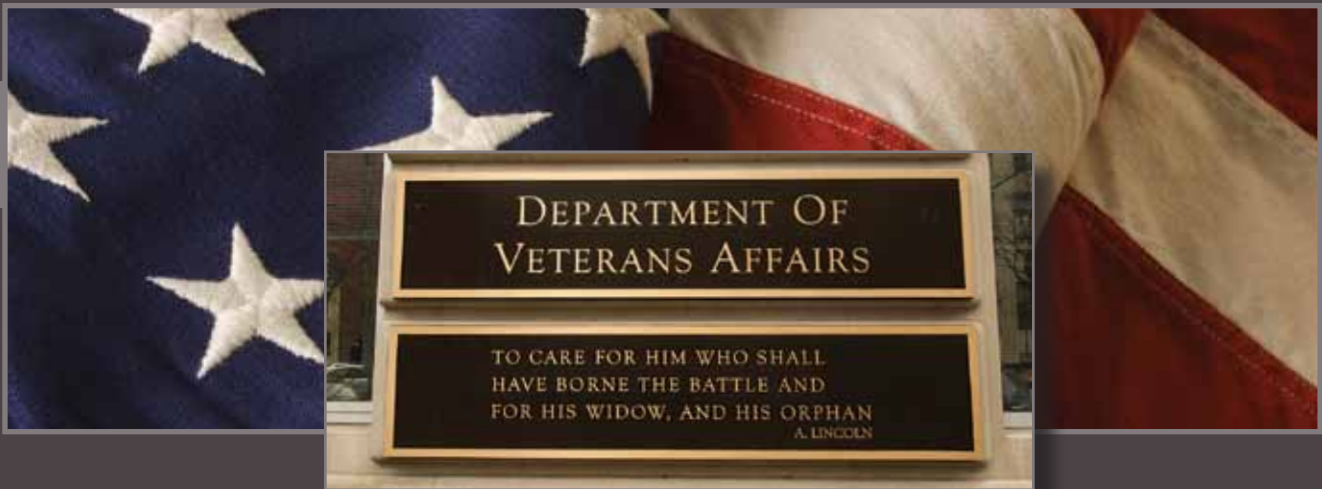


DEPARTMENT OF VETERANS AFFAIRS

# Franchise Fund 2011 Annual Report



Enhancing Government Performance and  
Efficiency by Providing Quality Business Solutions

# Enhancing Government Performance and Efficiency by Providing Quality Business Solutions



## **VA Franchise Fund FY 2011 Annual Report**

We welcome your comments on how we can make this report more informative. We are particularly interested in your comments on the usefulness of the information and the manner in which it is presented.

Write to:

Department of Veterans Affairs  
Franchise Fund Oversight Office  
810 Vermont Avenue, NW (047F)  
Washington, DC 20420



# Department of Veterans Affairs

## Franchise Fund FY 2011 Annual Report

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## Contributors

- Corporate Data Center Operations
- Debt Management Center
- Financial Services Center
- Law Enforcement Training Center
- Records Center and Vault
- Security and Investigations Center
- Franchise Fund Oversight Office

# Mission, Vision, and Values

## VA's Mission

To fulfill President Lincoln's promise—"To care for him who shall have borne the battle, and for his widow, and his orphan"—by serving and honoring the men and women who are America's Veterans.

## VA Franchise Fund's Mission

To be the provider of choice of common administrative support services for VA and other government agency customers, enabling them to best meet their primary missions.

## VA Franchise Fund's Vision

To provide Comprehensive Business Solutions for Tomorrow's Government.

## VA Franchise Fund's Values

To guide us in fulfilling our mission, our employees strive to uphold core values that are consistent and closely aligned with those of VA. These values include integrity, commitment, advocacy, respect, and excellence.



"To care for him who shall have borne the battle, and for his widow, and his orphan."

# VA Core Values

## Integrity

Act with high moral principle. Adhere to the highest professional standards. Maintain the trust and confidence of all with whom I engage.

## Commitment

Work diligently to serve Veterans and other beneficiaries. Be driven by an earnest belief in VA's mission. Fulfill my individual responsibilities and organizational responsibilities.

## Advocacy

Be truly Veteran-centric by identifying, fully considering, and appropriately advancing the interests of Veterans and other beneficiaries.

## Respect

Treat all those I serve and with whom I work with dignity and respect. Show respect to earn it.

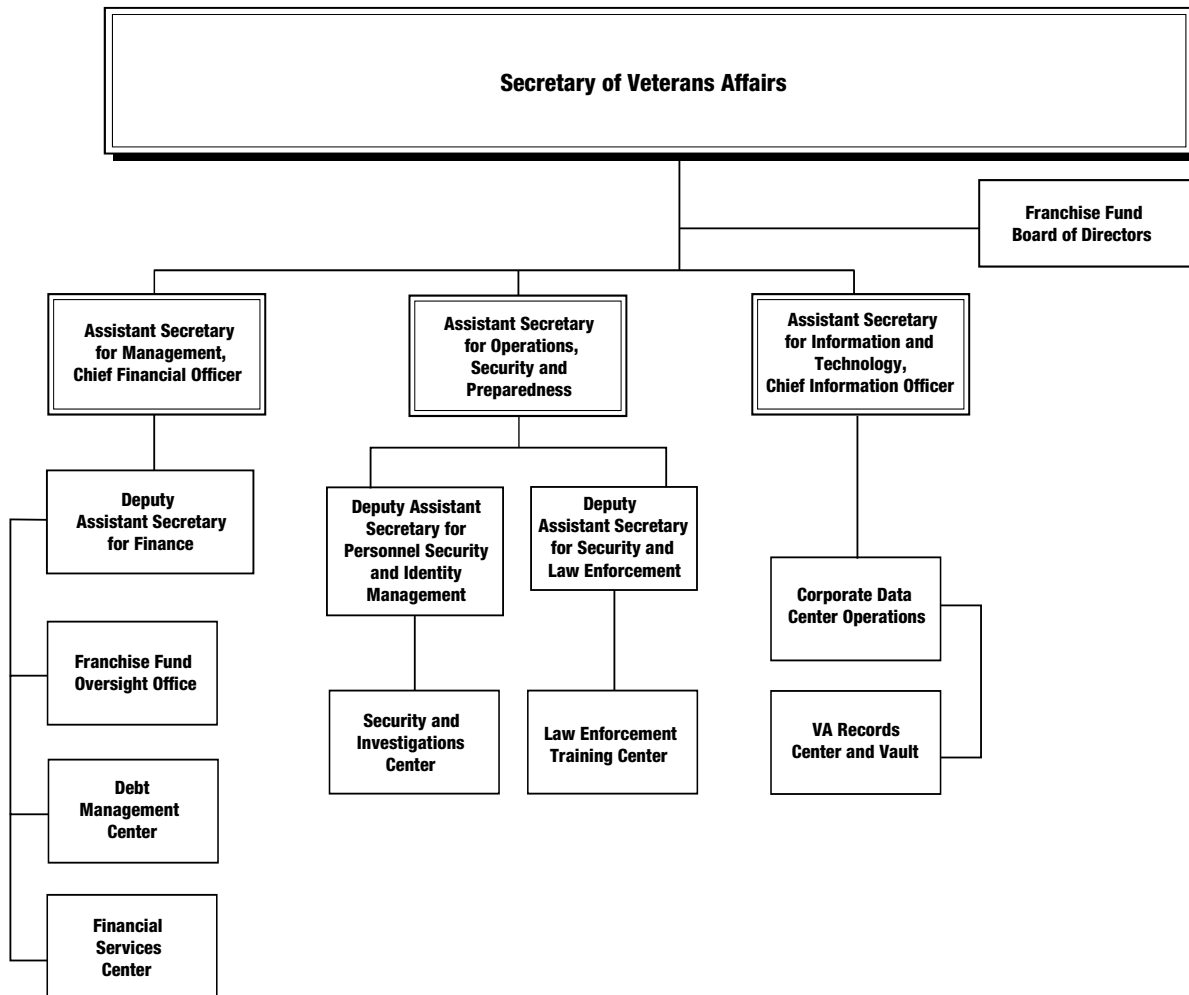
## Excellence

Strive for the highest quality and continuous improvement. Be thoughtful and decisive in leadership, accountable for my actions, willing to admit mistakes, and rigorous in correcting them.

# Members of the VA Franchise Fund Network

## Origin of the VA Franchise Fund

The VA Franchise Fund was established under the authority of the Government Management Reform Act of 1994 and the VA and Housing and Urban Development and Independent Agencies Appropriations Act of 1997. VA was selected by the Office of Management and Budget (OMB) in 1996 as one of six Executive branch agencies to establish a franchise fund pilot program. Created as a revolving fund, the VA Franchise Fund began providing common administrative support services to VA and other government agencies in 1997 on a fee-for-service basis. In 2006, under the Military Quality of Life and Veterans Affairs Appropriations Act, Public Law 109-114, permanent status was conferred upon the VA Franchise Fund.



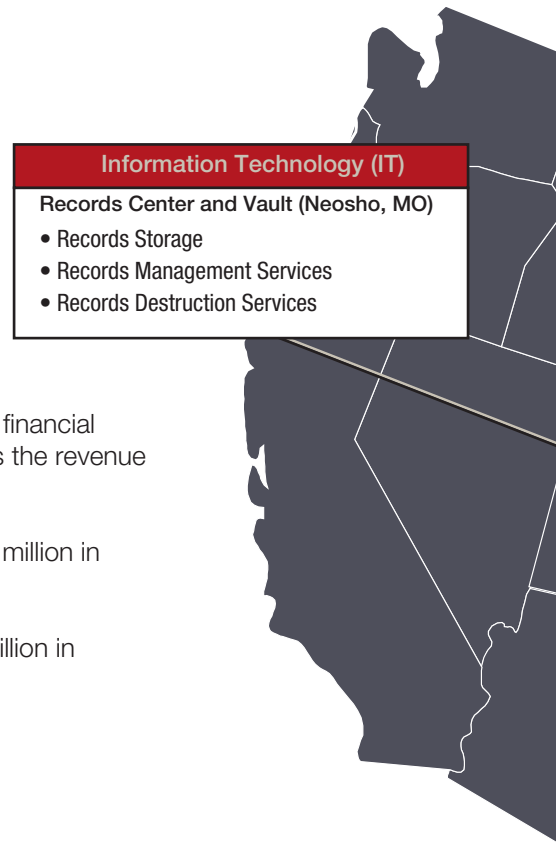
## Organizational Structure

The VA Franchise Fund is composed of an administrative office (Franchise Fund Oversight Office) and six self-supporting lines of business (Enterprise Centers). The directors of the individual Enterprise Centers and their staffs are responsible for customer liaison and coordination, business planning and development, staffing, and execution of day-to-day business activities consistent with their annual business plans. The Franchise Fund Board of Directors is composed of representatives from the three VA organizations that manage the Enterprise Centers (the Office of Management; Office of Operations, Security, and Preparedness; and Office of Information and Technology), major organizations within VA, i.e., Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and National Cemetery Administration (NCA), and pertinent VA staff offices.

# Members of the VA Franchise Fund Network

## Entrepreneurial Network

We are one of the leading fee-for-service operations in government. By employing people nationwide to execute our day-to-day business activities, we provide our customers with services that save resources and allow them to concentrate on mission-critical functions within their organization. We have positioned ourselves to meet the needs of any Federal agency at competitive prices.



**Information Technology (IT)**

**Records Center and Vault (Neosho, MO)**

- Records Storage
- Records Management Services
- Records Destruction Services

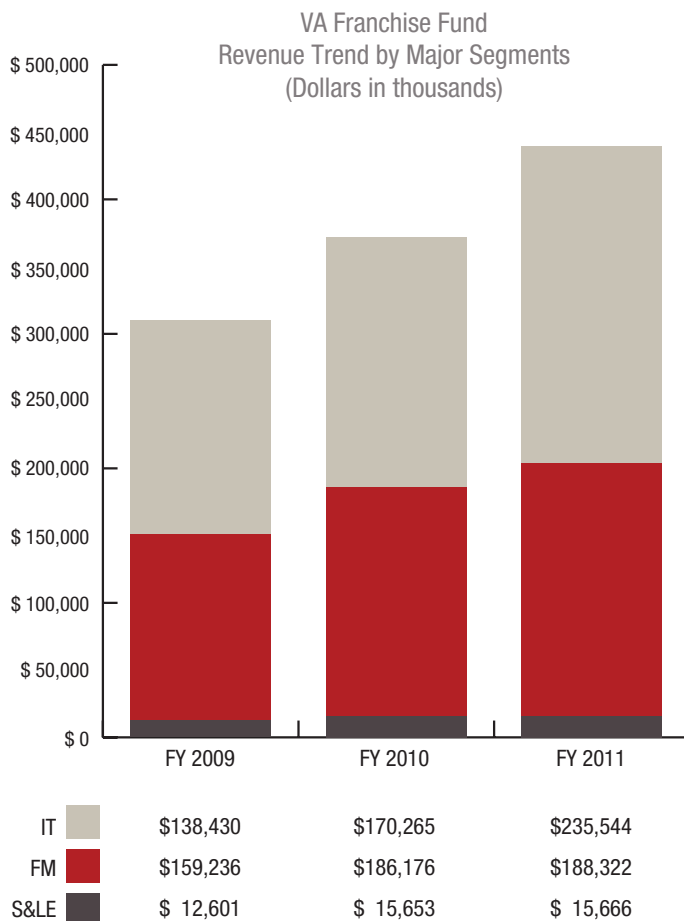
## Business Segments

The VA Franchise Fund comprises three major segments: information technology (IT), financial management (FM), and security and law enforcement (S&LE). The chart below shows the revenue among our segments for FY 2009 through FY 2011.

The IT segment ended FY 2011 with over \$236 million in revenue, compared to \$170 million in FY 2010.

The FM segment generated \$188 million in revenue in FY 2011, compared to \$186 million in FY 2010.

The S&LE segment ended FY 2011 with a slight increase in revenue of .08%.

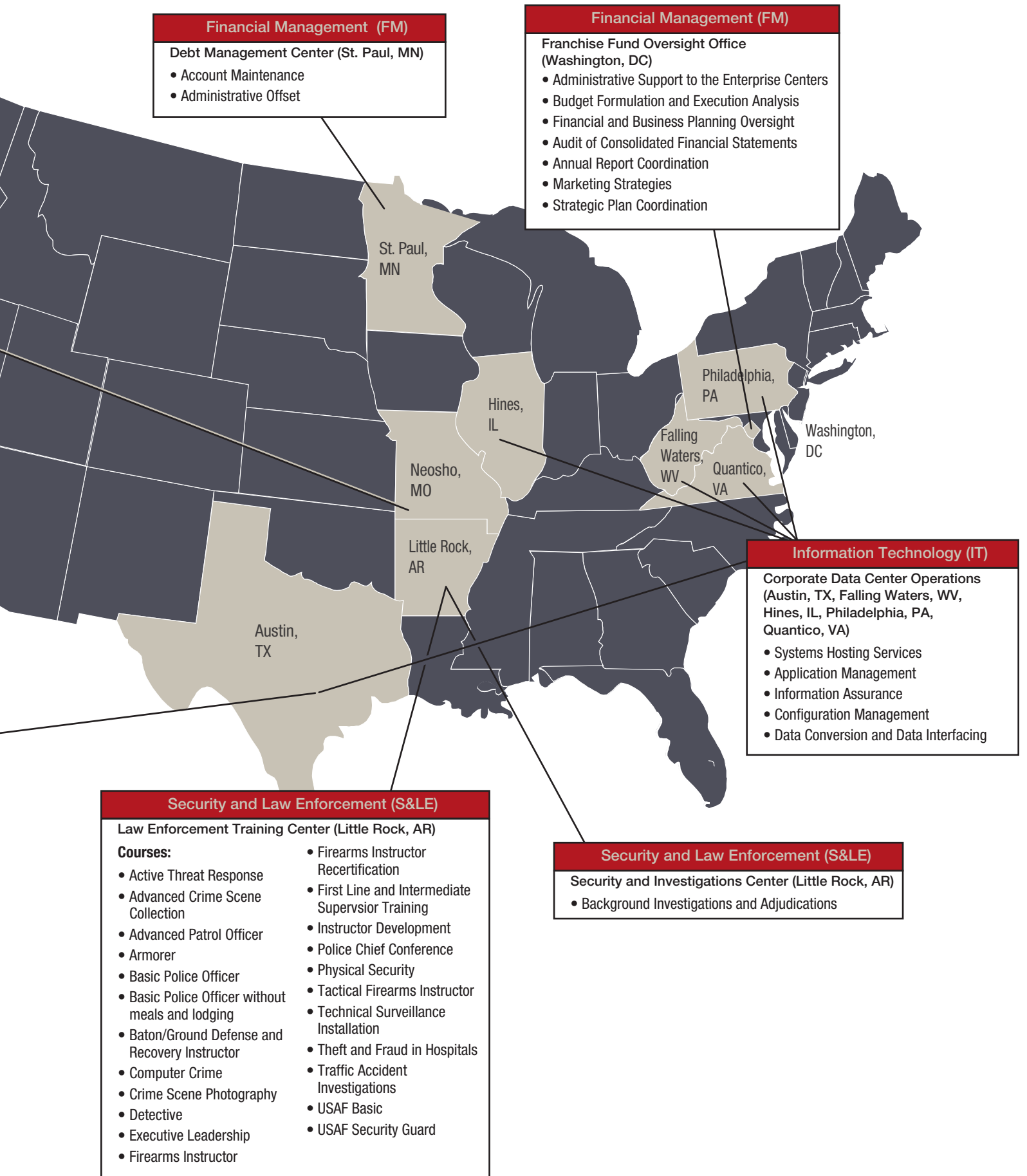


**Financial Management (FM)**

**Financial Services Center (Austin, TX)**

- Financial Reports and Accounting
- Audit Recovery
- Credit Card Payments
- Data Matching and Reconciliation
- Discount Subsistence Purchases
- Document Management System
- Electronic Commerce/Electronic Data Interchange
- Invoice Payments
- Medical Claims Adjudication and Payment Processing
- Customer Support Help Desks for Travel and Payments
- Payroll Support Services
- Permanent Change of Station and Temporary Duty Travel
- Vendor File Maintenance
- Common Administrative Services
- Accounting Training
- Consulting





**Financial Management (FM)**  
 Debt Management Center (St. Paul, MN)  
 • Account Maintenance  
 • Administrative Offset

**Financial Management (FM)**  
 Franchise Fund Oversight Office (Washington, DC)  
 • Administrative Support to the Enterprise Centers  
 • Budget Formulation and Execution Analysis  
 • Financial and Business Planning Oversight  
 • Audit of Consolidated Financial Statements  
 • Annual Report Coordination  
 • Marketing Strategies  
 • Strategic Plan Coordination

**Information Technology (IT)**  
 Corporate Data Center Operations (Austin, TX, Falling Waters, WV, Hines, IL, Philadelphia, PA, Quantico, VA)  
 • Systems Hosting Services  
 • Application Management  
 • Information Assurance  
 • Configuration Management  
 • Data Conversion and Data Interfacing

**Security and Law Enforcement (S&LE)**  
 Law Enforcement Training Center (Little Rock, AR)  
**Courses:**  
 • Active Threat Response  
 • Advanced Crime Scene Collection  
 • Advanced Patrol Officer  
 • Armorer  
 • Basic Police Officer  
 • Basic Police Officer without meals and lodging  
 • Baton/Ground Defense and Recovery Instructor  
 • Computer Crime  
 • Crime Scene Photography  
 • Detective  
 • Executive Leadership  
 • Firearms Instructor  
 • Firearms Instructor Recertification  
 • First Line and Intermediate Supervisor Training  
 • Instructor Development  
 • Police Chief Conference  
 • Physical Security  
 • Tactical Firearms Instructor  
 • Technical Surveillance Installation  
 • Theft and Fraud in Hospitals  
 • Traffic Accident Investigations  
 • USAF Basic  
 • USAF Security Guard

**Security and Law Enforcement (S&LE)**  
 Security and Investigations Center (Little Rock, AR)  
 • Background Investigations and Adjudications

# Members of the VA Franchise Fund Network



*Judy Downing, Acting Executive Director, Corporate Data Center Operations and the Records Center and Vault*



*Thomas Grahek, Director Debt Management Center*



*Rodney Wood, Director Financial Services Center*



*Michele Murphy, Acting Director, Franchise Fund Oversight Office*



*Robert Cagle, Director, Law Enforcement Training Center*



*Walter Dodd, Acting Director, Security and Investigations Center*

## Information Technology

### **Corporate Data Center Operations (CDCO).**

Comprised of data centers in Austin, TX; Falling Waters, WV; Hines, IL; Philadelphia, PA; and Quantico, VA; the CDCO provides comprehensive e-government solutions to match the critical needs of VA and other federal agency customers, from managing data to automating business processes. The CDCO supports over 100 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, medical records, eligibility benefits and supply functions. In addition, the CDCO offers a full complement of technical solutions to best meet customer needs.

### **Records Center and Vault (RCV).**

Located in a subterranean, climate-controlled facility in a remote Midwestern part of the country, the RCV provides records storage, protection, and management services for official federal records. The 403,160 square foot facility is certified by the National Archives and Records Administration to operate as an agency records center. General, vital, unscheduled, and records pending litigation freezes are safely and securely stored in paper or film format.

## Financial Management

### **Debt Management Center (DMC).**

Located in St. Paul, MN, the DMC is a centralized facility that provides direct collection of delinquent consumer debt owed to VA.

### **Financial Services Center (FSC).**

Located in Austin, TX, the FSC provides a full range of financial and accounting services including financial reports and accounting, invoice payments, credit card payments, medical claims adjudication and payment processing, vendor file maintenance, discount subsistence purchases, and payroll support services. The FSC also provides customer support help desks for travel and payment processing, electronic commerce/electronic data interchange, automated document management, audit recovery, permanent change of station and temporary duty travel pay processing, common administrative services, accounting training, and consulting.

### **Franchise Fund Oversight Office (FFO).**

Located in Washington, DC, the FFO functions as the business office for the VA Franchise Fund. As such, the FFO is responsible for providing administrative support to the Enterprise Centers by directing

and analyzing budget formulation and execution processes, administering financial resources, overseeing business planning activities, managing the annual financial statement audit for the Fund, preparing the annual reports and strategic plans, coordinating marketing activities, and serving as the liaison between the Enterprise Centers, their customers, and the VA Franchise Fund Board of Directors.

## Security and Law Enforcement

### **Law Enforcement Training Center (LETC).**

Located in Little Rock, AR, the LETC provides special training for police officers working in a health care or service-oriented environment. Emphasizing training in health care or limited jurisdiction environments, the LETC is available to approximately 3,900 law enforcement personnel working at VA health care facilities and to law enforcement professionals at other federal agencies.

### **Security and Investigations Center (SIC).**

Located in Little Rock, AR, the SIC provides quality and timely background investigations and adjudications for employees and contractors in sensitive positions for VA entities nationwide.



# Letter to Stakeholders



**W. Todd Grams,  
Executive in  
Charge, Office of  
Management, and  
Chief Financial Officer**

On behalf of the Franchise Fund, I invite you to examine our FY 2011 Annual Report outlining the VA Enterprise Centers' accomplishments and plans for next year, and the Franchise Fund's audited financial statements. This report documents the Franchise Fund's progress in the delivery of common administrative services to VA and other government agencies (OGA). We ended FY 2011 with total revenue of \$440 million, an increase of 18 percent over FY 2010 revenue of \$372 million.

The Franchise Fund's progress resulted in many noteworthy accomplishments. They include:

- Expanding the technology footprint with virtualization and the introduction of a cloud computing delivery model (CDCO).
- Increasing debt collections at a rate of return of \$136 for every dollar spent in FY 2011 (DMC).
- Continuing to serve as VHA's centralized payment office for certified and matched invoices for purchased goods and services as well as construction payments. Performance results indicate improved payment processing times and accuracy as well as increased cost savings (FSC).
- Improving marketing strategies which resulted in the increase of training scheduled by other government agencies by 50 percent over last fiscal year (LETC).
- Completing the final shelving project which will ultimately result in the systematic and secure storage/maintenance of nearly 2 million cubic feet of records (RCV).
- Replacing paper questionnaire forms used in processing background investigations with OPM's web-based automated system, e-QIP. This will provide a secure environment for handling sensitive personal data and will archive the data at OPM for future follow-up investigations (SIC).
- Attaining an unqualified audit opinion of our financial statements for the 14th consecutive year.

These successful endeavors are examples of our **enhancing government performance and efficiency by providing quality business solutions** through common administrative support services. The success of the Franchise Fund would not have been possible without the support of its customers. We thank all of our customers for their continuing support.

I am pleased to submit the Department of Veterans Affairs Franchise Fund FY 2011 Annual Report. We look forward to the coming year and are confident that we will continue to demonstrate sound business practices.

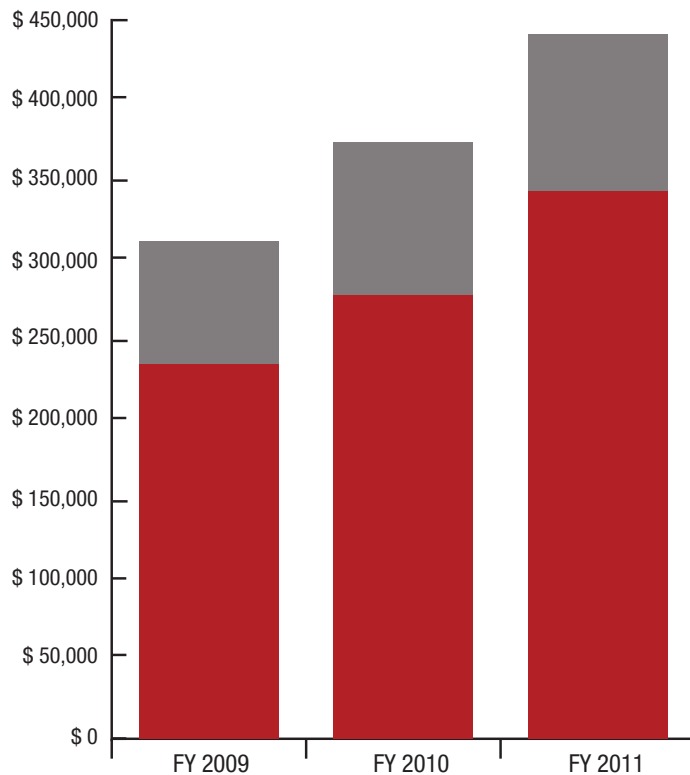
# Our Stakeholders

Our ultimate stakeholders are Veterans and their families who directly benefit from the services VA provides and those who carefully monitor the delivery of these services, including the Office of Management and Budget, Congressional authorization and appropriations committees and subcommittees, and Veterans Service Organizations. Other stakeholders include VA and other government agencies.

As knowledgeable government professionals, we provide our stakeholders with creative, cost-effective, and practical solutions to help them accomplish their primary mission. Although Federal agencies have unique missions, our collective experience enables us to give expert advice from an insider's point of view as we understand unique requirements and financial constraints. We realize that we must compete for business every day to retain our customers' trust and confidence.

The American public also holds us accountable to high standards as we spend their tax dollars to administer government programs. Expensive and wasteful practices are not acceptable. We embrace resilience and resourcefulness as we adopt business practices that enable us to become more efficient and responsive.

VA Franchise Fund  
Revenue Sources – VA vs. OGA  
(\$ in thousands)



OGA	\$76,971	\$95,830	\$98,337
VA	\$233,296	\$276,264	\$341,195

## External Stakeholders

- Veterans and their families
- Office of Management and Budget
- Congressional authorization and appropriations committees and subcommittees
- Veterans Service Organizations
- Private sector vendors
- Department of Agriculture
- Department of Defense
- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Interior
- Department of Justice
- Department of Labor
- Department of Transportation
- Department of the Treasury
- Department of State
- Environmental Protection Agency
- Food and Drug Administration
- General Services Administration
- Government Accountability Office
- Internal Revenue Service
- National Aeronautics and Space Administration
- National Archives and Records Administration
- National Geospatial-Intelligence Center
- Office of Personnel Management
- Postal Regulatory Commission
- United States Postal Service

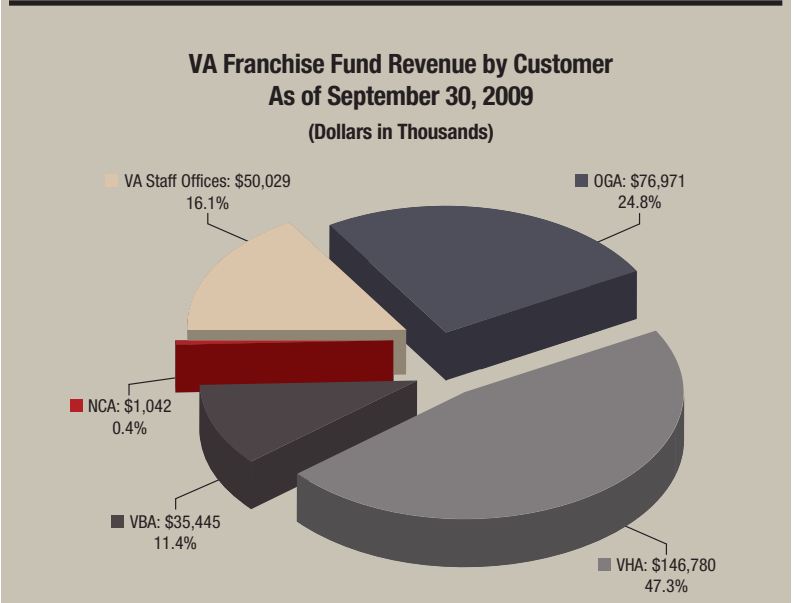
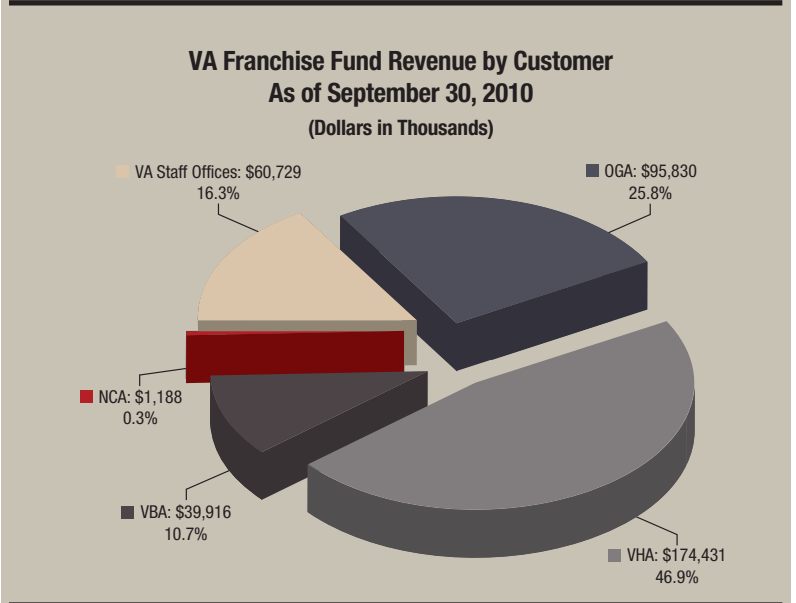
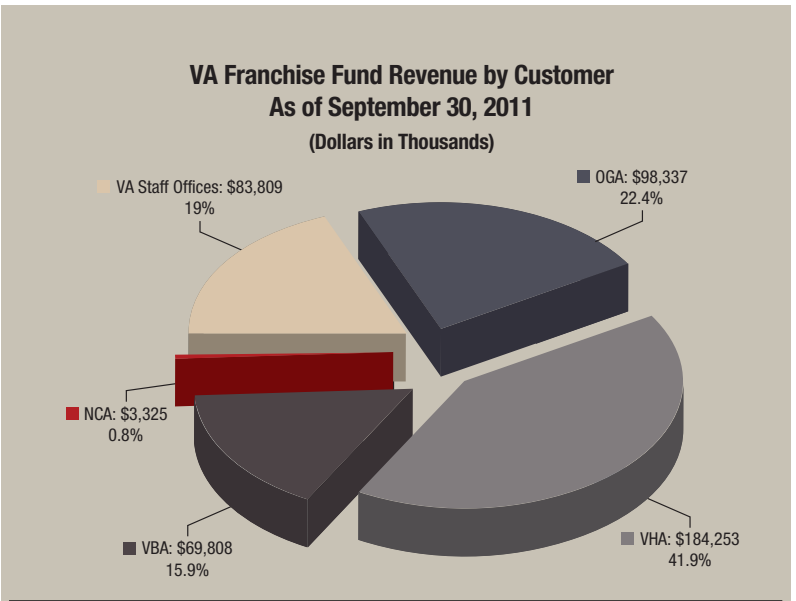
## Internal Stakeholders

- Veterans Benefits Administration (VBA)
- Veterans Health Administration (VHA)
- National Cemetery Administration (NCA)
- VA Staff Offices

# Comparison of Customer Revenue from FY 2009–2011

Approximately three-fourths of our revenue comes from VA customers. The remaining one-fourth comes from a wide variety of other government agency (OGA) customers. Within VA, VHA programs provide the most revenue to the Enterprise Centers.

Revenue from OGA customers has increased over the past 3 years. We ended FY 2011 with \$98 million, compared to \$96 million in FY 2010. This increase is mainly due to additional revenue from Immigration and Customs Enforcement (ICE) and Office of Refugee Resettlement (ORR) for medical payment processing, ICE credit cards processing, and travel payments.



# Meeting VA Franchise Fund Objectives

## Information Technology Segment – CDCO

### Virtualization and Cloud Delivery Model

The CDCO continues to expand its technology footprint with virtualization and the introduction of a cloud delivery model. In addition to providing rapid-deployment services through virtualization, the CDCO plans to expand Infrastructure-as-a-Service (IaaS) offerings, which provide a greater degree of self-service, cost effectiveness, and less administrative overhead. The CDCO also plans to expand continuity of operations options with virtualized environments. The CDCO cloud delivery model leverages many technology components and practices already in existence to deliver functionality in shorter timeframes and support the efforts of VA IT projects to deploy working business functionality in less than six months. The cloud delivery model will support multi-tenancy of government organizations and the shared concerns of the Federal community (e.g., mission, security requirements, policy, and compliance considerations).

### CDCO Supports Major Transformation Initiatives

VA Secretary Eric Shinseki's Major Transformation initiatives are supported by CDCO and will continue to be a top priority of the organization. These initiatives are part of the Department's goal to transform VA into a 21st Century organization, which ensures timely access to benefits and high quality health care to our nation's Veterans.

### IT Asset Management

IT Asset Management provides services that unite financial, contractual, and inventory functions to support life cycle management and strategic decision-making for the IT environment. Assets include software licenses and hardware systems, along with the contractual services required to support them. Services also extend to our customers in the form of large print contracts, allowing for printing and mailing of VA's Earnings & Leave Statements, W-2s, and various other large mailings daily, weekly, monthly, and annually.

### Property Management

Property Management accounts for all IT equipment and non-expendable property, such as vehicles and operating equipment. It provides logistical and warehouse support, acquires and maintains stock levels, and distributes supplies.

### Service Delivery Management

Service Delivery Management is primarily responsible for Capacity Management, Availability Management, Service Continuity, and Service Level Management. Capacity Management assists customers in obtaining optimum and cost effective provisioning of IT services by matching the CDCO IT resources to business demands. Availability Management focuses on monitoring and reporting on the CDCO's ability to maintain system availability at agreed levels over a period of time. IT Service Continuity assists customers in Risk Analysis, Contingency Plan Management, Contingency Plan Testing, and Risk Management to help ensure the availability and rapid restoration of IT services in the event of a disaster. Service Level Management provides for continual identification, monitoring, and review of the levels of IT services specified in the CDCO business documents, such as Contracts and Operations and Management. It ensures that arrangements are in place with internal IT support providers and external suppliers in the form underpinning contracts or maintenance agreements. The process involves assessing the impact of change upon service quality and contracts.

### Monitoring/Automated Operations

Automated Operations uses Unicenter Network and Systems Management (NSM) and Computer Associates' (CA's) Service Assurance Suite, which provides the functionality to monitor and manage all enterprise operations. It offers a single point of control for administering critical resources, including heterogeneous systems, networks, packaged applications, databases, Web servers, and more. The CDCO is able to monitor CPU utilization, disk utilization, memory utilization, and task/service status. Automated operations alert and notify individuals as needed when any predetermined thresholds have been exceeded. To improve the CDCO's monitoring and event alert capacity, Automated Operations implemented an open systems monitoring project. This project enables proactive monitoring, as defined through threshold and alert configuration, so that the CDCO can address potential problems before customers are impacted. Performance tuning and fault isolation are supported for both UNIX and Windows environments. It also supports capacity planning from both the trend analysis and new business modeling perspectives. End-to-end response time is tracked for Web transactions and drill-down capabilities are provided to isolate problems. All

incidents and changes applied enterprise-wide are logged and recorded, which also allows the CDCO to monitor and manage any incident at any given time. Business Objects Enterprise is used as the primary tool for gathering and creating reports, providing the ability to publish any report created to the Web on a secured platform for management and customer review. These metrics are provided for management and business decisions nationwide.

**VA Secretary's Major Transformation initiatives supported by CDCO include:**

- Major Initiative (MI) 1: Eliminate Veteran Homelessness (EVH)
- MI 2: Veterans Benefits Management System (VBMS)
- MI 3: GI Bill Benefits (GIBILL)
- MI 4: Virtual Lifetime Electronic Records (VLER)
- MI 5: Improve Veteran Mental Health (IVMH)
- MI 6: Veterans Relationship Management (VRM)
- MI 7: New Health Care Model (NHCM)
- MI 8: Health Care Access for Veterans (ACCESS)
- MI 9: Integrated Operations Center (IOC)
- MI 10: Systems to Drive Performance (SDTP)
- MI 11: Integrated Operating Model (IOM)
- MI 12: Human Capital Improvement Plan (HCIP)
- MI 13: Research and Development (RD)
- MI 14: Strategic Capital Investment Planning (SCIP)



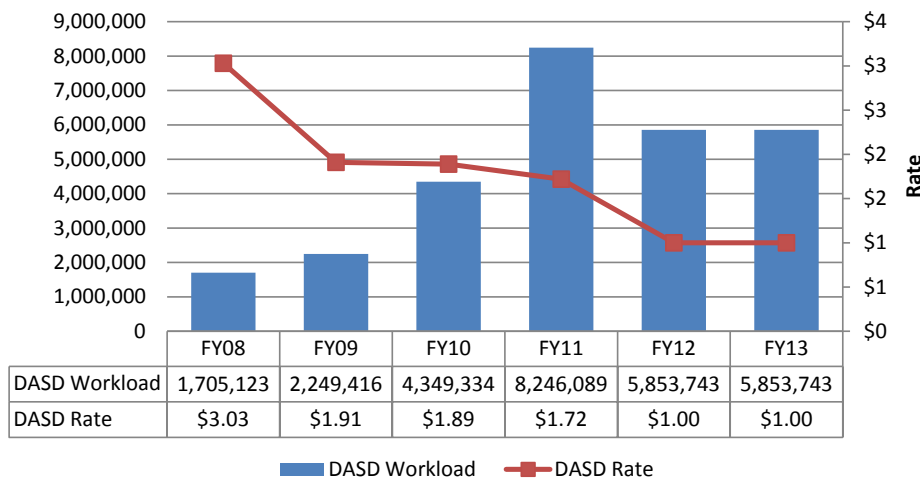


## Direct Access Storage Device (DASD) Trends

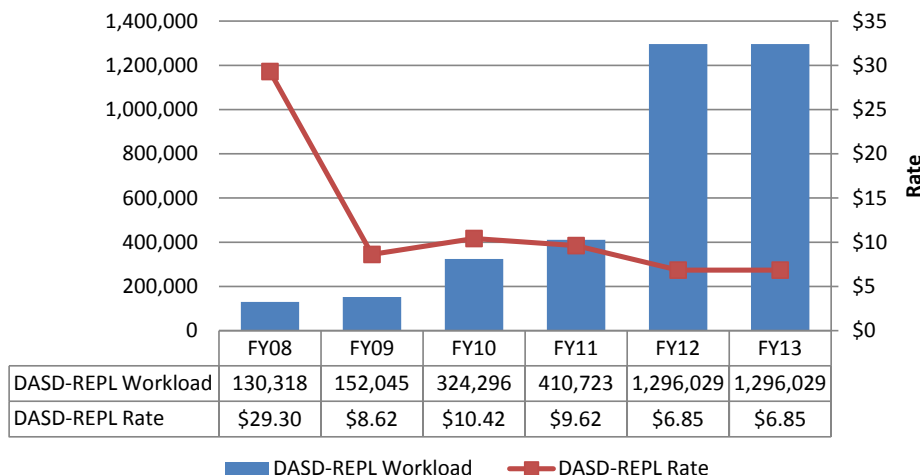
The CDCO has an established enterprise DASD environment that meets mainframe and open systems storage performance and data volume requirements, protects data against hardware failure, creates data snapshots, and replicates data to remote sites for contingency planning and disaster recover (DR). Industry-wide decreases in hardware costs per unit and the use of best practices resulted in a continued decline in DASD rates. In FY 2011, the CDCO implemented Hitachi hardware and software installations at the CDCO data centers in Austin, Hines and Philadelphia. This DASD infrastructure supports routine, mission essential and mission critical servers with highly available, fault tolerant storage at the three data centers. Under this new infrastructure, failover can be accomplished to either of the other two DR sites. This new solution includes two additional petabytes of usable storage and incorporates and interoperates with the existing investment

in EMC Corporation storage subsystems, software, and infrastructure. All disk storage systems will be incorporated into this replacement solution as the environments' current hardware components reach end of life cycle. The depreciation expense associated with this capital expenditure is included in the FY 2011, FY 2012 and FY 2013 rates. As a result of increased workloads in FY 2011, the DASD mirrored rate is being reduced to \$1.72. Further reductions due to increased workloads are projected for FY 2012 and FY 2013. Based on current workload projections, the DASD mirrored rate will be \$1.00 in both FY 2012 and FY 2013. The CDCO anticipates additional DASD workload from new initiatives coming on in FY 2011 and FY 2012 such as the National Health Information Network (NHIN), Veterans Benefits Management System (VBMS), and Virtual VA. In addition, several legacy applications are expecting increases in DASD workload. The applications include Loan Guaranty (LGY), VBA Corporate (CRP), ESSENCE (ESE), and Administrative Data Repository (ADR).

### DASD Trends



### DASD-REPL Trends\*

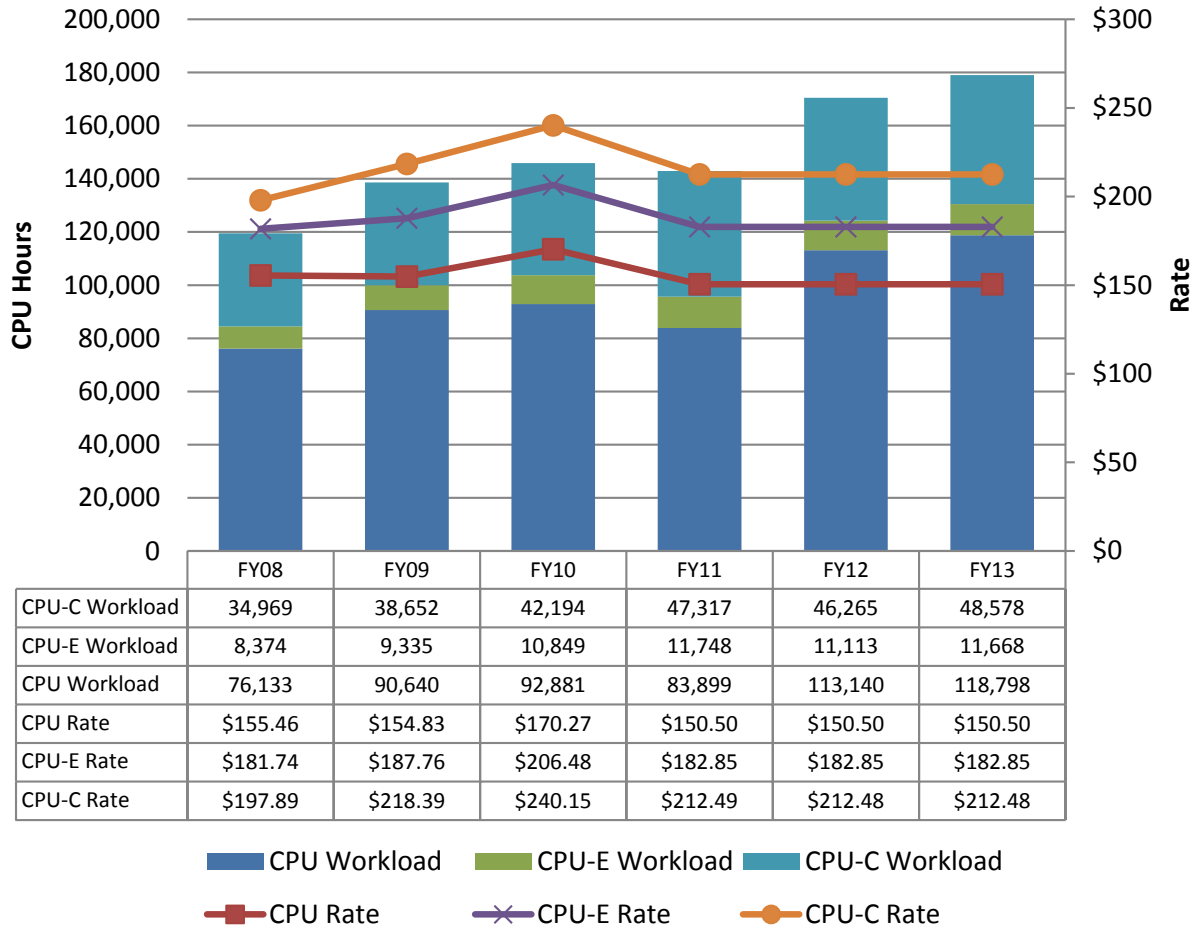


\*DASD-REPL denotes data storage that is electronically vaulted to a remote data center for application data recovery in the event of a disaster.

### Central Processing Unit (CPU)

Rate trends are illustrated in the CPU chart below. With workloads relatively stable between FY 2008 and FY 2010, CDCO was able to reduce the CPU rate in FY 2009 with a moderate increase in FY 2010. Increases in estimated FY 2011, FY 2012 and FY 2013 workloads will result in notable decreases in the CPU rates in FY 2011, FY 2012, and FY 2013.

### CPU Trends\*



\*CPU-E and CPU-C denote CPU processing that can resume application processing within 72 hours and 12 hours respectively of a declared disaster on a mainframe computer.

## Information Technology Segment - RCV

The RCV completed its final shelving project for storage bays H and I with capital reserve funding of \$587,526 in May 2011. Based on current business trends when all warehouse space is completely filled in mid FY 2013, the RCV will systematically and securely store/maintain nearly 2 million cubic feet of records.

### Records Destruction Services



With the purchase of the high-security media disintegrator, the RCV began offering VA-witnessed, on-site records destruction services for paper-based records in 2009. In a recent business practices analysis, staff pinpointed a high cost area for records destruction processes. In order to recover actual labor

costs and equipment utility/maintenance charges, the RCV found it necessary to increase the current \$4.00 per box rate to destroy paper-based records to \$5.00 per box. The increased rate is still fair and reasonable as the RCV's competitors, National Archives and Records Administration and Iron Mountain, charge \$5.50 per box and \$4.99 per box respectively. As VA customers' paper records reach their retention period and become eligible for destruction, witnessed, on-site destruction will keep operating costs down while ensuring the integrity of the destroyed materials.

## Information Technology Segment Plans for 2012 and Beyond

In FY 2012, the CDCO plans to replace the **Sunfire (SF) 25000 servers**; implement technology refresh, upgrade autonomy search and disk storage and replace network and load balancing hardware for Web Operations; install an uninterruptible power supply (UPS) at Culpeper; implement a test network; upgrade disk storage; replace UPS battery strings; purchase Magstar tape unit replacements; enhance database performance monitoring and purchase monitoring hardware; migrate to an Hitachi San Environment and a secure file transfer protocol (FTP) process; and expand UPS capacity.

■ **SF25000 Server Replacement.** The VBA Corporate (VetsNet, Share, etc.) and VBA Performance Analysis and Integrity (PA&I) (Data Warehouse) applications currently reside on separate SF25000 servers that were installed in FY 2006 and configured to include the development, pre-production, and production environments. The failover SF25000 server is configured to include the respective disaster recovery and performance environments. In FY 2008, Sun Microsystems announced that key components of the SF25000 would reach end of life (EOL) in FY 2009 and the three to five year EOL support window would begin. CDCO and its VBA customer have proposed a technology refresh of these environments in FY 2012. The server purchase is planned for first quarter FY 2012 at an estimated cost of \$7.2 million.

■ **Web Operations:**

- **Technology Refresh.** The current Web Operations environment contains equipment that is at the end of operational life, is unsupported, and has no

provision for continuity of operations planning (COOP). This equipment consists of F5 load balancers, virtual servers, and racks. Estimated at \$1.5 million, this project will utilize a virtual environment with high availability provisioning. This project is scheduled for first quarter FY 2012.

- **Autonomy Search Upgrade.** VA utilizes Autonomy for its search function. As the search functions advance with the product releases, the need for a more robust search solution grows. Autonomy meets those needs by providing results that match the requests of users who perform searches on both the Internet and Intranet. Planned for first quarter of FY 2012, the estimated cost is \$500,000.
- **Disk Storage Upgrade.** Web Operations systems require additional capacity to support building redundant systems, which will increase fault tolerance for hosted sites. Additional capacity is also required for natural growth of existing systems. This purchase is planned for the first quarter FY 2012 at an estimated cost of \$3.5 million.
- **Network Upgrade.** The network provides the backbone for communication between servers, storage systems, and users. The Web Operations network infrastructure consists of two Cisco 6509 switches with two firewall modules and two content switching modules/load balancers. The network infrastructure is running on older, end-of-sale hardware and the current configuration is not

fully redundant. A new infrastructure is needed that can support a dynamic infrastructure with a high density of VMware servers and large backend storage systems, full redundancy, and 10GbE. New Cisco Nexus switches will reduce the complexity of the environment. A unified fabric over 10 Gigabit Ethernet (GbE) for server LAN and SAN traffic enables consolidation of server adapters, cables, and top-of-rack switches by up to 50 percent. A unified fabric is designed to consolidate all data center I/O onto Layer 2 Ethernet and reduce capital and operating costs by reducing the number of server adapters, cables, and upstream switches needed. Planned for first quarter FY 2012, the estimated cost is \$1 million.

- **Load Balancing.** The current load balancers that are in use for the Internet environment are approaching end of life, and as the need for Internet use expands in VA, the equipment will need to be replaced. This purchase will also provide load balancing for the Intranet environment. Implementation is planned for first quarter FY 2012 at an estimated cost of \$350,000.
- **Enterprise Disk Storage Upgrade.** To satisfy outstanding storage requests across open systems platforms and the mainframe, allow for natural growth of existing data stores, allow migration from legacy systems in support of a technology refresh, and support the introduction of disk-to-disk-to-tape in the backup environment, a disk storage upgrade is required at an estimated \$17.7 million. As new customers are added to the storage network, additional storage will be procured with the understanding that significant new workload could increase this figure. This estimate will be offset by the amount of maintenance costs currently being expensed on our legacy arrays. This upgrade is planned for second quarter FY 2012.

■ **UPS Expansion.** To meet anticipated growth in Austin and replace the existing Exide 31000 UPS installed in Philadelphia in August 1995, the CDCO will add additional UPS capacity. This purchase will allow the CDCO to take steps to utilize "Greener" and more efficient power supplies. Planned for third quarter FY 2012, the estimated cost for the Austin expansion is \$4.4 million and \$800,000 for Philadelphia.

In FY 2013, the CDCO plans to purchase an IP camera system; upgrade the IBM TS3500; purchase CD Viewer Plus; expand generator systems; network a terminal/mobility unit; purchase a new GPS grounds keeping

tracking system; purchase a motion detection sensor system; upgrade building access control; upgrade disk storage; implement an IBM DASD technology refresh; replace UPS battery strings; install a security monitoring system and perimeter lighting; and upgrade the Z10 mainframe.

■ **Upgrade IBM TS3500.** Upgrading to True Virtual Tape will provide the benefit of unattended operation at Hines. Additional advantages include cost savings, portability and scalability. Planned for first quarter FY 2013, the estimated cost is \$500,000.

■ **Generator Expansion.** To support IT business growth forecasted for this year and in subsequent years several electrical system expansions will be necessary. The current generators at Falling Waters are past their life expectancy for operability with two 1000 kilo watt generators. This purchase is planned for first quarter FY 2013 at an estimated cost of \$975,000.

■ **Enterprise Disk Storage Upgrade.** At the current rate of growth and in anticipation of migrating data off of older arrays in support of a technology refresh, an estimated \$7.7 million disk storage upgrade is anticipated. As new customers are added to the storage network, additional storage will be procured with the understanding that such new workload could increase this figure, especially if the amount of storage needed is significant. This figure will also be offset by the amount of maintenance costs currently being expensed on our legacy arrays. This purchase is planned for second quarter FY 2013.

■ **IBM DASD Tech Refresh.** The current Shark Drive (Model 2105) will be over 15 years old in FY 2013. Replacement of the system will maintain efficient and effective operations between the new IBM mainframe (z10BC) and the new 3500 tape system. In addition, it will be more cost-effective for long-term maintenance and improve overall system performance to replace the existing drives. Planned for second quarter FY 2013, the estimated cost is \$500,000.

■ **Z10 Technology Refresh.** This mainframe hardware upgrade of the small Z10 production platform will include software license increases due to the upgrade. The upgrade is a technical refresh to maintain vendor supported hardware and continue to provide a cost effective platform for customer use. The Environmental Protection Agency (EPA) is one of the primary customers using the Z10. Planned for third quarter FY 2013, the estimated cost is \$3.7 million.

## Financial Management Segment – FSC

### VA-Wide Temporary Duty (TDY) Travel

The VA Financial Services Center (FSC) serves as the VA-Wide TDY Travel Project Office. The VA-Wide TDY Travel System, known as FedTraveler.com, provides approximately 100,000 VA frequent travelers with an accountable method to plan, book and track travel arrangements and request expense reimbursements. The FSC will lead VA's transition from the current electronic travel system (eTS), FedTraveler.com, to the next eTS contract, which will include working with our partnering agency GSA. Following GSA's contract award, the FSC will plan and acquire VA's task order for eTS2 and support the transition while continuing to provide VA TDY Support Services for FedTraveler.com.

### Vendor File Maintenance

The FSC maintains the FMS vendor file with over 500,000 records. The FSC processed over 350,000 requests to modify the Vendor File in FY 2011. In FY 2011, VA embarked on a renewed effort to eliminate check payments by the end of 2012. The FSC is supporting this effort by developing a portal for medical providers to access their Explanation of Benefits; contacting medical vendors, Veterans, and dependents receiving checks; and notifying current medical providers to convert payments from check to Electronic Funds Transfer (EFT). The FSC tracks and monitors the number of check versus EFT payments and vendor conversions based on the monthly payment vendor file. Continued focus on enrolling vendors to receive electronic payments reduced the volume of paper checks by 60 percent from FY 2010 levels.

### e-Invoicing

The FSC began the third vendor enrollment recruitment plan for the e-Invoicing initiative in August 2011. The FSC's e-Invoicing initiative, in partnership with A&T Systems, Inc. and OB10 Inc. (OB10), goes beyond traditional electronic data interchange methods by offering a solution that does not require vendors to purchase any additional software or hardware. Additionally, all vendors can easily participate without changing existing invoicing formats. OB10 can accept any invoice format or layout from the vendor's existing billing system utilizing the vendor's choice of electronic communication method. The electronic invoice data is then passed to the FSC to automatically populate the appropriate payment applications. This approach eliminates the errors and expense associated with traditional paper invoice submission, improving cost effectiveness, payment accuracy and timeliness for both VA and vendors. The FSC is targeting 122 vendors which represent approximately 35 percent of the FSC's total annual payment volume. Currently, over 1,000 vendors participate in e-Invoicing.

### Centralization of Payments

During FY 2011, the FSC continued to serve as VHA's centralized payment office for certified and matched invoices for purchased goods and services as well as construction payments. The FSC processed over 1 million commercial vendor payments. Performance results indicate improvements in payment processing timeliness and accuracy as well as cost savings. Continued reductions in interest penalties for late payments were realized along with consistently strong performance in maximizing vendor discounts earned.

### Centralization of Permanent Change of Station (PCS)

The FSC created a web-based PCS Travel Portal to automate the flow of Intra-agency Transfer Requests (VA Form 3918) and Requests for Permanent Duty (VA Form 3036c). The portal streamlines the process for initiating and approving travel documents required by relocating employees authorized PCS travel entitlements. Human Resources, authorizing, budget and approving officials can now use a web-based application with electronic flow of documents and electronic signature functionality in lieu of the former labor-intensive manual process. The FSC completed VA-wide implementation in December 2010. The results to date show a 64 percent reduction in document processing time. Relocating employees benefit from this process improvement through increased time available for move preparations and through the receipt of timely counseling on PCS entitlements. Plans to develop additional functionality for the electronic processing of claims and payments for PCS travel reimbursements are underway with expected completion in 2012. In FY 2011, over 2,000 station users were established in the travel portal at 393 VA stations. The FSC successfully processed 1,063 employee moves electronically using the travel portal.

Four FSC employees obtained the designation of Certified Relocation Professional (CRP). This designation is a symbol of professionalism in the relocation field and recognizes those who have mastered extensive knowledge of the principles and practices of relocation. Topics tested include Employee Relocation Council guidelines, implementation of home sale programs, appraisals, inspections, buyer market analysis, relocation entitlements, international moves and current challenges in today's relocation environment. The knowledge gained from the certification training will enable the FSC to better assist VA employees throughout their PCS move.



## Financial and Accounting Training

The FSC provides training to VA personnel in the areas of Finance and Accounting. The FSC staff offers Financial Management System (FMS), Construction Accounting, Fixed Assets, Agent Cashier, Standard General Ledger, and SF 224 training on site in Austin and remotely at locations in the field. Based on customer feedback, the FSC added a class on Integrated Funds Distribution Control Point Activity Accounting & Procurement (IFCAP). All FSC classes are well received and maintain high scores on evaluations.

## FSC Information Technology (IT) Support

The FSC relies on IT support to provide financial services to customers. The FSC IT staff use a proactive research and development effort to leverage technology as a workforce multiplier, ensure personnel are up-to-date on the latest technological advances, and strive to provide VA with world-class, cost-effective services. The FSC IT staff's resourcefulness is a major factor in the FSC's ability to develop timely and innovative solutions for their customers.

### IT staff provide the FSC with the following support:

- Application development and maintenance
- Helpdesk and PC desktop support
- Database administration
- Network administration
- Server administration
- Electronic Commerce (EC)/Electronic Data Interchange (EDI) services

## Disaster Recovery

The FSC also maintains a capability to respond to and survive disasters by operating a disaster recovery site at the FSC Waco Payment Center located 100 miles away from the FSC's primary Austin, TX site. This recovery site is in a different communication and utility grid, enhancing its survivability. The FSC uses a "mirrored" data storage capability which reduces the time needed to bring critical applications back online.

## Electronic Business

The FSC continues to support the VHA Chief Business Office (CBO) Electronic Business (e-Business) initiatives by processing medical claims and insurance verifications transactions and sending them to VA clearinghouses, Emdeon and MedData. Claims status messages and reports submitted through the EDI process are sent to VA medical centers. Furthermore, the FSC processes medical claims, explanation of benefits, and remittance advice from PNC Bank or Trailblazer and sends them to VA medical centers for processing in the integrated billing and accounts receivable Veterans Health Information Systems and Technology Architecture (VistA) modules. The FSC also works with its partners – VistA developers, Emdeon, MedData, and VHA CBO Project Managers – to research issues, provide solutions, reach a consensus on action plans and implement necessary changes.

The FSC's Electronic Commerce Division (ECD) adopted procedures leading to their recognition with a Capability Maturity Model Integration (CMMI) Level 3 certification—the only VA organization to hold this certification. This industry-standard certification signals the FSC's commitment to product quality and production efficiency. The CMMI methodology integrates the entire spectrum of software development including software engineering, testing and project management to improve product and service quality, optimize project schedules, reduce lifecycle costs and increase customer satisfaction. It also provides information to assess process performance, prioritize improvement actions and better link projects to business objectives.

ECD continues to use the CMMI methodology to support all software development initiatives and has shared artifacts, processes and procedures with other services within the FSC. This has enabled those services to become more efficient in their development process.

## Purchased Care Pilot

The Veterans Health Administration is one of the world's largest health care delivery organizations. VA manages authorization, claims processing, and reimbursement for services acquired from non-VA healthcare providers through a program called the Fee Basis (Fee). The use of Fee is generally only authorized when appropriate VA services and/or facilities are not available or cannot be economically provided to the Veteran due to geographical inaccessibility. The VHA CBO, Purchased Care, developed a comprehensive set of requirements to outline a vision for the future state of purchased care.

CBO partnered with the FSC in late 2009 to develop and deliver CBO's future state requirements. These requirements represent three distinct functional components. Enrollment and Eligibility System (EE) applies business rules to automatically enroll Veterans into Health Plans and

Groups based on the Veteran's eligibility. The Referral and Authorization System (RAS) provides referral templates to automatically invoke rules for approving Veterans' authorization for Fee/Non-VA Purchased Care. The Claims Payment Processing System provides claims adjudication based on appropriate payment methodologies and Fee schedules with seamless integration with EE and RAS during adjudication.

The FSC acquired two commercial off-the-shelf packages in support of CBO to meet their future state requirements. The claims adjudication system utilizes Plexis' Quantum Choice solution for claims processing and PegaSystems for business rules, workflow, and correspondence generation, supporting the EE and RAS components. The FSC supports the development of integration services of the two packages as well as interface development for 14 identified interfaces. This initiative stands to reduce over \$350 million of erroneous payments annually for this program and represents a major challenge.

## Maintaining Customer Satisfaction

The FSC continued to improve business processes adding customer value. The FSC enhanced functionality of the FASPAC application providing automated email notification of rejected IPACs from trading partners. To assist in intra-governmental reconciliation, vendor codes are now mandatory on all IPAC transactions.

During FY 2011, the **FSC processed 5.2 million purchase card transactions**, representing over \$3.5 billion in purchases. In FY 2011, the electronic billing and payment process for card accounts earned VA over \$73 million in credit card refunds, which is a 5.1 percent increase over FY 2010 levels. These refunds are returned to VA entities for use in Veterans programs.

**The Fee Basis credit card** program automates Healthcare Fee Basis payments, eliminates processing of paper checks, and earns VA additional credit card refunds. During FY 2011, the volume of transactions exceeded 655,000 and was valued at more than \$196 million, earning VA over \$3.7 million in refunds. In comparison, by the end of FY 2010, VA's Fee Basis credit card program processed over 487,000 transactions representing over \$164 million in payments and generated over \$3 million in refunds. The growth in this program was attributed to additional Fee Basis medical providers agreeing to receive payment via the Fee Basis Purchase Card and more VA medical centers joining the program.

**VA's Travel Management Centers (TMCs)** serve Veterans and employees who travel frequently. The billings are transmitted electronically from each TMC and payment is sent daily through the Department of the Treasury's Electronic Certification System. During FY 2011, the travel

management program processed over 813,000 transactions, disbursed payments of over \$105 million and earned over \$1.8 million in refunds compared to over \$1.1 million during FY 2010. This can be attributed to the push to use centrally billed travel cards, including requiring them for travel using commercial carriers.

**VA's Prime Vendor Payment System** automates payments under a nationwide prime vendor centralized purchasing contract. The system provides VA medical centers with an efficient way to order supplies at low, negotiated contract prices and guarantees delivery within 24 hours, eliminating the need for warehousing large volumes of supplies. During FY 2011, 132 VA medical centers used the Prime Vendor System to electronically process 765,000 payments valued at \$4.3 billion.

**The Customer Support Help Desk (CSHD)** offers a comprehensive one-stop response team to support inquiries from VA stations and vendors. CSHD provides timely and accurate responses to questions ranging from how to navigate in FMS to assisting a Veteran with benefits information. The e-Travel Help Desk assists travelers and stations in processing travel requirements in the new eTS system.

FSC staff continued to provide vendor payment history on the Internet. **The Vendor Inquiry System (VIS)** Internet application stores over 7 years of information. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently there are over 26,000 active registered vendors. VIS provides FSC vendors with an easy-to-use tool for immediate access to their payment information 24 hours a day. VIS has improved customer service efficiency of FSC staff by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

Registered VIS users have the ability to submit electronic invoices directly to the FSC. Vendors complete easy-to-use forms to create their invoices and can manage and track them. This online system provides the vendors with a list of valid purchase orders, virtually eliminating the number one error that causes payment delays. Errors identified by the system are immediately returned to the VIS user, who can instantly correct them prior to submission. This prevents payment delays and results in quicker and more accurate vendor payments.

The FSC supports the **VA-Wide Travel** initiative providing the following services for program sustainment: Global System Administration; support for Local System Administrators; sponsorship of Super User conference calls; user acceptance testing of new software releases; training on new software releases; Contracting Officer's Technical Representative support; participation in meetings hosted by GSA such as FedTraveler User Group meetings; Program

Change Control Board meetings; and Executive Change Control Board meetings.

## FSC EDI Services

The Electronic Commerce/Electronic Data Interchange (EC/EDI) system uses commercially available, off-the-shelf software and national standards to move mission critical information between VA and each of its trading partners, which includes commercial vendors, telecommunication/utility service providers, healthcare entities such as VA medical centers, and healthcare clearinghouses. EC/EDI also provides 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 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 supports VHA's efforts to comply with EC/EDI mandates identified in the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The FSC provided gap/risk analysis, project plans, and requirements documents and other artifacts. Furthermore, FSC personnel worked with VA stakeholders to discuss business and technology requirements. These include development efforts, overall project plans, partner readiness, testing and production rollout. The FSC also supported software upgrades and VistA patches needed to sustain HIPAA requirements. During FY 2011, the FSC supported the processing of over 69 million healthcare-related electronic transactions which produced an estimated cost savings to VHA of approximately \$184 million. This savings was the result of processing electronic instead of paper transactions.

During FY 2011, the FSC Electronic Commerce Division (ECD) supported VHA's initiative to meet the HIPAA mandate to implement newer versions of the electronic transactions (X12 5010 and NCPDP D.O). Due to the combined work of VistA developers and FSC staff, VHA met the mandated deadline of January 1, 2011, which required trading partners be ready to test with external entities. Currently we have trading partners already submitting 5010 and D.O transactions and continue to test with others. The support from the FSC ECD team has been essential for VHA to be in a position of readiness to accept transactions from all trading partners by January 1, 2012, as required by the HIPAA legislation. Due to the risk the healthcare industry faces related to trading partners not being able to meet the January 1, 2012 date, the FSC worked with VHA to have a plan in place to mitigate this risk.

The FSC also provides EC/EDI services to VA's Denver Acquisition and Logistics Center for invoices, billing documents and payment vouchers. These transactions are now processed using the FSC-owned software which reduces operational costs and provides facilities with day-to-day

operational support. The FSC also began providing EDI services to the Office of Acquisition and Logistics and put in place automated processes to eliminate cumbersome manual ones. Commercial invoices, FMS payments and subsistence prime vendor program services are also provided to VA entities nationwide. The FSC also provides EDI services to assist the Veterans Canteen Service in receiving and processing invoices, payments and purchase orders.

The FSC continues to provide EDI support to the U.S. Department of Agriculture (USDA). Under a franchise agreement, the FSC accepts invoices from USDA utility and telecommunications providers, translates them to a USDA-approved file format and transfers the invoices to USDA via a secure connection. The invoices are automatically input into legacy systems for processing and payment. This processing takes place using the FSC-owned translator software, which ensures license compliancy and reduces processing costs for USDA.

## Medical Claims Processing

At VHA CBO's request, the FSC undertook a major medical claims payment project that is in development and has the potential to significantly expand the FSC's Medical Claims Payment Product line. The project will develop a system to process all types of Fee Basis claims starting with one Veterans Integrated Service Network as a pilot. The FSC is developing an automated process that integrates data from existing VA data systems to determine a Veteran's eligibility for health care; an Internet-based referral and authorization system for medical centers to manage Veteran care; and a highly automated claims adjudication processing system using newly procured off-the-shelf claims adjudication software and a business process management tool. Upon completion of the pilot, a decision will be made to implement a nationwide process. In addition to this project, the FSC supports two VHA claims processing projects:

- Dialysis contract program claims processing
- Processing reclaims for laboratory and dialysis payments

The FSC provides the Department of Homeland Security 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 fully complies with the "Prompt Payment Act" (PPA) and Portability and Accountability Act of 1996 (HIPAA).

## Commercial Vendor Payments

VA continued to enhance its vendor payment processes throughout 2011. Overall VA interest penalties paid per million dollars disbursed decreased from \$64 per million in FY 2010 to \$45 per million in FY 2011. At the same time, VA earned 97 percent (\$5.1 million) of its available discounts. The FSC interest penalties paid per million dollars disbursed also declined from \$27 per million in FY 2010 to \$18 per million (34 percent) in FY 2011.

VA also continued to gain efficiencies and improve performance through an initiative started in FY 2004 which centralized vendor payment activities at the FSC. Through this centralization, VA strengthened its focus on identifying and preventing improper 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. Payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment and, as appropriate, collection. Additionally, the FSC reviews vendor payments to identify and collect improper payments resulting from erroneous interest penalties.

Overall, during FY 2011, collections of improper payments and recovery audits totaled over \$4 million. Improved payment oversight also enabled VA to identify and cancel nearly \$9.5 million in potential improper payments prior to disbursement. Since the inception of the FSC's audit recovery effort in FY 2001, the FSC has recovered over \$37.7 million in improper payments and prevented the improper payment of another \$80.6 million.

## CBA Employee Travel Reconciliation Web Portal

To facilitate monthly reconciliation of employee temporary duty travel transactions on US Bank Centrally Billed Account (CBA) statements, the FSC developed the CBA Employee Travel Reconciliation Web Portal. The FSC automatically matches US Bank CBA monthly transactions with Travel Management Center (TMC) charges and FedTraveler fees. Unmatched transactions are placed on the CBA Employee Travel Reconciliation Web Portal. Field facilities access the portal via secure login to research and provide additional information to match remaining items. Upon completion and submission, the facility certifying official receives an e-mail notification to review and certify reconciliation of the CBA monthly statement. The certifying official has the option to certify or refuse the report if items require additional research. The portal also provides various reports to facilitate research as well as to monitor user access and compliance with monthly reconciliation of the employee travel CBA. The FSC rolled out the web portal to 10 CBA Pilot sites. After additional development, the FSC

implemented the portal VA-wide. This effort was completed in the first quarter of FY 2011.

## Financial Management Segment - DMC Debt Collection

The DMC collects debts arising from a beneficiary's participation in VBA education, compensation, pension, and/or loan guaranty benefit programs. VA pays benefits under four different education programs to Veterans or their beneficiaries to further their education. Compensation benefits are paid to Veterans who incurred a disability while in military service. Pension benefits are paid under an income based program. The loan guaranty program allows a Veteran to acquire a VA guaranteed loan for housing purposes. Debts normally arise as a result of a change in entitlement that either reduces the amount to be paid or terminates the benefit due to non-entitlement. The DMC attempts to contact the debtor as soon as possible after the debt arises. If collection efforts are unsuccessful, the DMC refers the accounts to Treasury for offset under TOP or refers to Treasury for cross servicing action when they become eligible. Our goal is to minimize a possible negative outcome to the Veteran and their beneficiaries, but collect the funds that are owed to VA. Our excellent customer service, understanding of the VA systems and processes, as well as the customers' perspectives, is key to the effective collection of funds.

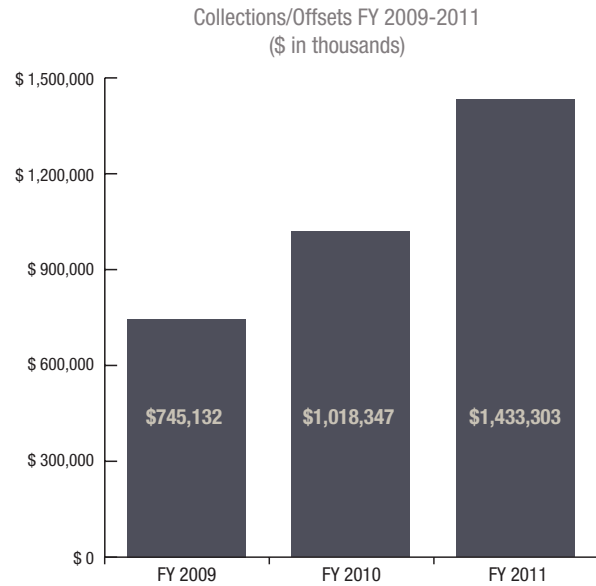
## Improving Customer Service

The DMC is partnering with VBA and OIT in the Veteran Relationship Management (VRM)/Veteran Access Modernization (VAM) initiatives that are designed to improve customer service through improvements in communications technology. VRM is a multi-year program that will provide the capabilities required to achieve on-demand access to comprehensive VA services and benefits in a consistent, user-centric manner to enhance Veterans, their families, and their agents' self-service experience through a multi-channel customer relationship management approach. This program is designed to improve the speed, accuracy, and efficiency in which information is exchanged between Veterans and the VA, regardless of the communications method (phone, web, email, social media). The focus will include modernization of voice telephony, unification of public contact representative desktops, implementation of Identity and Access Management, development of cross VA knowledge management systems, implementation of customer relationship management systems, and integrating self-service capabilities with multiple communications channels.



### Automation Improvements

The DMC provides administrative offset capability for the Veterans Health Administration (VHA) to collect delinquent first party medical debts. In addition to initiating administrative offset from running benefit awards, the DMC refers VHA's file of delinquent debtors to Treasury for offset under the Treasury Offset Program (TOP). During FY 2011, the DMC processed 1.6 million offsets totaling \$240 million from both programs and forwarded the offsets to VHA's medical centers for processing. Due to the high volume of offsets, the DMC proposed automating the application process by creating a file of transactions that can be used by VHA to automatically update delinquent balances. This is similar to the process used by VHA for applying payments received through its lockbox. The DMC is partnering with VHA and an outside contractor to develop specifications required to implement this initiative. This initiative is estimated to save over 53,000 man-hours in key entry work.



The chart above depicts collections/offsets for FY 2009- FY 2011. The amounts reflect collections/offsets on benefit debts as well as offsets for VHA medical debts. The increase from FY 2009 to FY 2011 is attributed to a concerted effort on the DMC's part to identify and initiate offset as early in the collection process as possible.

## Financial Management Segment Plans for FY 2012 and Beyond

### FSC Facility Expansion



The FSC continues to expand in both customer base and services provided with additional growth expected in the future. Since FY 2009, the FSC has grown by 129 employees to 544 employees in FY 2011, with additional growth projected to satisfy increased customer demand for services. The continued business expansion allows the FSC to spread fixed operating costs over a larger business base and reduces the unit cost of services for all customers, thus allowing the FSC to continue to deliver "world class" services at competitive rates. To accommodate the additional growth, the FSC signed a lease with the General Services Administration to acquire an additional 60,000 square feet of office space available within the current facility. Construction will begin in FY 2012 and the FSC expects to occupy the new space in May 2012. The additional space will achieve a Leadership in Energy and Environmental Design (LEED) "Silver" designation to match the current facility. LEED is an independent certification program and nationally accepted benchmark for the design, construction and operation of high performance green buildings.



## Security and Law Enforcement Segment – SIC

### Replacing Manual and Paper-Based Processes with Automation

The SIC continues to work through e-Government initiatives to improve its processes. In FY 2011 the SIC evaluated its remaining paper-based/paper-dependent processes and deployed electronic delivery features through VA's SharePoint Portal services. The SIC created the SIC Resource Site with (1) a secure document container allowing customers to upload scanned PDF case supporting files – significantly reducing the handling of paper documents and eliminating the use of fax and mail services by customers for providing documents to the SIC, and (2) a secure document pick-up container allowing customers to access and download completed certificates of investigation – eliminating thousands of individual mailings per year. This will streamline the SIC processes, providing for a more efficient and agile handling and tracking of incoming cases for processing and investigation, as well as the delivery and archival of the results of adjudicated cases.

### e-QIP (electronic Questionnaire for Investigations Processing)

The SIC completed the fielding of OPM's web-based automated system e-QIP, replacing the paper questionnaire forms used in processing background investigations by the required date of December 31, 2010. This provided a secure environment for handling sensitive personal data and archives the data at OPM for future follow-up investigations.

### Adjudication Only Product Line

Research was conducted to determine better methods of meeting the needs of SIC customers regarding our product lines. It has been determined that many Federal Government agencies' background investigation centers include or exclusively offer adjudication only services. An "Adjudication Only" product was developed to allow Human Resources (HR) offices the option to initiate employee background investigation case files and transmit to OPM for investigation.

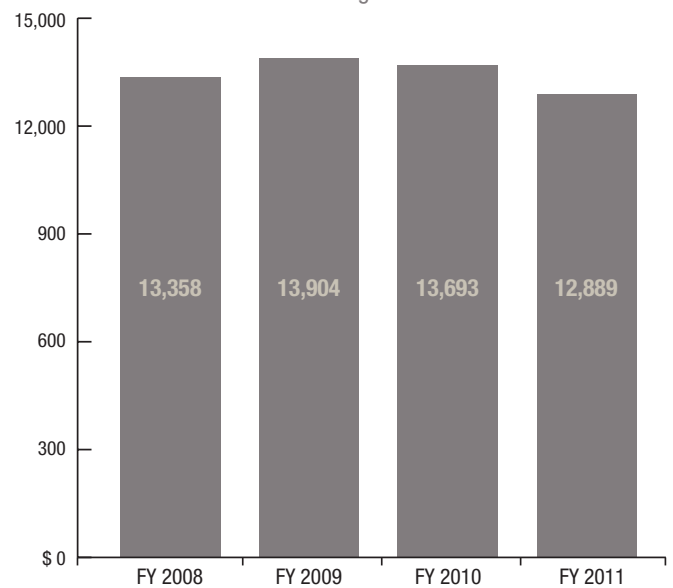
Currently the SIC initiates the OPM investigation, compiles all of the subject's documents, performs an agency review, and releases the case file to OPM. When OPM completes the investigation, the case file is sent to the SIC for adjudication, and OPM bills the SIC for the investigative product. The SIC pays OPM for conducting the investigation and bills the customer a combined single fee that includes work performed by OPM, the SIC screening process and the SIC adjudication of the investigation.

The Adjudication Only product line separates the adjudication process from the Initiation process and establishes VA HR offices as OPM's billing customer rather than the SIC. This allows VA HR offices to locally initiate the investigation, compile the necessary documentation, and release the case file to OPM. They now directly control the portion of the process that must be completed for an employee to begin work. Once the investigation has been completed, OPM sends the case file to the SIC for adjudication. The SIC adjudicates the case and bills the customer for services performed – thus eliminating the pass-through third party billing.

### SIC Investigations

FY 2008 thru 2010 investigations remain fairly constant averaging 13,652 over this 3-year period. Total requests for FY 2011 have increased, but the SIC's ability to process case files has decreased due to the full implementation of OPM's automated system e-QIP. The Captain James A. Lovell Federal Health Care Center requirement to conduct over 1,000 ANACI investigations on employees who had already completed an investigation was an unplanned additional workload. In addition, VA's 16 Major Initiatives added an undetermined number of additional contractor background investigations to the FY 2011 workload. The total number of requests for investigations will exceed the previous 3-year average but actual cases processed will be less.

Trend of Investigations Performed



# Security and Law Enforcement Segment - LETC

■ **Advanced Patrol Officer Course** is a 40-hour program mandated by the Deputy Assistant Secretary for Security and Law Enforcement for all VA police officers. The course contains blocks of instruction for legal updates, dealing with the mentally ill, and VA



Police & Federal law enforcement policy. VA police officers are required to attend every five years.

■ **Basic Police Officer Course** consists of 320 hours of practical and classroom training. Included are the basics of firearms, criminal law, defensive tactics, ground defense and recovery, active threat response, search and seizure training, community oriented policing, expanded training in verbal/non-physical de-escalation skills, Veterans Administration Police Software (VAPS) reporting system, report writing and patrolling.

■ **Baton/Ground Defense and Recovery Instructor Course** is a 64-hour class on how to properly train police officers in the use of the baton and the application of unarmed defensive techniques. Students become certified in side-handle baton use after passing a skills test.



■ **Computer Crime Course** is designed to prepare law enforcement officers to properly protect and seize computer components that possess evidentiary value. It is also suitable for IT specialists who may be tasked with support of law enforcement agencies.



■ **Supervisory Officer Training Courses** include 40 hours of instruction on basic training for newly appointed supervisors and more advanced training for police chiefs and other senior management personnel. Included



in this two-tiered approach to managing a law enforcement program are:

- First Line and Intermediate Supervisor Training
- Executive Leadership Course

These courses consist of classroom study on ethics, personnel management, equal opportunity employment and sexual harassment, human resources, civil liability, occupational safety and health administration regulations, and administration of a police service.

## Training

The Law Enforcement Training Center (LETC) is the only federal provider that offers specialized training dealing with assaultive patients and policing in a healthcare environment (mandated by Title 38 U.S.C.).

The number of police officers trained at the LETC has continued to increase over previous years. In FY 2009, 1,107 VA police officers and 143 police officers from other government agencies received basic and specialized training at the Little Rock campus. During FY 2010, the number of police officers trained rose to 1,450 and 212, respectively, and in FY 2011, the numbers rose to 2,126 VA police officers and 271 police officers from other government agencies.

Our residential training center provides an opportunity for police officers to train in an environment similar to the one in which they work. In FY 2011, we trained over 2,300 law enforcement professionals.



## Security and Law Enforcement Segment Plans for 2012 and Beyond

### ■ Training

The LETC will establish a VHA Leadership Council in FY 2012. This council will be comprised of VAMC Directors, Associate Directors, Chiefs of Staff, Nursing Supervisors and other key leaders to provide advice as to training they feel police officers need to meet the requirements of the medical facilities and patient care.

The LETC is working towards integration of its billing and invoicing processes. This new process will populate both types of documents and is an ongoing process.

In FY 2012, the LETC plans to complete the web-based conversion of its Veterans Administration Police Software (VAPS) program. This system enhancement will increase the operability of the program and provide a user friendly tool for VA police officers.

The LETC plans to improve training standards by meeting the accreditation requirements from the University of Arkansas at Little Rock and the standards for the Federal Law Enforcement Training Accreditation. This will make our training more attractive to our customers and improve customer satisfaction.

### ■ New OPM Requirement

The Office of Personnel Management (OPM) has developed a new Suitability Training course; all Government Adjudicators will be required to successfully complete this training by obtaining a passing score on

an end of course test. Currently, 33 percent of the SIC Adjudication Staff has successfully completed this course ahead of the mandatory requirement. During FY 2012 and 2013, all security specialists of the SIC are scheduled to complete this training.

### ■ Workload

The approved OPM electronic delivery software Direct Connect has been purchased and is scheduled for full service in FY 2012. This will provide electronic download from OPM of closed investigation cases, eliminating hard copies being mailed through the post office. It will result in the following:

- Reduce the time by as much as 10 working days to receive a completed investigation packet
- Result in completing the adjudication of a background investigation in a shorter timeframe

OPM mandated the use of Electronic Questionnaires for Investigations Processing (e-QIP) for all background investigations by December 31, 2010. This created an unanticipated workload that requires additional FTE and/or a new processing plan for e-QIP actions. A Lean Six Sigma work and process review is planned for FY 2012 to quantify the number of FTE required to handle current and future SIC workload and provide a best process model of operation.



# Goals, Objectives, and Performance Measures

## VA's Guiding Principles, Strategic Goals, and Integrated Objectives

### Guiding principles

- **People-centric:** Veterans and their families are the centerpiece of our mission and of everything we do. Equally essential are the people who are the backbone of the Department – our talented and diverse workforce.
- **Results-driven:** We will be measured by our accomplishments, not by our promises.
- **Forward-looking:** We will seek out opportunities for delivering the best services with available resources, continually challenging ourselves to do things smarter and more effectively.

### Strategic goals

- Improve the quality and accessibility of healthcare, benefits, and memorial services while optimizing value.
- Increase Veteran client satisfaction with health, education, training, counseling, financial, and burial benefits and services.
- Raise readiness to provide services and protect people and assets continuously and in time of crisis.
- Improve internal customer satisfaction with management systems and support services to achieve mission performance and make VA an employer of choice by investing in human capital.

### Integrated objectives

- **VA Integrated Objective 1:** Make it easier for Veterans and their families to receive the right benefits, meeting their expectations for quality, timeliness, and responsiveness.
- **VA Integrated Objective 2:** Educate and empower Veterans and their families through proactive outreach and effective advocacy.
- **VA Integrated Objective 3:** Build our internal capacity to serve Veterans, their families, our employees, and other stakeholders efficiently and effectively.



**The VA Franchise Fund goals support VA goals by:**

- Ensuring that all applications processing support and general support are of the highest quality.
- Ensuring that debt management collection services for delinquent consumer debt meet customer needs and requirements.
- Ensuring that financial services meet customer needs and requirements.
- Ensuring that VA's work environment is recognized by employees as conducive to productivity and achievement and fosters respect among all.
- Ensuring high-quality and timely background investigations and adjudications for employees in national security and public trust positions and ensuring that customer identification badges are issued without delay.
- Ensuring accurate records management and secure archival storage, protection, and retrieval services for Veterans' records and other stored Federal records.
- Establishing and managing the business aspects of the Fund.





The performance information presented below accurately represents the Enterprise Centers' performance during fiscal years 2008–2011. We are committed to ensuring that reported performance information is accurate and based on reliable information, and we continually seek to improve our data collection and monitoring techniques.

Each component of the VA Franchise Fund is committed to achieving its performance goals to ensure that we remain a performance-based organization.

## Performance Summary Table

Performance Measure	Actuals				Plan	Were 2011 Goals Achieved or Exceeded?	
	2008	2009	2010	2011	2011	Yes	No
Ranking within top 12.5% in the Information Technology Customer Satisfaction database <sup>1</sup>	12.0%	3.5%	N/A	N/A	N/A		✓
Total collections per dollar spent on collection activities	\$84	\$101	\$149	\$136	\$76	✓	
Payment processing accuracy rate	98.4%	98.6%	98.9%	99.3%	98.2%	✓	
Class graduation rate	98.5%	96.8%	97.2%	96.6%	95.0%	✓	
Percent of investigations that are completed within the established timeframes <sup>2</sup>	96.0%	99.0%	98.0%	94.0%	98.0%		✓
Percent of recalled records that are shipped securely and accurately to requesting facilities within established timeframes	99.9%	99.9%	99.9%	99.9%	99.0%	✓	
Number of audit qualifications for the VA Enterprise Centers	0	0	0	0	0	✓	

<sup>1</sup> In 2011, VA used the American Customer Satisfaction Index (ACSI) survey, however the survey results do not have any performance measures applicable to the CDCO. The CDCO is working to incorporate CDCO-specific customer satisfaction questions and specific performance measures into VA's ACSI survey and the data is expected to be available in FY 2013.

<sup>2</sup> OPM requires adjudication of Suitability background investigations within 90 days of the OPM closing date of the investigation at least 90% of the time. The SIC goal is to adjudicate all Suitability background investigations within 20 days of the closing 90% of the time.

# Performance Highlights During FY 2011

- For the 14th consecutive year, the audited financial statements of the VA Franchise Fund received an unqualified “clean” opinion.
- The CDCO continued to explore new technologies and update its equipment and services to meet the needs of its customers.
- The DMC demonstrated an exceptional rate of return of \$136 collected for every dollar of incurred expense.
- The FSC processed 5.2 million purchase card transactions, representing over \$3.5 billion in purchases. In FY 2011, the electronic billing and payment process for card accounts earned VA over \$73 million in credit card refunds, which is a 5.1 percent increase over FY 2010 levels.
- The LETC upgraded course offerings and maintained graduation rates at high levels.
- The RCV ensured that all customers received recalled records within established timeframes and that the records were shipped in a secure manner.
- The SIC developed SecurityManager, a comprehensive web-based enterprise security management database.



## Limitation Statement

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 351 5(b).

While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## Audit Opinion

For the 14th consecutive year (1998-2011), we have received an unqualified "clean" audit opinion.

# Financial Statement Analysis

The consolidated financial statements present the Franchise Fund's (Fund) financial position, cumulative results of operations, changes in net position, and information on budgetary resources for FY 2011 and FY 2010. Highlights of the information contained in the consolidated financial statements are summarized in this section.

## Overview of Financial Position

### Assets

The Consolidated Balance Sheets reflect the Fund's asset balances of \$252 million as of September 30, 2011. This is an increase of \$49.4 million (24 percent over the previous year's total assets of \$202.6 million). The increase in asset balances is largely due to the consolidation of four data centers into the Franchise Fund.

The Fund's assets as presented in the Consolidated Balance Sheets are summarized in the following table:

	(Dollars in Thousands)	
	<u>2011</u>	<u>2010</u>
Fund Balance with Treasury	\$173,676	\$118,868
Property, Plant and Equipment, Net	44,197	42,843
Accounts Receivable, Net	31,580	39,202
Other Assets	<u>2,537</u>	<u>1,682</u>
Total Assets	<u>\$251,990</u>	<u>\$202,595</u>

### Liabilities

The Fund had total liabilities of \$81.5 million as of September 30, 2011. This represents an increase of \$4.5 million (5.8 percent over the previous year's total liabilities of \$77.0 million). The CDCO's public accounts payable increased significantly due to the purchase and receipt of IT hardware and software from commercial vendors. This was due to several commercial payments for computer equipment which were processed in one month, but not scheduled to pay until the following month. The increase in intragovernmental other liabilities increased due to additional computer equipment purchased from GSA by the CDCO. Furthermore, there was an increase in advances received from the Immigration and Customs Enforcement for medical payment processing, credit card processing, and travel payments processing by the FSC.

The Fund's liabilities as presented in the Consolidated Balance Sheets are summarized in the following table:

	(Dollars in Thousands)	
	<u>2011</u>	<u>2010</u>
Other Liabilities	\$31,905	\$30,996
Intragovernmental Liabilities	45,582	43,928
Accounts Payable	<u>4,057</u>	<u>2,120</u>
Total Liabilities	<u>\$81,544</u>	<u>\$77,044</u>

**Net Position**

The Fund's net position increased by \$44.8 million in FY 2011 on the Consolidated Balance Sheets and the Consolidated Statement of Changes in Net Position. The net position for the Fund was \$170.4 million in FY 2011, which yielded a 35.6 percent increase from FY 2010's ending net position of \$125.6 million. Net position is the sum of unexpended funds and cumulative results of operations.

**Net Cost**

The Fund's net cost of operations yielded a net gain of \$32.4 million in FY 2011, as reflected in the Consolidated Statement of Net Cost.

**Budgetary Resources**

The Combined Statement of Budgetary Resources presents budgetary resources made available to the Fund during the year and the resulting status of budgetary resources at year-end. The Fund does not receive an annual appropriation from Congress. The Fund is fully self-sustained by recovering all costs through reimbursements for services provided. The Fund had total budgetary resources of \$574.1 million, a \$102.4 million increase from the FY 2010 level of \$471.7 million.

The Fund's Budgetary Resources as presented in the Combined Statement of Budgetary Resources are summarized in the following table:

	(Dollars in Thousands)	
	<u>2011</u>	<u>2010</u>
Beginning Unobligated Balance	\$ 90,933	\$ 98,646
Spending Authority Earned and Collected	453,706	383,148
Change in Receivable from Federal Sources	(7,581)	(3,544)
Change in Unfilled Customer Orders	<u>37,077</u>	<u>(6,558)</u>
Total Budgetary Resources	<u>\$574,135</u>	<u>\$471,692</u>

**Management Assurances**

The financial and performance data presented in this report are complete and reliable. Throughout the year, VA Franchise Fund senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in the financial and program performance areas and to identify corrective tasks needed to resolve them.

As part of a VA-wide initiative, Department managers were responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding assets and compliance with applicable laws and regulations. On the basis of statements of written assurance provided by the Under Secretaries, Assistant Secretaries, and other key officials, the Secretary of Veterans Affairs provided reasonable assurance that the internal controls (as described in the Federal Managers' Financial Integrity Act and Revisions to OMB Circular A-123, Management's Responsibility for Internal Control) were operating effectively and no new material weaknesses were found. Under the Federal Financial Management Improvement Act, VA is substantially compliant with applicable Federal accounting standards and the U.S. Standard General Ledger (SGL) at the transaction level. However, VA is not compliant with applicable Federal financial management system requirements as a result of the material weakness related to information technology (IT) security controls. The Secretary's signed Statement of Qualified Assurance on internal control may be found on page 1-Part IV in the 2011 Department of Veterans Affairs Performance and Accountability Report ([http://www.va.gov/budget/docs/report/PartIV/2011-VAPAR\\_Part\\_IV.pdf](http://www.va.gov/budget/docs/report/PartIV/2011-VAPAR_Part_IV.pdf)).


**BROWN & COMPANY CPAs, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To the Acting Director of  
Department of Veterans Affairs Franchise Fund Oversight Office

We have audited the accompanying consolidated balance sheets of the Department of Veterans Affairs (VA) Franchise Fund as of September 30, 2011 and 2010, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended September 30, 2011 and 2010. These financial statements are the responsibility of the VA Franchise Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements including the accompanying notes present fairly, in all material respects, in conformity with the U.S. generally accepted accounting principles, the VA Franchise Fund's assets, liabilities, and net position as of September 30, 2011 and 2010; net costs; changes in net position; and budgetary resources for the years then ended.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued a report dated November 30, 2011, on our consideration of the VA Franchise Fund's internal control and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Largo, Maryland  
November 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**

To the Acting Director of  
Department of Veterans Affairs Franchise Fund Oversight Office

We have audited the financial statements of the Department of Veterans Affairs (VA) Franchise Fund as of and for the year ended September 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audits, we considered the VA Franchise Fund's internal control over financial reporting by obtaining an understanding of the effectiveness of internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VA Franchise Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of VA Franchise Fund's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph, and would not necessarily disclose all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, as amended, a deficiency in internal control exist when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. We noted no deficiencies in the effectiveness of VA Franchise Fund's internal control over financial reporting that we considered to be significant deficiencies or material weaknesses, excepted as noted below in the Department of Veterans Affairs agency-wide independent auditor's reports.

The Department of Veterans Affairs (VA), Office of Inspector General (OIG) engaged an independent public accounting firm to perform the audit of the VA's consolidated financial statements for the years ending 2011 and 2010. The VA's consolidated financial statements include the VA Franchise Fund. The VA's FY 2011 *Independent Auditor's Report* and *Independent Auditor's Report on Internal Control over Financial Reporting*, dated November 30, 2011, identified a material weakness over the VA's "Information Technology (IT) Security Controls". In addition, the independent auditor's reports identified significant deficiencies over VA's internal control over financial reporting.

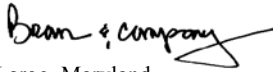
During the course of our audit we noted other matters involving internal control over financial reporting that we will report to management of the VA Franchise Fund in a separate management letter.

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This report is intended solely for the information and use of the management of the Department of Veterans Affairs Franchise Fund and VA, the VA Office of Inspector General, the Government Accountability Office, OMB, and U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Largo, Maryland  
November 30, 2011

 **BROWN & COMPANY CPAs, PLLC** 


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CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS**

To the Acting Director of  
Department of Veterans Affairs Franchise Fund Oversight Office

We have audited the consolidated financial statements of the Department of Veterans Affairs (VA) Franchise Fund as of and for the year ended September 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, amended.

The management of the VA Franchise Fund is responsible for complying with laws and regulations applicable to the VA Franchise Fund. As part of obtaining reasonable assurance about whether the VA Franchise Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the VA Franchise Fund.

The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations discussed in the preceding paragraph exclusive of FFMIA that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

Under FFMIA, we are required to report whether the VA Franchise Fund's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements. The results of our tests disclosed no instances of noncompliance which are required to be reported herein under *U.S. Government Auditing Standards*, excepted as noted below in the Department of Veterans Affairs agency-wide independent auditor's reports.

The Department of Veterans Affairs (VA), Office of Inspector General (OIG) engaged an independent public accounting firm to perform the audit of the VA's consolidated financial statements for the years ending 2011 and 2010. The VA's consolidated financial statements include the VA Franchise Fund. The VA's FY 2011 *Independent Auditor's Report* and *Independent Auditor's Report on Internal Control over Financial Reporting*, dated November 30, 2011, identified a material weakness over the VA's "Information Technology (IT) Security Controls" and a significant deficiency over VA's "Financial Management System Functionality." The conditions cited in these control deficiencies indicate that VA's financial management systems did not substantially comply with the Federal financial management systems requirements as required by FFMIA section 803(a).


Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

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This report is intended solely for the information and use of the management of the Department of Veterans Affairs Franchise Fund and VA, the VA Office of Inspector General, OMB, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

  
Largo, Maryland  
November 30, 2011

 **BROWN & COMPANY CPAs, PLLC** 

# Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND  
 CONSOLIDATED BALANCE SHEETS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Intragovernmental:</b>		
Fund Balance with Treasury (Note 2)	\$ 173,676	\$ 118,868
Accounts Receivable (Note 3)	31,562	39,167
Other Assets (Note 5)	2,536	1,675
Total Intragovernmental Assets	<u>207,774</u>	<u>159,710</u>
<b>Public</b>		
Accounts Receivable (Note 3)	18	35
General Property, Plant and Equipment, Net (Note 4)	44,197	42,843
Other Assets (Note 5)	1	7
Total Public Assets	<u>44,216</u>	<u>42,885</u>
<b>Total Assets</b>	<b><u>\$ 251,990</u></b>	<b><u>\$ 202,595</u></b>
<b>LIABILITIES</b>		
<b>Intragovernmental Liabilities:</b>		
Other Liabilities (Note 7)	\$ 45,582	\$ 43,928
Total Intragovernmental Liabilities	<u>45,582</u>	<u>43,928</u>
<b>Public</b>		
Accounts Payable	4,057	2,120
Other Liabilities (Note 7)	31,905	30,996
Total Public Liabilities	<u>35,962</u>	<u>33,116</u>
<b>Total Liabilities</b>	<b><u>81,544</u></b>	<b><u>77,044</u></b>
<b>NET POSITION</b>	<b><u>\$ 170,446</u></b>	<b><u>\$ 125,551</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 251,990</u></b>	<b><u>\$ 202,595</u></b>

*The accompanying notes are an integral part of these financial statements.*



# Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND  
 CONSOLIDATED STATEMENT OF NET COST  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>
<b>PROGRAM COSTS:</b>		
Gross Costs Intragovernmental	\$ 187,257	\$ 94,943
Less: Earned Revenue-Intragovernmental	(439,532)	(372,094)
Net Program Costs - Intragovernmental	<u>(252,275)</u>	<u>(277,151)</u>
Costs Not Assigned to Programs	219,837	266,935
<b>NET COST OF OPERATIONS (Note 10)</b>	<u><b>\$ (32,438)</b></u>	<u><b>\$ (10,216)</b></u>

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND  
 CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>		
Beginning Balance	<b>\$ 125,551</b>	<b>\$ 108,623</b>
<b>OTHER FINANCING SOURCES (NON-EXCHANGE):</b>		
Transfers-In	4,072	317
Imputed Financing (Note 6)	8,385	6,395
Total Financing Sources	<u>12,457</u>	<u>6,712</u>
Net Cost of Operations	<u>32,438</u>	<u>10,216</u>
Net Change	44,895	16,928
<b>NET POSITION</b>	<u><b>\$ 170,446</b></u>	<u><b>\$ 125,551</b></u>

*The accompanying notes are an integral part of these financial statements.*

# Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND  
 COMBINED STATEMENT OF BUDGETARY RESOURCES  
 FOR THE YEARS ENDED SEPTEMBER 30, 2011 and 2010

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>
<b>BUDGETARY RESOURCES:</b>		
Unobligated Balance at the Beginning of the Period	\$ 90,933	\$ 98,646
Budget Authority		
Spending Authority from Offsetting Collections		
Earned		
Collected	453,706	383,148
Changes in Receivables from Federal sources	(7,581)	(3,544)
Change in unfilled customer orders		
Advance Received	3,797	(3,696)
Without Advance from Federal Sources	33,280	(2,862)
<b>Total Budgetary Resources</b>	<b><u>\$ 574,135</u></b>	<b><u>\$ 471,692</u></b>
<b>STATUS OF BUDGETARY RESOURCES:</b>		
Obligations Incurred	\$ 470,724	\$ 380,759
Unobligated Balance Available (Note 2)	103,411	90,933
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 574,135</u></b>	<b><u>\$ 471,692</u></b>
<b>CHANGE IN OBLIGATED BALANCE:</b>		
Obligated Balance, Net - Beginning of the Period	\$ 27,935	\$ (8,022)
Obligations Incurred, Net	470,724	380,759
Less Gross Outlays	(402,694)	(351,209)
Change in Uncollected Customer Payments from Federal Sources	(25,700)	6,407
<b>Obligated Balance, Net, End of Period</b>	<b><u>\$ 70,265</u></b>	<b><u>\$ 27,935</u></b>
<b>NET OUTLAYS</b>		
Gross Outlays - Disbursements	\$ 402,694	\$ 351,209
Less: Offsetting Collections	(457,503)	(379,452)
<b>Net Outlays</b>	<b><u>\$ (54,809)</u></b>	<b><u>\$ (28,243)</u></b>

*The accompanying notes are an integral part of these financial statements.*

# Notes to the Consolidated Financial Statements

## For the Years Ending September 30, 2011 and 2010

*(Dollars in Thousands)*

### Note 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

VA was selected by the Office of Management and Budget in 1996 as one of six executive branch agencies to establish a franchise fund pilot program. In this program, entrepreneurial organizations or Enterprise Centers are authorized to sell common administrative support services to VA and other Government agencies and operate entirely on revenues earned from customers. Enterprise Centers receive no Federally appropriated funding. The VA Franchise Fund (Fund) was established under the authority of the Government Management Reform Act of 1994 and the VA and Housing and Urban Development and Independent Agencies Appropriations Act of 1997. In 2006, under Public Law 109-114, permanent status was conferred upon the VA Franchise Fund.

Created as a revolving fund, the VA Franchise Fund began providing services to VA and other Government agencies on a fee-for-service basis in 1997. By law, the business lines within the Fund can only sell to Federal entities. This organization accounted for its funds in six activity centers (VA Enterprise Centers) and in one administrative organization: Corporate Data Center Operations, Debt Management Center, Financial Services Center, Law Enforcement Training Center, Security and Investigations Center, VA Records Center and Vault and the Franchise Fund Oversight Office. The consolidated financial statements include the six individual activity centers of the Fund. All material intrafund transactions have been eliminated.

#### B. Basis of Presentation

The VA Franchise Fund consolidated financial statements report all activities of VA Enterprise Centers. The consolidated financial statements differ from the financial reports used to monitor and control budgetary resources, but are prepared from the same books and records. The statements should be read with the understanding that the VA Franchise Fund is a component unit of the U.S. Government.

#### C. Basis of Accounting

The Franchise Fund's fiscal year (FY) 2011 and 2010 financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget's (OMB) Circular A-136, Financial Reporting Requirements. The American Institute of Certified Public Accountant's (AICPA) Statement on Auditing Standards No. 91, Federal GAAP Hierarchy, established a hierarchy of GAAP for Federal financial statements.

#### D. Fund Balance with Treasury

The Department of the Treasury (Treasury) performs cash management activities for all Federal Government agencies. The Fund Balance with Treasury represents the right of the VA Franchise Fund to draw on the Treasury for allowable expenditures.

#### E. Accounts Receivable

Intragovernmental accounts receivable are from other Federal entities and are considered fully collectible; therefore, no allowance for uncollectible accounts is necessary.

Public accounts receivable are incurred when the Fund makes payments on behalf of their employees. Examples of this would be advances for Permanent Change of Station travel or advances for Federal Employees Health Benefits when employees are on leave without pay and their health benefits are paid to the health carriers. These receivables are considered fully collectible; therefore, no allowance for uncollectible accounts is necessary.

#### F. Property, Plant and Equipment

The majority of the general Property, Plant and Equipment (PP&E) is used to provide common administrative services to the VA and other Federal entities and is valued at cost, including transfers from other Federal agencies. Major additions, replacements, and alterations are capitalized, whereas routine maintenance is expensed when incurred. Individual items are capitalized if the useful life is 2 years or more and the unit price is \$100,000 or greater. Equipment

is depreciated on a straight-line basis over its useful life, usually 3 to 5 years. Software is also subject to the \$100,000 threshold for capital assets. The costs subject to capitalization, including design, development, and testing, are accumulated in Software in Development until a project is successfully tested and placed in service. The costs are amortized on a straight-line basis, and the amortization term is in accordance with the planned life cycle established during the software's planning phase. There are no restrictions on the use or convertibility of general PP&E.

Leasehold Improvements and related depreciation are accounted for as Departmental assets. The Franchise Fund utilizes these assets in the production of revenue. Since the leasehold improvements are VA assets, they are recorded at the Departmental threshold of \$100,000.

#### **G. Other Assets**

Other assets are generally made up of advances. There are three types of advances handled by the Fund. The first is when Treasury processes charges from other agencies to the Franchise Fund via the Intra-Governmental Payment and Collection System (IPAC). Charges are recorded as an advance until the applicable obligation is located and the charges can be transferred. These charges are for General Services Administration rent, Government Printing Office printing services, Federal Telecommunications Service, and motor pool.

The second type of advance is advances paid to employees for travel. This includes payment for both permanent change of station (PCS) and temporary duty (TDY) travel.

One of the product lines available to other government agencies is the handling of the purchase card activity. When the purchase card payments are scheduled, an advance is set up. Charges are then IPACed to the applicable agency to offset the advances.

#### **H. Other Liabilities**

Other liabilities are classified as either intragovernmental or public. Intragovernmental liabilities arise from transactions between the Fund and Federal entities, whereas public liabilities arise from transactions between the Fund and non-Federal entities. Budgetary resources cover all other liabilities, both intragovernmental and public. All liabilities are current.

#### **I. Revenues and Financing Sources**

The Fund receives an annual apportionment that allows it to incur obligations and to recognize revenue from its customers on a "fee-for-service" basis. Revenue is recognized when earned. Expenses are recognized when incurred. All significant intra-entity balances and transactions have been eliminated in consolidation.

For financial reporting purposes under accrual accounting, operating expenses are recognized currently, while those for capital and other long-term assets are capitalized and depreciated and/or amortized over its useful life. Financing sources for these expenses, which derive from both current and prior year appropriations and operations, are also recognized this way.

#### **J. Accounting for Intragovernmental Activities**

In order to prepare reliable financial statements, transactions occurring among VA components must be eliminated. All significant intra-entity transactions were eliminated from the Fund's consolidated financial statements.

#### **K. Annual, Sick and Other Types of Leave**

Annual leave is accrued when earned and the accrual is reduced when leave is used. At least once a year, the balance in the accrued annual leave account is adjusted to reflect current pay rates of cumulative annual leave earned but not taken. Sick and other types of leave are expensed as taken.

#### **L. Pension, Other Retirement Benefits, and Other Post-Employment Benefits**

Each employing Federal agency is required to recognize its share of the cost and imputed financing of providing pension and postretirement health benefits and life insurance to its employees. Factors used in the calculation of these pensions and post-retirement health and life insurance benefit expenses are provided by the Office of Personnel Management (OPM) to each agency.

VA's employees are covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS); VA makes contributions according to both plan requirements. CSRS and FERS are multiemployer plans. VA does not maintain or report information about the assets of the plans, nor does it report actuarial data for the accumulated plan benefits. That reporting is the responsibility of OPM.

#### **M. Contingencies**

VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VA Franchise Fund management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims will not materially affect the financial position or results of VA Franchise Fund operations other than disclosed in Note 9, Commitments and Contingencies.

### Note 2. Fund Balance with Treasury

The undisbursed account balance for the Fund is a revolving fund comprised of only entity assets.

#### The funds available as of September 30,

	2011	2010
<b>Fund Balance with Treasury</b>	\$ 173,676	\$ 118,868

The Fund does not receive an appropriation from Congress. The Fund receives an annual apportionment that allows it to incur obligations and to recognize revenue from its customers on a “fee-for-service” basis.

#### Status of Fund Balance with Treasury

	2011	2010
<b>Unobligated Apportionment</b>		
Available	\$ 103,411	\$ 90,933
Unavailable		
<b>Obligated Balance not yet Disbursed</b>	70,265	27,935
<b>Total Unexpended Apportionment</b>	<b>\$173,676</b>	<b>\$118,868</b>

### Note 3. Accounts Receivable

Intragovernmental accounts receivable consist of amounts due from the VA and other Federal agencies. No allowances for losses are required.

Public accounts receivable consist mainly of amounts due from VA employees. No allowance for losses is required, based on prior experience of collectibles.

#### Accounts Receivable as of September 30,

	2011	2010
<b>Intragovernmental</b>		
Accounts Receivable	\$ 31,562	\$ 39,167
<b>Public</b>		
Accounts Receivable	\$ 18	\$ 35
<b>Total Accounts Receivable</b>	<b>\$ 31,580</b>	<b>\$ 39,202</b>

### Note 4. General Property, Plant and Equipment

#### General PP&E as of September 30, 2011:

	Acquisition Cost	Accumulated Depreciation	Net Book Value
Furniture & Equipment	\$ 11,504	\$ (3,344)	\$ 8,160
ADP Equipment	57,636	(38,573)	19,063
Software	19,332	(15,212)	4,120
Software in Development	3,149	0	3,149
Leasehold Improvements	26,211	(16,506)	9,705
<b>Total PP&amp;E</b>	<b>\$117,832</b>	<b>\$ (73,635)</b>	<b>\$ 44,197</b>

#### General PP&E as of September 30, 2010:

	Acquisition Cost	Accumulated Depreciation	Net Book Value
Furniture & Equipment	\$ 11,208	\$ (2,322)	\$ 8,886
ADP Equipment	50,402	(31,790)	18,612
Software	17,107	(12,726)	4,381
Software in Development	1,020	0	1,020
Leasehold Improvements	25,437	(15,493)	9,944
<b>Total PP&amp;E</b>	<b>\$105,174</b>	<b>\$ (62,331)</b>	<b>\$ 42,843</b>

### Note 5. Other Assets

#### Other Assets as of September 30,

	2011	2010
<b>Intragovernmental</b>		
Advance Payment – Federal	\$ 2,536	\$ 1,675
<b>Total Intragovernmental – Other Assets</b>	<b>\$ 2,536</b>	<b>\$ 1,675</b>
<b>Public</b>		
Advance to Employees	\$ 1	\$ 7
Advance Payment – Other	0	0
<b>Total Public – Other Assets</b>	<b>\$ 1</b>	<b>\$ 7</b>
<b>Total Other Assets</b>	<b>\$ 2,537</b>	<b>\$ 1,682</b>



### Note 6. Federal Employee Benefits

#### Imputed Expenses as of September 30,

	2011	2010
Civil Service Retirement System	\$ 2,335	\$ 1,547
Federal Employees Retirement System	845	915
Federal Employee Health Benefits	5,189	3,922
Federal Employee Group Life Insurance	16	11
<b>Total Imputed Expenses – Employee Benefits</b>	<b>\$ 8,385</b>	<b>\$ 6,395</b>

### Note 7. Other Liabilities

Budgetary resources fund all other liabilities, both intragovernmental and public. All liabilities are current.

#### Other Liabilities as of September 30,

	2011	2010
<b>Intragovernmental</b>		
Accrued Payables– Federal	\$ 17,056	\$ 19,199
Advances – Federal	28,526	24,729
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 45,582</b>	<b>\$ 43,928</b>
<b>Public</b>		
Accrued Payables	\$ 23,844	\$ 22,996
Accrued Salaries & Wages	1,689	3,321
Accrued Funded Annual Leave	6,372	4,679
<b>Total Public Other Liabilities</b>	<b>\$ 31,905</b>	<b>\$ 30,996</b>

### Note 8. Leases

The Franchise Fund has operating leases and no capital leases. Due to the number of operating leases, the future commitment for operating leases is not known. The Franchise Fund's FY 2011 operating lease costs were \$10,651,386 for real property rentals and \$561,566 for equipment rentals. The Franchise Fund's FY 2010 operating lease costs were \$10,273,268 for real property rentals and \$278,460 for equipment rentals. The following chart represents the Franchise Fund's estimate for operating lease costs for the next 5 years, assuming a range of 2.7 to 2.9 percent annual increases in cost.

#### Leases as of September 30, 2011:

<b>OPERATING LEASES</b>			
Fiscal Year	Percentage Increase	Real Property	Equipment
2012	2.7	\$ 10,939	\$ 577
2013	2.8	\$ 11,245	\$ 593
2014	2.8	\$ 11,560	\$ 609
2015	2.9	\$ 11,895	\$ 627
2016	2.9	\$ 12,240	\$ 645

### Note 9. Commitments and Contingencies

The Franchise Fund is a party to an administrative proceeding arising from a personnel law case where there is a reasonable possibility that a loss may occur totaling \$400,000.

## Note 10. Intragovernmental Costs and Exchange Revenue

### Costs and Exchange Revenue as of September 30,

	2011	2010
Intragovernmental costs	\$ 187,857	\$ 94,943
Less: Earned Revenue – Intragovernmental	(439,532)	(372,094)
Net Intragovernmental Cost	(252,275)	(277,151)
Indirect Administrative Cost	219,837	266,935
<b>Total Net Cost of Operations</b>	<b>\$ (32,438)</b>	<b>\$ (10,216)</b>

**Earned Revenue:** Revenue earned by VA Franchise Fund (VAFF) for fees charged for services for the period ended September 30, 2011 was \$439,532. Revenue earned by VAFF for fees charged for services for the period ended September 30, 2010 was \$372,094.

**Costs:** By law, the VAFF, as an entity of the Department of Veterans Affairs (VA), provides centralized services to other VA entities and other government agencies. However, in certain cases, other VA entities and government agencies incur costs that are directly identifiable to VAFF operations. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting, VAFF recognizes identified costs paid for by other agencies as expenses to VAFF.

## Note 11. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders for fiscal years ended September 30, 2011 and 2010 was \$105,176 and \$37,874, respectively.

## Note 12. Reconciliation of Net Cost of Operations to Budget

Statement of Federal Financial Accounting Standard 7 “requires a reconciliation of proprietary and budgetary information in a way that helps users relate the two.” The standard states that “OMB will provide guidance regarding details of the display for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.”

Statement of Federal Financial Accounting Concept 2, Entity and Display, provides Concepts for Reconciling Budgetary and Financial Accounting by adding a category of financial information to further satisfy users’ needs to understand “how information on the use of budgetary resources relates to information on the cost of program operations ...” The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

### Reconciliation of Net Cost of Operations to Budget

	2011	2010
<b>Resources Used to Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 470,724	\$ 380,759
Less: Spending Authority from Offsetting Collections and Adjustments	(483,202)	(373,046)
Net Obligations	(12,478)	7,713
<b>Other Resources</b>		
Transfers in/out	4,072	317
Imputed Financing from Costs Subsidies	8,385	6,395
Net Other Resources Used to Finance Activities	12,457	6,712
<b>Total Resources Used to Finance Activities</b>	<b>(21)</b>	<b>14,425</b>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	(31,080)	(14,351)
Resources that Finance the Acquisition of Assets Property, Plant and Equipment	(14,454)	(19,521)
Resources that Fund Expenses Recognized in Prior Periods	16	(12)
<b>Total Resources Used to Finance Items not Part of the Net Costs of Operations</b>	<b>(45,518)</b>	<b>(33,884)</b>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>(45,539)</b>	<b>(19,459)</b>
<b>Components Not Requiring or Generating Resources</b>		
Depreciation and Amortization	12,335	9,243
Bad Debts	0	4
Loss on Disposition of Assets	766	0
Other	(0)	(4)
<b>Total Components that Will Not Require or Generate Resources</b>	<b>13,101</b>	<b>9,243</b>
<b>Total Components that Will Not Require or Generate Resources in the Current Period</b>	<b>13,101</b>	<b>9,243</b>
<b>Net Cost of Operations</b>	<b>\$ (32,438)</b>	<b>\$ (10,216)</b>



# Department of Veterans Affairs

## FRANCHISE FUND

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### **Corporate Data Center Operations**

1615 Woodward Street  
Austin, TX 78772  
Phone: 512-326-6005  
Fax: 512-326-6922  
E-mail: 00b@va.gov  
Internet: www.cdco.va.gov

### **Law Enforcement Training Center**

2200 Fort Roots Drive, Building 104  
North Little Rock, AR 72114  
Phone: 501-257-4160  
Fax: 501-257-4145  
E-mail: robert.cagle@va.gov

### **Debt Management Center**

P. O. Box 11930  
St. Paul, MN 55111  
Phone: 612-970-5700  
Fax: 612-970-5687  
E-mail: dmc.ops@va.gov  
Internet: www.va.gov/debtman

### **Security and Investigations Center**

2200 Fort Roots Drive, Building 192  
North Little Rock, AR 72114  
Phone: 501-257-4445  
Fax: 501-257-4018  
E-mail: walter.dodd@va.gov  
[http://www1.va.gov/VABackground\\_Investigations](http://www1.va.gov/VABackground_Investigations)

### **Financial Services Center**

Management Support Division (104/00B)  
P. O. Box 149975  
Austin, TX 78772  
Phone: 512-460-5110  
Fax: 512-460-5117  
E-mail: bso@va.gov  
Internet: www.fsc.va.gov

### **Records Center and Vault**

1615 Woodward Street  
Austin, TX 78772  
Phone: 512-326-6576  
Fax: 512-326-7442  
E-mail: aacvarc&v@va.gov  
Internet: www.rcv.va.gov



Contact the Department of Veterans Affairs  
for additional copies of this report or download from the Web:  
[www.va.gov/fund](http://www.va.gov/fund)

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