001	FY 2002	FY 2003	FY 2004
	$15.6	$15.9	$18.2	$30.3
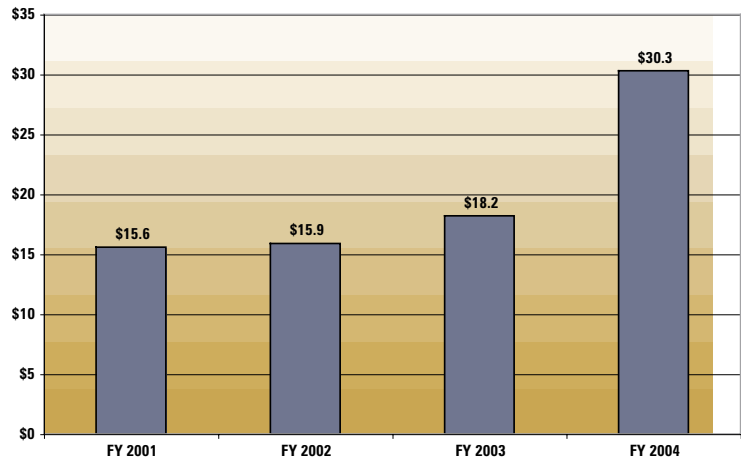
Electronic Commerce/Electronic Data Interchange System

Electronic commerce (EC)/electronic data interchange (EDI) uses commercially available, off-the-shelf software and national standards to move mission-critical information between VA and each of its trading partners which include vendors, mortgage service providers, and health care entities. EC/EDI also provides for internal exchange of information among VA application systems. Electronic data transfers enable program offices to restructure their work processes, take advantage of the accuracy and timeliness of electronic data, and concentrate on service objectives.

The FSC provides EDI services to process VHA Medical Care Cost Recovery (MCCR) health care billings. The FSC is also supporting VHA initiatives such as electronic Insurance Identification and Verification, electronic Pharmacy, electronic Medicare Remittance Advice, and the MCCR lockbox initiative for recording receipt of payments for billed items. Additionally, the FSC provides EDI services to assist the Veterans Canteen Service in receiving and processing invoices. The FSC will continue to support VA's efforts to increase cost savings and program efficiencies through the expansion of electronic data transfers in VA applications. The FSC will also continue to support VHA's efforts to comply with EC/EDI mandates identified in the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The FSC recently procured software to electronically ensure the validity of data with regard to HIPAA compliance.

In addition to VHA, the FSC provides EC services to VA's Denver Distribution Center for invoices and payment vouchers, and to VA's subsistence prime vendor program. Furthermore, VBA benefits from FSC's EC services in the handling of loan processing, identifying the status of loan defaults, and processing loan guaranty certificates.

Fully Operational Corporate Data Center Infrastructure

The AAC serves as the lead project manager for VA's Corporate Data Center Infrastructure (CDCI), which became fully operational at the end of FY 2004. Over the past year, the AAC successfully demonstrated the concept of remote electronic vaulting, an electronic backup and recovery technology. In the event of a computer outage, this technology increases data security, reduces the time required for data recovery of mission-critical data, and provides for near-current data. As the Department moves to more enterprise-wide applications and transitions from batch-oriented to online transaction processing applications, the importance of a reliable and proven disaster recovery process cannot be overstated.

Business Continuity of Operations Planning Services

Having recently completed the CDCI project, the AAC is now able to offer highly sophisticated Continuity of Operations (COOP) planning services including enterprise fail-over capabilities, increased data availability for mission-critical applications, and hot-site backup solutions. A tiered service offering has been developed to allow mission-critical enterprise business functions and key enabling functions to be supported at a higher level of service, while keeping more cost-effective options available for routine activities such as historical repositories used for analysis.

Site Accreditation

Working with VA's Office of Cyber and Information Security (OCIS), the AAC received site accreditation for its IT infrastructure. These efforts ensure the security of the AAC's employees, customer data, and applications. The AAC also participates on several OCIS-led enterprise security working groups to discuss proposed enterprise-wide enhancements including smart cards, intrusion detection/prevention, and antivirus. Participation in these programs helps to ensure that the AAC's security program is on the leading edge and integrated with OCIS' plans for the VA enterprise.

New 80-Hour Refresher Training Course

The LETC plays a vital role in helping VA's law enforcement community meet its training needs. In an effort to bring VA police officers, who received training prior to FY 1996 up to the same training standard, and to maintain proficiency and address customer expectations for a fully trained officer corps, the LETC implemented an 80-hour refresher training course in FY 2004. As a result, 138 VA police officers completed the course and 300 per year are expected to be trained in FY 2005 and FY 2006.

The LETC plays a vital role in helping VA's law enforcement community meet its training needs. In addition, the LETC's training program is sought out by federal agencies that have the same customer-oriented vision of policing as VA.

Increase in the LETC's OGA Business

With the completion of VA's firearms initiative in FY 2003, which primarily catered to VHA, OGA business dramatically increased from $18,971 in FY 2003 to $84,570 in FY 2004. Our training program is sought out by federal agencies that have the same customer-oriented vision of policing as VA. We place a premium on training the federal law enforcement communities at health care facilities, parks, museums, and other federal special mission or limited jurisdiction settings nationwide and use an approach that focuses specifically on assaultive patient situations.

Reducing Duplication of Effort

Improved service and efficiency are not just slogans to us. Process improvements to avoid duplication of effort not only result in higher levels of customer satisfaction, but also yield savings across the Department which can be used to improve service in other areas.

DoD-VA Datasharing

The AAC hosts several important sharing projects between VA and the Department of Defense (DoD). VA's Consolidated Mail Out Pharmacy (CMOP) project allows DoD patients to receive prescription refills using VA CMOP facilities, which has resulted in substantial cost savings to DoD and enhanced revenue for VA. This project is expected to expand to include all DoD medical facilities. The Laboratory project is similar to CMOP and allows DoD hospitals to order lab results from VA medical centers and have results transferred to them securely using a virtual private network hosted at the AAC. If cost saving projections are correct, this program will also expand to include all DoD medical treatment facilities and VA medical centers. DoD is also investigating the benefits of using the DoD-VA gateway to transmit images, such as x-ray, CAT scan, and other digitized medical data to VA medical centers for analysis. Such telemedicine projects have been effective within VA.

Enterprise Architecture (EA) Team

The AAC is participating on several of the EA teams, defining infrastructure improvements and technical reference material included in the One VA EA. In addition, the AAC serves on customer design and architecture work groups to ensure customer needs are incorporated into systems design from the inception of a project.

One VA IT Investment Projects

The AAC provides services to several One VA IT investment projects including MyHealtheVet, Home Telehealth, Scheduling Replacement Project (SRP), Health Data Repository (HDR), Telecommunications Modernization Project (TMP), Veterans Services Network (VETSNET) and the Corporate Data Center Infrastructure (CDCI) project for continuity of operations.

The AAC works closely with VHA to provide hosting services for the MyHealtheVet, Home Telehealth and SRP technical infrastructures. HealtheVet is a collection of information systems, technologies and standards strategically designed to support patients, providers and administrators in VA's current and future health system. Home Telehealth is an innovative program that enables veterans to self report recurring health monitors, such as blood pressure, to VA medical centers and receive health assessments without having to physically go to clinics, which is often a hardship for elderly or chronically ill patients. SRP will provide VHA users with a reengineered and redesigned outpatient appointment scheduling system to better meet the needs of staff and patients. HDR is a centralized clinical database application in which the AAC provides such services as database and system administration, security and monitoring, optimization and volume testing, platform maintenance, service desk and change management support.

The TMP provides state-of-the-art wide area network technology to support the transportation of information across VA business lines. The AAC plays a pivotal position in VA networking, which is reflected in the TMP design that ensures all VA facilities can access the AAC with a minimal number of network "hops." The AAC employees participate in planning and implementing strategies and provide technical input and suggestions for implementing this One VA initiative.

The AAC works closely with VBA to provide platform hosting services for VETSNET, an integrated information system that enhances the claims processing process. The AAC works with VBA on capacity planning to ensure that adequate processing capacity is available to support the needs of the regional offices and monitors the performance of the system to ensure that response times meet expectations.

The AAC also provides an enhanced continuity of operations for mission-critical applications utilizing electronic vaulting of data. Mission-critical applications that are run at the AAC are now recovered at an alternate VA site within 12 hours of a declared disaster.

Information Technology Laboratory
The AAC is creating an Information Technology Laboratory (ITL) to evaluate technologies that may benefit significant portions of VA. Its effectiveness, benefits, and viability as a service offering will be evaluated after 18 to 24 months of implementation. The evaluation will focus on the contributions of the lab, customer feedback, Franchise Fund Board input, as well as the return on investment and cost benefit analysis. If successful, the AAC will offer ITL as a new product offering.

Independent Verification and Validation Services
VA does not have an independent verification and validation (IV&V) capability to validate whether major VA IT system implementations (i.e., projects requiring an OMB 300 exhibit) meet requirements and perform

as specified. With increasing numbers of IT projects being delivered by third-party vendors, having a VA resource to independently evaluate adherence to design and performance requirements would greatly enhance VA project oversight capabilities. The AAC plans to create a new business line called IV&V services in FY 2006. Individual project IV&V efforts will be accomplished by establishing service agreements between the AAC and the VA project/program office responsible for a project. Since IV&V services will be set up under the AAC's current service center concept and billed to individual projects, there will be no negative impact on customer rates.

Virtual VA System
Virtual VA is a VBA electronic archiving system that provides desktop access to virtual claims folders. It can be accessed nationwide by all regional offices and is used extensively by VBA service representatives in processing pension claims and responding to veterans' inquires. The DMC worked extensively with VBA to begin electronically loading copies of the DMC's first collection notice and waiver grant letter in the Virtual VA system. This will assist VBA service representatives in responding to veterans' concerns about benefit overpayments without having to contact the DMC for information. The DMC personnel also have desktop access to the system to better explain what action caused benefits to be adjusted and possibly overpaid. This system improves customer service and shortens response time for both regional office and DMC personnel.

Online Certification System

The FSC continued to improve the online invoice certification process, which allows invoices to be certified electronically by VA facilities and schedule them for payment. The Online Certification System (OLCS) allows the FSC to notify certifying officials via e-mail of any invoice requiring payment certification. Through the Intranet, the certifying official can view, certify, and forward the invoice to the FSC for payment processing, reducing the processing time to hours rather than days. During 2004, system functionality was enhanced to add the Fund Control Point Clerk to the processing workflow as well as the capability to work rejected invoices at the station level. The FSC expanded the certified invoice service throughout VHA in FY 2004 and implemented OLCS at all facilities as part of the VHA's payment centralization initiative. This expansion increased the number of OLCS users to more than 9,000 VA employees. The OLCS also increased the efficiency of the payment process, which has led to significant savings in VA resources. At the same time, the OLCS and centralization have substantially reduced interest penalties and increased discounts earned. In keeping with this trend to increase efficiency, the FSC is currently working with VBA to centralize its payments at the FSC.

The FSC's certified payments process represents a full life cycle of services performed from the time the FSC receives an invoice until the Treasury renders proper payment. The services include processing cancelled checks, check tracers, vendor recertifications, rejects and adjustments, inquiries, vendor reclaims, bills of collection, Treasury offsets, tax levies, and faxhold follow-ups. The FSC provides these services in compliance with applicable VA regulations and directives and the PPA.

Document Management System

The FSC implemented an imaging system, referred to as the Document Management System (DMS), in May 1994. The DMS allows the FSC to provide a paperless work environment, reduce physical storage needs, and process high volumes of documents. The DMS stores documents on optical platters enabling users to retrieve these documents in seconds. In order to ensure a robust disaster recovery capability, the FSC stores a backup copy of all DMS records off-site. Initially, the DMS was used to process commercial payments and inquiries. Subsequently, the FSC's use of DMS has been expanded to include other functions such as vendorizing requests and federal accounts, preparing the Statement of Transactions Report (SF-224), and the OLCS. Additionally, the DMS has shown potential in storing and retrieving finance records, official personnel folder data, contract files, and legal documents.

Some current initiatives for the DMS include working with the VBA's Mortgage Loan Accounting Center (MLAC) to utilize the DMS in mortgage loan processing, and working with Central Office Human Resources Service, the Maryland Health Care System, the Washington, DC VA Medical Center, and the AAC Human Resources Office to develop a prototype application for an electronic official personnel file.

The FSC provides the Division of Immigration Health Services with an integrated, end-to-end medical claims payment-processing application in conjunction with document processing through an optical character reader. State-of-the-art technology is being applied to automate and Web-enable this application. This application truly represents a full life cycle—automated service from the time an invoice reaches the FSC through generation of payment—and is in full compliance with the PPA and HIPAA.

The FSC offers a one-stop response team to exclusively support VA with navigating FMS and to provide information to vendors about their payments. In addition, the e-Travel Help Desk provides timely and accurate responses to questions ranging from how to navigate in the e-Travel System, to assisting with reservation information and system administration or data integrity issues.

Vendor Inquiry System

The FSC staff continued to provide vendor payment history on the Internet. Currently, the Vendor Inquiry System (VIS) Internet application stores almost 2 years of information on invoices. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. There were 6,270 registered vendors who made over 319,000 requests in FY 2004 and a total of over 619,000 requests were made since VIS's inception in April 2003. The VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day, without having to call and wait for a person to provide payment information. The VIS has also improved the FSC staff efficiency by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

Centralized Accounts Receivable Online System Conversion

In May 2004, the DMC accepted the initial project plan for the Centralized Accounts Receivable Online System (CAROLS) database conversion to a Windows-based platform. CAROLS is the system used to access the DMC's collection database. The current system uses ADABAS and processes on the AAC's mainframe. The overall goal of the plan is to convert the online collection system from a mainframe environment to a Windows server-based platform, enhancing the user interface. This is also expected to significantly reduce the cost of licensing fees as well as mainframe processing costs. The project is scheduled for completion at the end of May 2005.

Customer Support Help Desk

At the request of the FSC's customers, a separate Customer Support Help Desk (CSHD) was established to offer a comprehensive, one-stop response team to exclusively support VA and vendor inquiries. It provides timely and accurate responses to questions ranging from how to navigate in the Financial Management System (FMS) to providing vendors with information about the status of their payments. The CSHD staff is comprised of seasoned professionals who are the most experienced processors within VA.

e-Travel Help Desk

The FSC offers a comprehensive, one-stop response team to support inquiries from VA stations. The e-Travel Help Desk is organized to provide timely and accurate responses to questions ranging from how to navigate in the e-Travel System, to assisting with reservation information and system administration or data integrity issues.

The e-Travel Help Desk staff provides the following services:

- Responds to telephone inquiries
- Responds to e-mail inquiries
- Responds to voice mail inquiries
- Reviews system issues and elevates issues to the proper point of contact
- Processes certain payment rejects
- Performs follow-up actions on reject issues
- Hosts the nationwide Super Users Conference Call
- Issues News Flash Messages to provide updates and instructions
- Performs global system administration functions
- Performs follow-up actions on reservation problems or questions from the online booking agent

The RC&V has fire protection and prevention systems, which makes it ideally suitable for records storage of paper or electronic media.

The e-Travel Help Desk staff is comprised of trained professionals who have the most experience in working with VA's e-Travel system. The FSC recognizes the importance of the e-Travel Help Desk and is making necessary adjustments to ensure it is positioned to meet and exceed customer expectations.

Completion of Records Relocation Project

The RC&V received the final shipment of retired veteran records from the National Archives and Records Administration (NARA) in August 2004, which completed the monumental project of relocating over 940,000 cubic feet of VHA records from 14 NARA facilities located across the country. The decision to move the VHA records from NARA facilities was based on long-term cost savings and benefits associated with records being stored in one location. Despite the complexity of the project itself and the challenges encountered, customer service remained a top priority and there was minimal disruption in service to our customers. Improved business processes allowed the RC&V to reach a breakeven status in FY 2004—one year ahead of schedule. As the RC&V gained experience, it is now managing and controlling costs more effectively. This is a win-win situation for customers as they will share in the economies of scale realized through our efforts with VHA.


The RC&V received the final shipment of retired veteran records from NARA in August 2004. This completed the monumental project of relocating over 940,000 cubic feet of VHA records, which began in May 2003.

RC&V Workload Growth

This chart depicts actual FY 2000 through FY 2004 annual volumes of the RC&V workload for accession number requests, routine recall requests, and emergency recall requests. The value of a records storage facility is defined by its ability to quickly retrieve and return records to customers when requested. The RC&V excels in this area. In spite of the substantial increase in workload due to the VHA Relocation Project and the increase in accession number and recall requests, the RC&V attained an overall performance rating of 99 percent in FY 2004.

RC&V Workload Growth
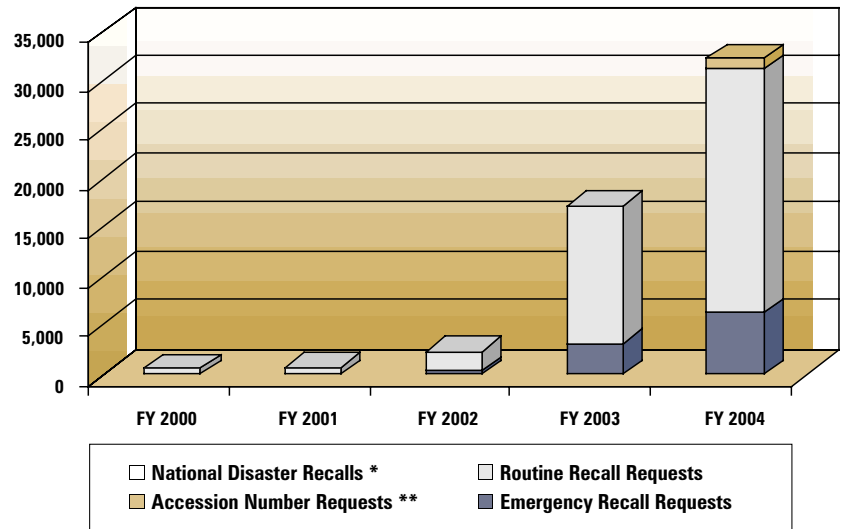
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual
National Disaster Record Recalls*	N/A	N/A	N/A	N/A	N/A
Accession Number Requests**	N/A	N/A	N/A	N/A	1,018
Routine Recall Requests	425	607	2,103	14,106	24,875
Emergency Recall Requests	96	59	257	3,128	6,124

*National disaster record recalls will only occur in the event of a national disaster
**This new measure was implemented in FY 2004.

Introduction of Web Functionality to the Records Management Process

The project to Web-enable the process of requesting accession numbers and routine/emergency recalls was made available to VA customers in FY 2004. This application allows customers to request and receive accession numbers electronically as well as request and track recalls. It not only results in faster and more accurate service to our customers, but also eliminates several of the RC&V's manual recordkeeping steps—resulting in labor savings.

Records Destruction

VHA expressed an interest in records destruction services. The RC&V has not previously offered this service due to smaller holdings and complexity of the destruction process for our customers who have classified holdings. With the completion of the VHA Records Relocation Project, the need for this new service became apparent. The RC&V will develop this product specific to VHA requirements in FY 2005 and expand the offering to all of its customers with non-classified holdings in FY 2006.

Future Expansion and Collocation Project

With the anticipated increase in future holdings from VHA (60,000 cubic feet per year) and Department of Energy (2,000 cubic feet per year), plans for a 60,000 square foot expansion are underway. This project will accommodate the long-term requirement for additional storage in FY 2005 as new holdings are acquired, while enhancing operational efficiencies and improving security. Plans include relocating equipment and security records inventory for OGA customers currently at the RC&V to this area. Direct benefits include collocation with the RC&V, additional capacity, better control of access to the area, better use of staffing, and additional non-classified shelf space for DOE records. This additional space will provide the capacity to house additional records through the third quarter of FY 2008.

Renovation Project to Construct a New Training Facility

During the latter part of FY 2004, the LETC obtained a building in need of renovation from the Little Rock Medical Center and began construction in November 2004. This facility is approximately 20,000 square feet and will be utilized as a dedicated physical fitness and defensive tactics training area. The LETC is also exploring options to expand its training capacity, including facility expansion and increased use of exportable training, to accommodate increased business.

Centralized Records Management System

In an effort to better serve VA, the LETC is working with the AAC to develop a centralized Records Management System for the Office of Security and Law Enforcement and the individual police services at VA medical centers. This system will house all law enforcement-related information to include offense reports, daily police journals, physical security assessments, police training data, firearms and baton instructor lesson plans, and testing material and weapons qualification and inventory information. The system will improve the efficiency of the individual police officer, and provide senior management with an excellent tool for gathering law enforcement-related statistical information, and provide the ability to track trends in general criminal activity and physical security deficiencies. The system also has the potential to fit the automation needs of other federal law enforcement agencies, and after implementation throughout VA in FY 2005, it will be marketed as a product line to external customers.

Fostering Competition

We operate in a dynamic business environment, where our operations are totally dependent upon revenues realized from customer purchases of our services. Accordingly, it is imperative that we maintain a high level of customer satisfaction by delivering high-quality services at competitive prices.

An underlying tenet of entrepreneurial government is competition. Competition spurs efficiency and encourages market participants to provide the best-value products and services to meet customer needs. We are not a mandatory source offeror; therefore, we must compete in the federal marketplace in the best interest of our federal clients. Federal agencies are seeking the most economical and best-valued source to support their programs. This has placed competitive pressure on us to increase efficiency and improve performance to keep our existing customers and attract new ones.

As knowledgeable government professionals, we understand how to tailor services to provide federal clients with creative, cost-effective and practical solutions to fulfill their common administrative support services needs. Although federal agencies have unique missions, our collective experience enables us to give expert advice and counsel from an insider's point of view. The American public holds federal agencies accountable to high standards because they spend tax dollars to administer government programs. As a component of a federal agency, our organization also has unique requirements and financial constraints.

VA Franchise Fund OGA Revenue Trend
(Dollars in Millions)

	FY 2002	FY 2003	FY 2004
	$7.9	$46.5	$65.6
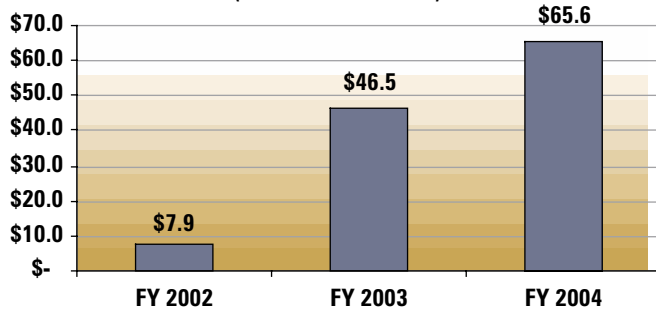
Acquiring a greater share of the federal marketplace continues to be challenge for us; however, we are progressively attaining more OGA business. Ending FY 2002 with just over $7.9 million in external sales, over the past two years we have dramatically increased our external sales to $46.5 million in FY 2003 and $65.6 million in FY 2004. We will continue to reach across Departmental boundaries for opportunities and innovative ways to increase our OGA business.

Addition of the IT Acquisition Services Product Line

The AAC, in partnership with VA's Office of Acquisition and Materiel Management, has created BuyIT.gov, a federal acquisition center, to assist OGA customers in acquiring IT-related supplies and services for their programs. BuyIT.gov became its own business line in FY 2004. There are ample opportunities in this market to help federal agencies with acquisition services and award contracts to private industry.

BUYIT.GOV SM

THE BETTER WAY TO **BUY IT**

Host to the Mid-Atlantic Cooperative Administrative Support Unit

The FSC is the host for the Mid-Atlantic Cooperative Administrative Support Unit (CASU). Based in New York, NY; Pittsburgh, PA; and Washington, DC, the CASU is a customer-driven organization that tailors its product lines to meet customer needs through high quality and low cost services, with quick turnaround response. It provides temporary help services for administrative assistance; cost-per-copy services for copier machines, bulk paper and laser cartridges; purchase service for copiers; and employee assistance program services to its present customer base of federal organizations. CASUs provide the federal community with discounted services through the economies of scale gained by the volume of business they provide to their vendors. This program remains a very stable and reliable source for support services within the federal marketplace and provides an effective means for federal agencies to support the Administration's focus on competitive sourcing.

Great Plains Accounting System

In response to the increased demand from small-to-medium-sized federal agencies for a low cost accounting system, and to more efficiently account for the CASU's revenue and expenses, the FSC purchased Great Plains Accounting Software in FY 2004. This accounting package will give the FSC the capability to provide small-to-medium-sized OGA customers with both accounting services and an end-to-end, full suite of financial management services that will integrate purchase cards, e-Travel, vendor payments, EC/EDI, and accounting through the same system. By acquiring Great Plains and marketing this software package, the FSC has an opportunity to increase its customer base for these services because VA's current core accounting system (FMS) will not allow the FSC to provide any of these services to OGA customers due to software and cost limitations.

Maintaining Customer Satisfaction

In addition to encouraging customer feedback throughout the year, AAC and FSC customer satisfaction is measured annually through a formal process. Surveys are tailored to the specific business lines and customer bases of each center.

Scores in Top 6 Percent of Gartner Satisfaction Survey

For the fifth consecutive year, the AAC contracted with Gartner Measurement, a division of Gartner, to conduct a satisfaction survey. Conducted in late FY 2004, AAC services were rated by over 600 VA and OGA customers. The AAC scored in the top 6 percent of Gartner Measurement's Information Technology Customer Satisfaction database with an overall satisfaction rating of 4.17 out of 5.0, achieving a "best in class" rating and well surpassing the database average score of 3.63 for all 249 private and public sector organizations in Gartner's database. The AAC showed an increase in satisfaction over its FY 2003 results.

The FSC achieved 3.8 out of 5.0 in its FY 2004 customer satisfaction rating as a result of making some minor adjustments in its survey methodology. The end result was a lower than expected customer satisfaction rating; however, the FSC received better quality customer satisfaction data. The FSC is confident that process improvements, in addition to implementing a new survey methodology and increasing senior management oversight, will help attain customer satisfaction goals in the future.

The remaining four smaller VA Enterprise Centers, the DMC, LETC, SIC, and RC&V, do not have formal standardized customer satisfaction survey instruments in place; however, they do solicit feedback from customers throughout the year. In the DMC's line of business, customer satisfaction can be clearly measured by the minimal number of

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negative comments received from customers. Corrective actions taken to improve performance depend on the complaints identified. The DMC continually reviews processes and procedures to ensure that the most cost-effective and efficient means are being used. The LETC receives immediate feedback through student critiques distributed at the completion of each course. In addition, feedback is sought from Chiefs of Police concerning the performance of their officers following the completion of the training program. The RC&V staff interacts daily with customers to obtain feedback on customer service regarding accession number and recall requests. The RC&V has a 90 percent success rate in meeting established timeframes.

No high-level survey has been done to measure the VA Franchise Fund and its effectiveness in meeting VA needs as well as the 12 operating principles on which the Fund was based. This is a short-term goal

while each VA Enterprise Center explores its own customer survey instrument. However, the long-term goal is for all VA Enterprise Centers to measure customer satisfaction in a way that is meaningful to their customer mix and business needs.

Recovering Full Cost

By combining state-of-the-art technology and public/private sector synergy where applicable for cost efficiency, and by setting rates at levels to ensure that the costs of operations are recovered and operating and capital reserves are sufficient for business contingencies, capital investments, and new initiatives, we have been able to consistently price our services in a competitive manner. FY 2004 has been our most successful year.

Implementing Improved Financial Management and Best Practices

Sound financial management is more important than ever. It is the key to our success. Through the expertise of a quality workforce, attention to financial requirements and system capabilities, we, like other federal agencies, are focusing more intently on performance to ensure that every dollar is spent wisely and can be accounted for later.

Fiscal Management and Accountability

Our success as a fee-for-service organization depends on good stewardship and customer confidence in our ability to conduct business in a responsible way. Independent audits of our operations are conducted each year and are used to ensure management accountability and financial integrity. We continued our tradition of financial excellence—having received an unqualified "clean" audit opinion for the seventh consecutive year on our financial statements from an independent auditor engaged by the Office of Inspector

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General and the Enterprise Fund Office. We will continue to improve our fiscal management and accountability by completing the audit before the end of the calendar year, enhancing internal controls, and complying with financial management laws and regulations. These achievements cap our extensive efforts to produce timely, reliable, and auditable financial statements.

Revolutionizing File Matching and Reconciliations

The FSC utilizes FASMatch, a matching and reconciliation tool that can reconcile accounts receivable, accounts payable, fixed assets, inventories, patient records/accounts, management reporting, and automated data collection. FASMatch revolutionizes the matching and reconciliation needs across multiple files and complex systems. It automates manual

matching of deposits and disbursements and produces, manages, and reconciles the Statement of Transactions Report (SF-224). The FSC used FASMatch heavily in the FY 2004 Annual Close process. It was a key contributor in leading VA and the Franchise Fund to unqualified "clean" audit opinions. It is also used in the vendor file update and maintenance process, and has been found to be a great success in identifying and controlling duplicate payments.

Total Cost of Ownership Benchmark

The AAC completed a Total Cost of Ownership benchmark with Gartner Measurement in FY 2004. The scope of the benchmark was the AAC's mainframe computing environment. The benchmark effort included a structured cost model approach that compares data from other private and government data centers in the Gartner Benchmark database. A key output of the benchmark effort is an analysis of the Normalized Cost to Work Produced Index, a measure of cost-effectiveness that compares the cost of the service with the value of the workload produced. The AAC scored 30 percent better than the average score for data centers with comparable computing capacity. Additionally, the AAC mainframe business systems scored more effective than peers when the ratio of services delivered to business requirements was assessed. The AAC has begun data collection on two additional benchmark efforts focusing on open systems and storage management environments.

Business Process Reengineering

The FSC will implement business process reengineering (BPR) recommendations on service offerings (where applicable) to streamline operations; synchronize, integrate, and standardize data; apply technology to improve efficiency and reduce costs to customers; and provide greater visibility and access to data needed by VA customers. The FSC expects the BPR recommendations to be finalized in FY 2005.

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