

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

Comprehensive Business Solutions for Tomorrow's Government

VA Franchise Fund's Values

To guide us in fulfilling our own mission as well as VA's mission, our employees strive to uphold core values that are consistent and closely aligned with those of VA. These values include compassion, commitment, excellence, professionalism, integrity, accountability, and stewardship.

Values

■ Compassion

We will treat all veterans and their families with the utmost dignity and compassion. We will provide services in a caring manner, with a sympathetic consciousness of others' distress together with a desire to alleviate it.

■ Commitment

Veterans have earned our gratitude and respect. Their health care, benefits, and memorial service needs drive our actions.

■ Excellence

We strive to exceed the expectations of veterans and their families. We strive to perform at the highest level of competence and take pride in our accomplishments.

■ Professionalism

Our success depends on maintaining a highly skilled, diverse, and compassionate workforce. We foster a culture that values equal opportunity, innovation, and accountability.

■ Integrity

We recognize the importance of accurate information. We practice open, truthful, and timely communication with veterans, employees, and external stakeholders. By carefully listening and responding to their concerns, we seek continuous improvement in our programs and services.

■ Accountability

We will perform in a manner at all times that makes us accountable, responsible, and answerable to veterans and their families, our leaders and other employees, as well as external stakeholders.

■ Stewardship

We will ensure responsible stewardship of natural resources as well as data and information entrusted to us. We will improve performance through the use of innovative technologies, evidence-based medical practices, and sound business principles.

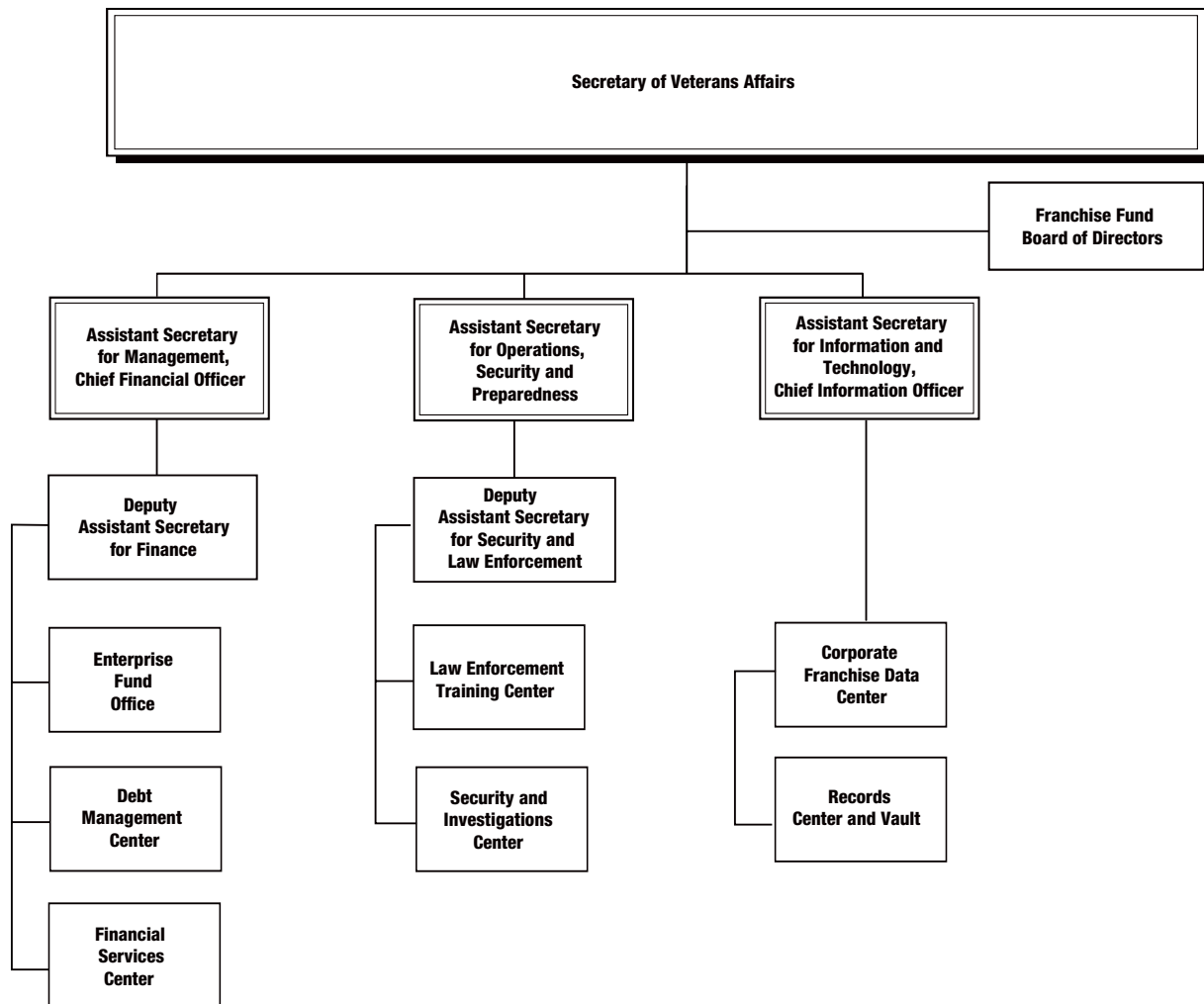
Members of the VA Franchise Fund Network

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 (Enterprise Fund 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 their attention on mission-critical functions within their organization. We have positioned ourselves to meet the needs of any Federal agency at competitive prices.

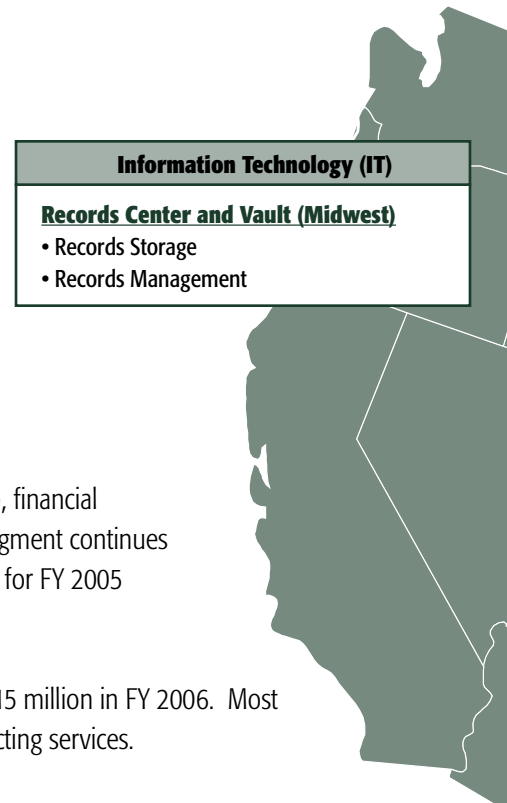
Business Segments

The VA Franchise Fund is divided into three major segments: information technology (IT), financial management (FM), and security and law enforcement (S&LE). As in prior years, the IT segment continues to generate the most revenue. The chart below shows the revenue among our segments for FY 2005 through FY 2007.

The IT segment ended FY 2007 with \$165 million of revenue, compared to revenue of \$215 million in FY 2006. Most of this decrease in revenue (\$50 million) was caused by a fall-off in demand for IT contracting services.

The FM segment generated over \$78 million of revenue in FY 2007, exceeding FY 2006 revenue by over \$5 million. Most of this increase was caused by additional demand for medical payment services by the Division of Immigration Health Services (DIHS) and the Immigration and Customs Enforcement.

Finally, the S&LE segment experienced the highest rate of revenue growth (66 percent). Revenue increased from almost \$9 million in FY 2006 to almost \$15 million in FY 2007 because of the increased demand for background investigations for VA employees and contractors.



Information Technology (IT)

Records Center and Vault (Midwest)

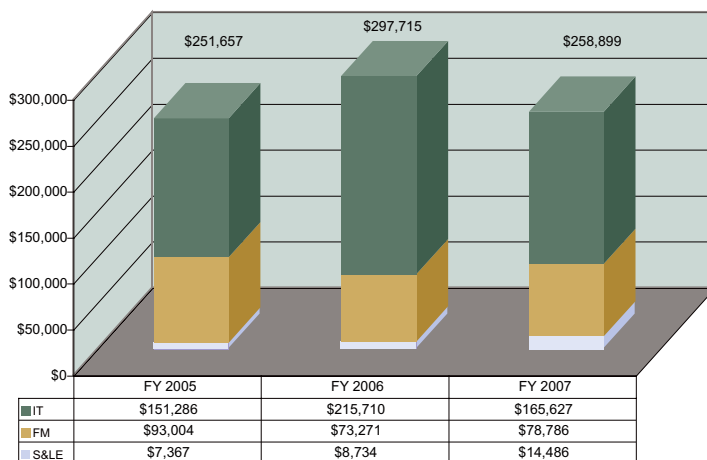
- Records Storage
- Records Management

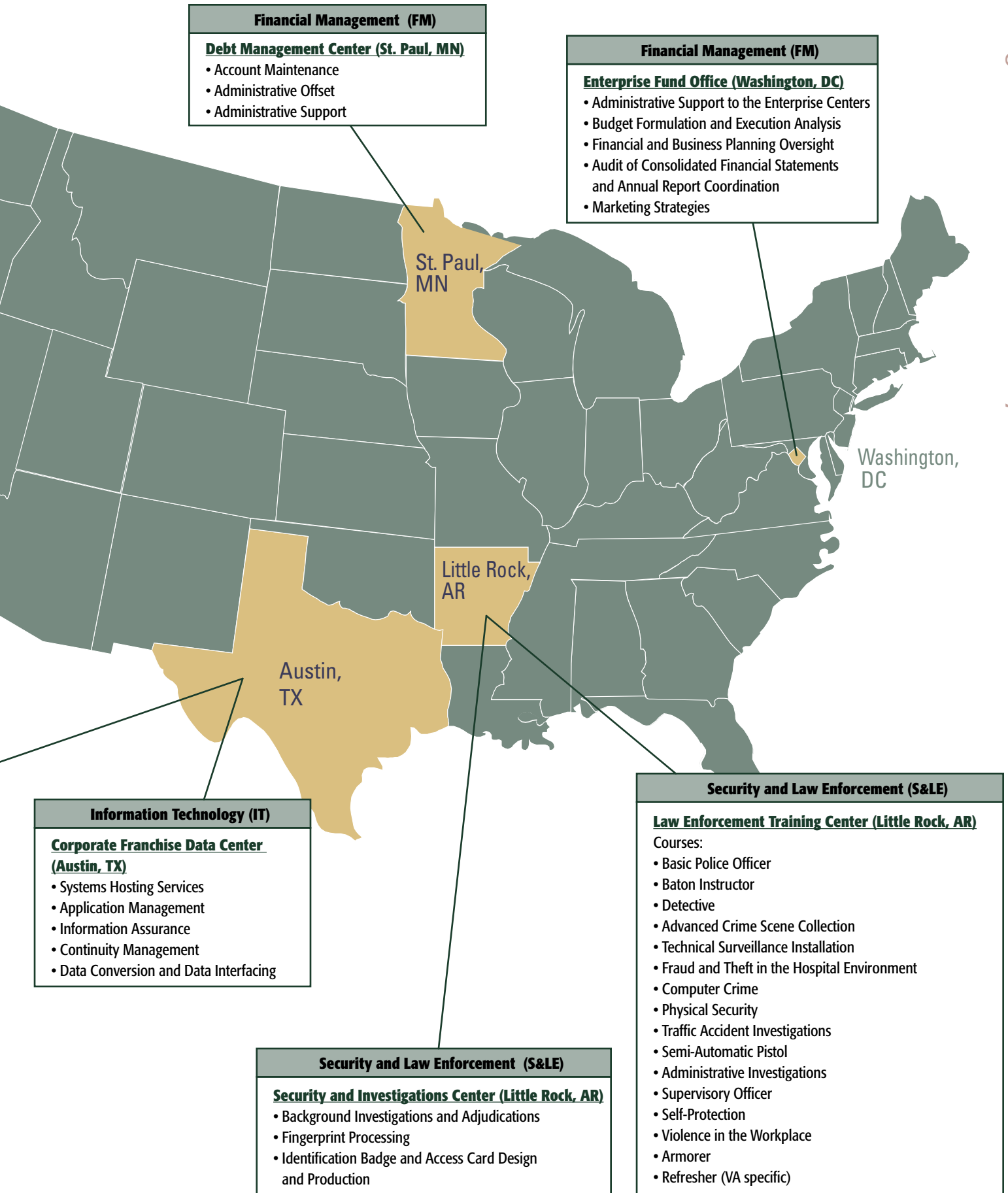
Financial Management (FM)

Financial Services Center (Austin, TX)

- Financial Reports and Accounting
- Audit Recovery
- Credit Card Payments
- 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 Processing
- Permanent Change of Station and Temporary Duty Travel
- Vendor File Maintenance
- Common Administrative Services
- Accounting Training
- Consulting

VA Franchise Fund Revenue Trend by Major Segments
(Dollars in Thousands)





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

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

Information Technology (IT)
Corporate Franchise Data Center (Austin, TX)
 • Systems Hosting Services
 • Application Management
 • Information Assurance
 • Continuity Management
 • Data Conversion and Data Interfacing

Security and Law Enforcement (S&LE)
Security and Investigations Center (Little Rock, AR)
 • Background Investigations and Adjudications
 • Fingerprint Processing
 • Identification Badge and Access Card Design and Production

Security and Law Enforcement (S&LE)
Law Enforcement Training Center (Little Rock, AR)
 Courses:
 • Basic Police Officer
 • Baton Instructor
 • Detective
 • Advanced Crime Scene Collection
 • Technical Surveillance Installation
 • Fraud and Theft in the Hospital Environment
 • Computer Crime
 • Physical Security
 • Traffic Accident Investigations
 • Semi-Automatic Pistol
 • Administrative Investigations
 • Supervisory Officer
 • Self-Protection
 • Violence in the Workplace
 • Armorer
 • Refresher (VA specific)

Members of the VA Franchise Fund Network



*John Rucker, Acting Director
Corporate Franchise Data
Center and the Records
Center and Vault*



*Steve Swanson, Director
Enterprise Fund Office*



*Daniel Osendorf, Director
Debt Management Center*



*Rodney Wood, Director
Financial Services Center*



*Christopher Price, Acting
Director, Security and
Investigations Center and
Law Enforcement Training
Center*

Information Technology

Corporate Franchise Data Center (CFD).

Located in Austin, TX, the CFD provides comprehensive e-government solutions to match the critical needs of customers, from managing data to automating business processes. The CFD 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 CFD offers a full complement of technical solutions to best meet customer needs.

Records Center and Vault (RC&V).

Located in a subterranean, climate-controlled facility in a remote Midwestern part of the country, the RC&V provides records storage, protection, and retrieval services for official Federal records. The facility is certified by the National Archives and Records Administration to operate as an agency records center. The RC&V can store records in any medium. This includes general and vital records on paper, film, and electronic media.

Financial Management

Enterprise Fund Office (EFO).

Located in Washington, DC, the EFO functions as the business office for the VA Franchise Fund. As such, the EFO 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, preparing the annual reports, coordinating marketing activities, and serving as the liaison between the Enterprise Centers, their customers, and the VA Franchise Fund Board of Directors.

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. These services include financial reports and accounting, invoice payments, credit card payments, medical claims adjudication and payment processing, vendor file maintenance, discount subsistence

purchases, and payroll processing. 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.

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 medical center patient situations, the LETC is available to approximately 2,700 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 all VA entities nationwide. The SIC also issues and manages employee identification badges and provides fingerprint processing.

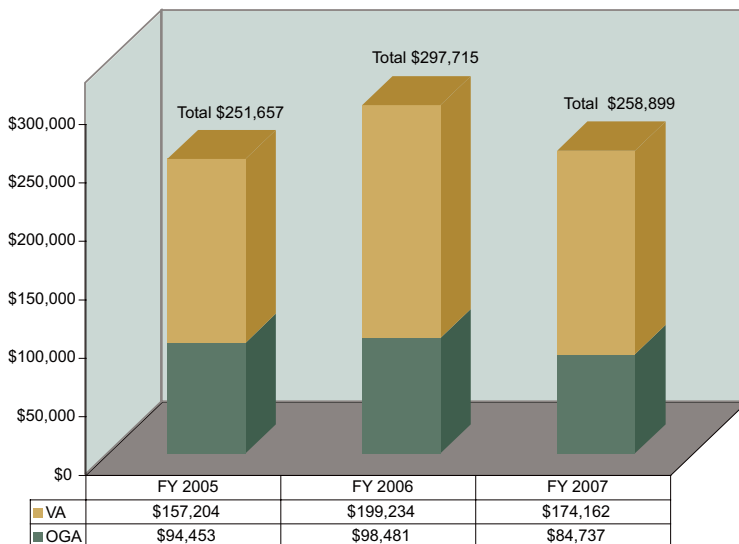
Our Stakeholders

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**
(Dollars in Thousands)



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 the Interior
- Department of Justice
- Department of Labor
- Department of Transportation
- Department of the Treasury
- Department of State
- Denali Commission
- Export/Import Bank
- Food and Drug Administration
- General Services Administration
- Government Accountability Office
- Internal Revenue Service
- National Aeronautics and Space Administration
- National Archives and Records Administration
- Office of Federal Housing Enterprise Oversight
- Office of Personnel Management
- Postal Rate Commission
- United States Capitol Police
- White House Commission on the National Moment of Remembrance

Internal Stakeholders

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

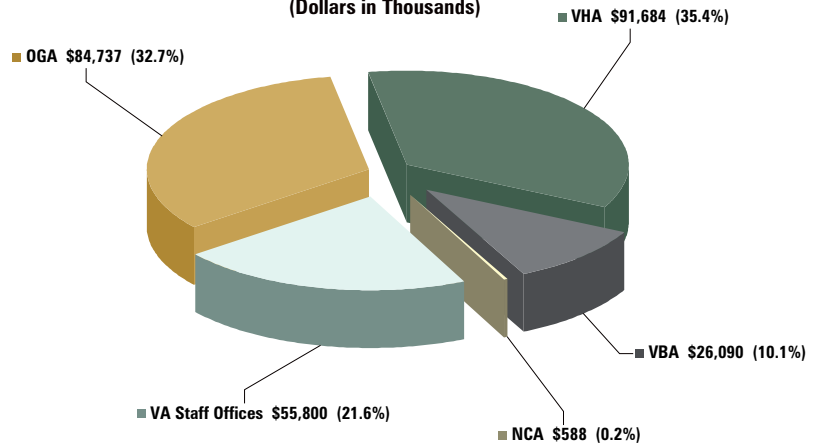
Although our revenue has fluctuated over the past 3 years, these charts show consistent trends with respect to VA Franchise Fund customers. First, about two-thirds of our revenue comes from VA customers. The other one-third comes from a wide range of customers from OGAs. Within VA, VHA programs provide the most revenue to the Enterprise Centers.

However, VHA's share of overall revenue has declined over the past 2 years because of the growth in demand for services by the Office of Information and Technology (OI&T). The OI&T organization falls within the "VA Staff Offices" pie slice. VA's centralization of its IT personnel and activities into the OI&T is largely responsible for the increased demand.

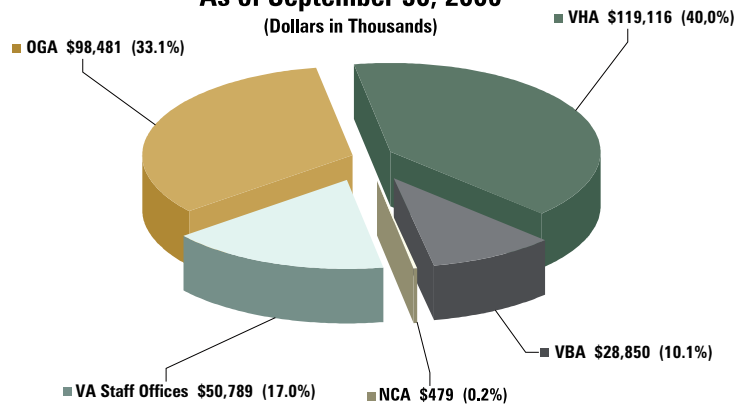
The relative revenue share from other VA and OGA organizations has been very stable over the past three fiscal years. However, total FY 2007 revenue did decline with respect to FY 2006. Revenue from VA sources decreased by \$25 million while revenue from OGA sources decreased by \$13.7 million. In both instances, the lower revenues were caused by a substantial reduction of demand for IT acquisition services.

Revenue By Customer

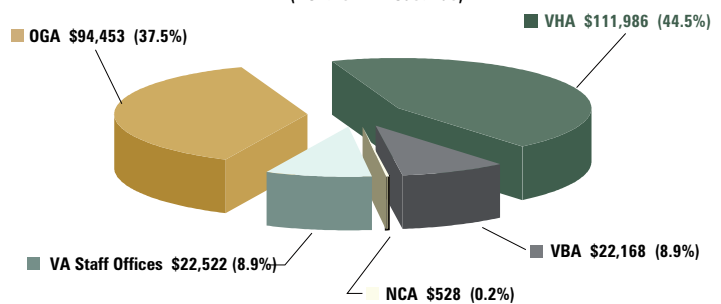
VA Franchise Fund Revenue by Customer As of September 30, 2007
(Dollars in Thousands)



VA Franchise Fund Revenue by Customer As of September 30, 2006
(Dollars in Thousands)



VA Franchise Fund Revenue by Customer As of September 30, 2005
(Dollars in Thousands)



Meeting VA Franchise Fund Objectives

The franchise concept has added value to government by empowering self-supporting business entities in the Federal Government to promote efficiencies in common administrative services and maintain customer satisfaction. This section provides a brief overview of how we are meeting these objectives.



Objective: Promoting Efficiencies in the Delivery of Common Administrative Support Services

The Enterprise Centers leverage a motivated workforce with technology to be responsive to a wide range of Federal customers. We actively seek opportunities to foster partnerships that enhance the programs administered by both VA and OGAs. Our efficiencies in service delivery allow customers to focus on their own missions.

Information Technology

■ The **Corporate Franchise Data Center (CFD)** supports over 100 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, medical records, eligibility benefits, and supply functions for VA and OGA customers. In addition, Austin Service Desk personnel process and manage inquiries 24 hours a day.

■ **MyHealtheVet** is a Web-based application designed specifically for veterans and their families. It helps veterans partner with health care providers to achieve their best possible health. Veterans add information to their personal health journal about over-the-counter medications, allergies, military health history, medical events, and tests. Veterans can also keep a log of personal health readings, such as blood pressure, blood sugar, cholesterol, weight, heart rate, and pain level. Veterans can also make secure online requests for prescription refills.

■ **HomeTelehealth** is an innovative program that enables veterans to self-report recurring health monitors, such as blood pressure, to VA medical centers and receive health assessments without physically going to clinics, which can be difficult for elderly or chronically ill patients.

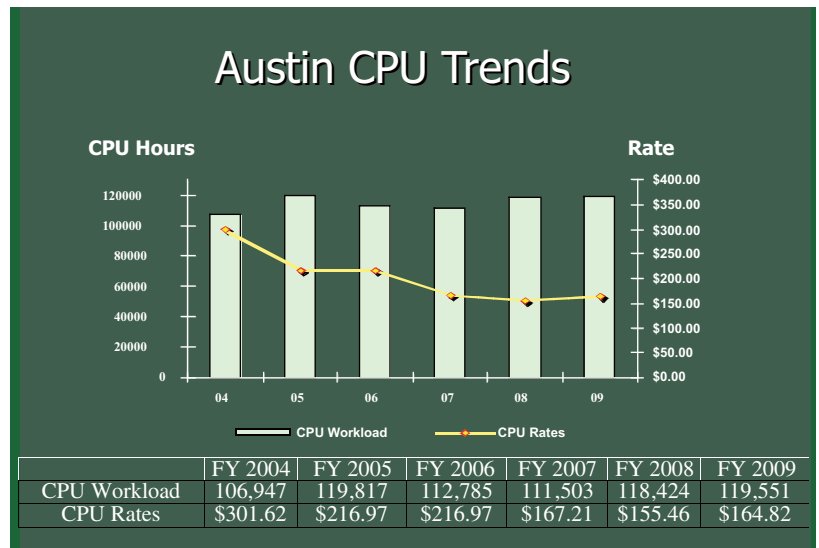
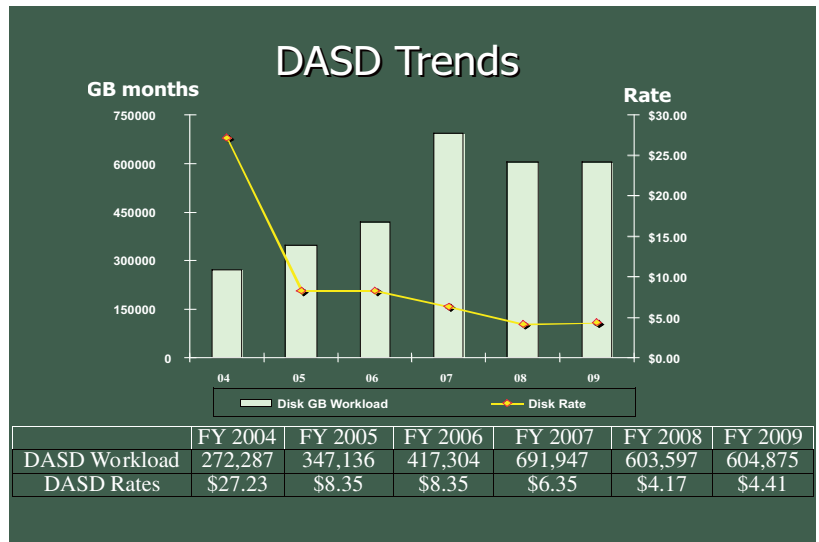
■ **Health Data Repository** is an electronic warehouse of

clinical information that resides on one or more independent platforms and can be used by clinicians and other personnel to facilitate longitudinal, patient-centric care.

■ The **Enrollment System Redesign (ESR)** will be used by VHA to integrate the Administrative Data Repository with a centralized application for registering patients for VA health care and facilitating the decisions involved in the enrollment process. The CFD serves as the operational center for the development and subsequent production processing of the ESR. The ESR will connect local VA health care facilities with the centralized database to provide a single view of the enrollment status for any individual veteran.

Direct Access Storage Device (DASD) Cost Reduction. To better support VA's IT needs, the CFD has established a heterogeneous environment for its storage (DASD). This enables the center's DASD to support z900, Unix, Linux, and Windows platform storage needs in a single environment. The DASD is capable of mirroring data, creating business continuance volumes (BCV), and replicating data at remote sites. The CFD is also working to reduce DASD costs. The industrywide decrease in hardware costs per unit and the usage of best practices has resulted in continued decline of DASD rates (see chart, right).

Central Processing Unit (CPU) Cost Reduction. With workloads relatively stable between FY 2006 and FY 2008, the CFD will still be able to reduce the CPU rate in FY 2008. A moderate rate increase is expected in FY 2009, primarily as a result of anticipated legislative pay increases. However, the impact of cost containment through cost management and out-year technology innovation during the remainder of FY 2007 and FY 2008 is yet to be realized. The overall workload stabilization is a result of joint efforts to increase efficiencies in Decision Support System and Financial Management System processing (see chart, right).



Information Technology Plans for 2008 and Beyond

Building-Access Control System Readers/Keypads Replacement. In accordance with Homeland Security Presidential Directive 12, which requires all Federal agencies to develop a common identification card that every Federal agency will accept, VA must implement a smartcard for authentication and identification for both information systems and physical access control. The National Institute of Standards and Technology has set the standards, and Federal Information Processing Standard 201 is establishing timelines for implementing those

standards. Although the timelines for implementation have not been finalized, the CFD is planning to upgrade its building-access security system to be compatible with smartcard technology in FY 2008. The cost is estimated at \$360,000.

The **Nearline Storage** project will allow the data center to provide less-expensive disk storage, which initially will not be vaulted, for customers who are doing development work. Nearline storage will also be used for disk-to-disk-to-tape (D2D2T) backups, which will provide much greater flexibility in scheduling backup windows and in retrieving archived materials.

■ **Server Virtualization** is an initiative that allows multiple virtual machines, with heterogeneous operating systems, to run in isolation, side-by-side on the same physical platform. By decoupling the physical hardware from the operating system, fewer platforms (servers) are needed to run customer applications. In addition, this initiative will allow the CFD to perform maintenance without having to take the virtual systems offline. Customers will benefit from lower costs and better system availability.

■ The **Records Center and Vault's Records Retrieval System**, developed by the CFD, continues to be a valuable asset. The system has over 1,227 registered users who electronically request accession numbers for shipping records to the RC&V and requesting tracking record recalls. This process provides our internal customers faster and more accurate service and saves them time and valuable resources such as postage and paper. Occasionally we receive suggestions from our customers on ways to improve our electronic records management system. Each suggestion is carefully evaluated to determine validity and cost effectiveness. RC&V will

continue to solicit customer ideas for ways to improve the online Records Retrieval System. This tool was used to notify customers to begin shipping records again after a temporary moratorium when construction had closed a road to the RC&V.



Financial Management

■ The **Vendor Payment** processes were enhanced throughout 2007. Interest payments VA-wide improved by nearly \$25,400 (from \$858,500 to \$833,100) —a 3.0 percent improvement over FY 2006 levels, largely attributable to the centralization of payments at the FSC in Austin, Texas. Further, interest penalties paid per million dollars disbursed improved nearly 15 percent, from \$99 per million in FY 2006 to \$84 per million in FY 2007. VA again earned nearly 92 percent (\$4.3 million) of its available discounts.

The FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify

potential duplicate payments for further analysis, assessment, and, as appropriate, collection. The FSC has also contracted with a commercial recovery audit firm to review prior fiscal year payment files in order to identify any additional improper/duplicate payments for recovery. The FSC also reviews vendor payments to identify and collect improper payments resulting from duplicate incentive award payments, erroneous interest penalties, service charges, and sales taxes. This review recovered over \$338,000 for reuse by VA entities during FY 2007. Overall, collections of improper payments and the recovery of unapplied vendor statement credits totaled over \$3.0 million during FY 2007. Improved payment oversight also enabled VA to identify and cancel nearly \$10.4 million in potential improper payments prior to disbursement. Since the inception of the FSC's audit recovery

effort in FY 2001, VA has recovered over \$21.3 million in improper payments and prevented the improper payment of another \$32.9 million.

- **Purchase Card** transactions numbered over 3.9 million, representing over \$2.4 billion in purchases. The electronic billing and payment process for centrally billed card accounts earned VA over \$42 million in credit card refunds—compared to \$37 million during FY 2006. These refunds are returned to VA entities for use in veterans programs.

The Fee Basis credit card program automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA additional credit card refunds. In FY 2007, VA's Fee Basis credit card program processed over 280,000 transactions, representing over \$98 million in payments and generating over \$1.6 million in refunds. During FY 2006, the number of transactions exceeded 170,000 and totaled \$52 million in payments, earning VA over \$825,000 in refunds. The growth of this program was attributed to agreement by additional Fee Basis medical providers 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. In FY 2007, the travel management program processed over 164,000 transactions, disbursed payments of over \$28 million, and earned over \$339,000 in refunds compared to over \$274,000 during FY 2006.

- **VA's Prime Vendor Payment System** automates payments under a nationwide prime vendor centralized purchasing contract. In FY 2007, 135 VA medical centers used the Prime Vendor System to electronically process over 458,000 transactions worth over \$3.5 billion. The FSC ensures that vendors who participate in VA's multi-billion-dollar prime vendor procurement program are paid on time. These vendors provide VA medical centers with an efficient way to order supplies at low, negotiated contract prices and guarantee delivery within 24 hours, eliminating the need for warehousing large volumes of supplies.

- The **OnLine Certification System (OLCS)** allows invoices to be certified electronically by VA facilities and scheduled for payment. The system allows the FSC to notify certifying officials via e-mail of any invoice requiring payment certification. Through the Intranet, the certifying official can view, certify, and forward the invoice to the

FSC for payment processing, reducing the processing time to hours rather than days. The FSC expanded the certified invoice capability throughout VHA in 2007, bringing the number of OLCS users today to more than 10,000 VA employees.

- The **Electronic Commerce (EC)/Electronic Data Interchange(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, including vendors, mortgage service providers, and health care entities. EC/EDI also provides for internal exchange of information among VA application systems. Electronic data transfers enable program offices to restructure their work processes, take advantage of the accuracy and timeliness of electronic data, and concentrate on service objectives. The FSC will continue to support VA's efforts to increase cost savings and program efficiencies through the expansion of electronic data transfers in VA applications. The FSC will also continue to support VHA's efforts to comply with EC/EDI mandates identified in the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

- **Collections** by the DMC increased from \$550 million in FY 2006 to \$611 million (estimated) in FY 2007 through timely collection actions and effective use of available collection tools.

The DMC, through the use of collection letters and telephone calls, advertised the availability of their convenient online payment option through the Pay.va.gov Web site. As a result, online payments increased from \$7.4 million in FY 2006 to an estimated \$12 million in FY 2007.

Financial Management Plans for 2008 and Beyond

- **EDI** services at the FSC continue to evolve and improve through partnerships with customers. The FSC provides EDI service to the U.S. Department of Agriculture for processing their utility and telecommunications invoices into legacy payment systems.

Security and Law Enforcement

■ **E-Qip** is the system used by OPM to process background investigations. The Security and Investigations Center (SIC) piloted E-Qip implementation with VA elements all over the nation.

■ **Contractor Clearances** are obtained via a secure Web-based system to initiate background investigations for VA contractors.

■ A **National Security Database** was developed by the SIC for national security clearances and can be accessed electronically by VA emergency offices.

■ The **Advanced Crime Scene Collection** course affords detectives and investigators the opportunity to process crime scenes utilizing advanced technical collection and photographic equipment.

■ The **Technical Surveillance Installation** course is designed to train detectives and investigators in the proper use of technical investigative equipment in compliance with all applicable Federal legal procedures that govern both audio and video surveillance activities. Students learn the proper techniques for the operation, installation, and maintenance of devices such as body recording microphones, transmitters and receivers, and covert surveillance cameras.

■ The **Fraud and Theft in the Hospital Environment** course utilizes actual case studies in order to identify and investigate criminal activity in government hospitals and nursing homes. Students also receive instruction from VA and civilian auditors who have experience in detecting fraudulent activity in health care environments.

■ The **Computer Crime** course teaches basic investigative techniques for crimes involving computers. Topics include the types of crimes that typically involve computers, processing a computer as evidence, and legal issues such as search and seizure in an information technology environment.

■ The **Physical Security** course provides training on establishing reliable physical protection of the personnel and property in health care and other customer-service-oriented environments. The course teaches skills based on attributes of professionalism, including situation/response analysis, psychology of deterrence, risk management, security tactics, and legal decision-making.

■ The **Traffic Accident Investigations** course teaches students to interpret evidence from vehicles and the roadway at the scene of a crash, describe vehicle/occupant behavior, conduct measuring/diagramming, and perform a variety of mathematical formulas that include speed calculations, skids, time, distance, and motion. Students are also taught how to properly incorporate analysis from the accident scene into a comprehensive police report.

■ The **Crime Scene Photography** course is intended to develop skills in preparing effective crime scene photographs. It is designed to instruct the student in the type of photographs necessary, as well as the lighting needed for good crime scene photography.

Security and Law Enforcement Plans for 2008 and Beyond

■ A **New Database** will be set up by the SIC to simplify the process of initiating investigations and will provide access to multiple reports.

■ **E-Qip Expansion** at the SIC will expand the use of E-Qip to include background investigations associated with moderate- and high-risk public trust positions.



Objective: Maintaining Customer Satisfaction

The Enterprise Centers engage their customers regularly to assess satisfaction levels and to target areas for improvement. Since Enterprise Centers have to compete for business, they cannot afford to become complacent. Customers can count on our responsiveness and high-quality services.

Information Technology

■ The **CFD Customer Satisfaction Survey** was designed by Gartner Consulting, a professional firm under contract to Austin. In the seventh comprehensive customer satisfaction survey, the Austin campus scored in the top 8 percent of Gartner's Information Technology Customer Satisfaction (ITCS) database, with an overall satisfaction rating of 4.15 out of 5.00, well surpassing the database average of 3.73 for all 232 private- and public-sector organizations in Gartner's database. Austin's individual ratings on the standard evaluation criteria compare favorably to Gartner's ITCS database. Austin mirrors the best-in-class averages in several categories. Detailed survey results are available at vawww.CFD.va.gov.

■ **Austin Service Desk** personnel are professionals certified through an accredited help desk institution. Our goal is to minimize the disruption of service to all customers requiring assistance. The Austin Service Desk receives over 4,800 calls per month and opens an average of 4,300 customer service requests. We meet or exceed standards associated with caller waiting time (14 seconds) and our abandoned call rate is less than 3 percent.

■ The **CFD Human Resources Management (HRM) Division** attracts, retains, and motivates high-quality employees essential to achieving the mission of VA. Our skilled specialists are able to interpret and apply Office of Personnel Management (OPM) and statutory standards and guides relative to Federal recruitment and placement processes and are knowledgeable in all phases of Federal regulations. Our HR specialists maintain a constant interaction with both our managers and employees.

Currently, the CFD HRM supports approximately 1,800 employees located at VA facilities throughout the United States.

■ The **Records Center and Vault** meets aggressive standards whenever customers recall records from storage. Emergency recall requests received by noon CST are filled during the same business day. All other recall requests received by noon CST are filled by the end of the next business day.

Information Technology Plans for 2008 and Beyond

■ **Corporate Backup** will replace older, bulkier tape silos as well as provide additional capacity for backups. This upgrade is especially important with tape encryption, which will require replacement of standalone tape backup systems with a centralized tape backup for all tapes in the data center.

■ The **Upgrade Network Infrastructure** will be redesigned to provide more flexibility, faster reconfiguration, better centralized management, increased security, and higher throughput.

■ **RC&V Expansion** will increase its capacity by an additional 75,000 square feet by April 2008.



Financial Management

■ **Field Station Assistance** by the FSC includes an enhanced application that allows Web access to Intra-Governmental Payment and Collection System supporting documentation, thus reducing delays in receipt of information needed to record these transactions at the station level. The expanded use of the SF 224 Web-based application and the improved coordination with station accounting personnel facilitated the clearing of unmatched transactions and reduced to 4 months the time needed to resolve these items nationwide.

■ The **FSC provides DIHS** with an integrated, end-to-end application for processing medical claims payments 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 provides a full life-cycle automated service from the time an invoice reaches the FSC through generation of payment, and is in full compliance with the Prompt Payment Act and Health Insurance Portability and Accountability Act.

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

■ The **Vendor Inquiry System (VIS)** stores more than 4 years of payment information. Once vendors complete an authentication process, they are able to access a secure Web site to view invoice status and payment information for their company. Currently, there are 13,234 active registered vendors who have made over 472,000 requests in FY 2007 and a total of over 1.8 million requests since VIS's inception in April 2003. VIS provides FSC vendors with an easy-to-use tool for immediate access to their invoices and payment information 24 hours a day without having to call and wait for a person to help them. VIS has also improved customer service efficiency of FSC staff by handling many routine inquiries and freeing staff to work on more complicated issues for customers. Registered VIS users now 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 vendor with a list of its valid purchase orders, virtually eliminating the number-one error that causes payment delays. Errors identified by the online 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. Since our initial opening of VIS, we have processed 27,047 invoices totaling \$546 million.

Financial Management Plans for 2008 and Beyond

■ **e-Travel.** The FSC will continue to provide VA-wide support for the VA e-Travel initiative during the implementation phase to FedTraveler.com, including pre- and post-implementation support. We will also continue to provide e-Travel Help Desk services for all travelers using Zegato and some still using Gelco travel solutions until they are migrated to the FedTraveler.com solution. At that time, Electronic Data Systems will begin to provide Help Desk support to VA travelers. This migration will be completed in early FY 2008.

■ **e-Payroll.** The FSC will continue to support this initiative by providing payroll processing support to the Defense Finance and Accounting Service (DFAS). Stations supported by the FSC Local Payroll Section were the first to pilot DFAS's payroll application for VA in 2006. The rest of VA is scheduled to migrate to DFAS in FY 2008–2009, and the FSC will continue to provide payroll processing support.

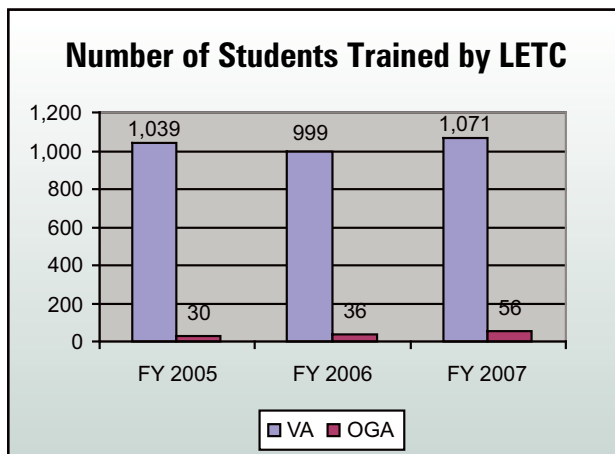
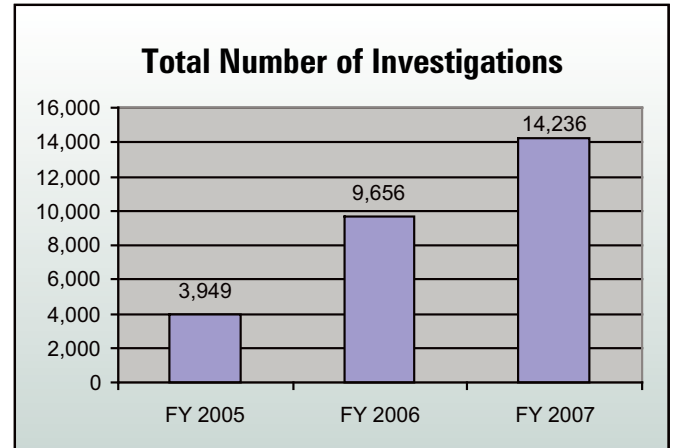
■ **Financial/Payment Systems.** The FSC will continue efforts to expand our customer base for the Great Plains accounting package, medical claims processing, and EC/EDI by seeking small and mid-sized OGAs to support. The FSC plans to market a Financial Systems Integration Office-compliant accounting product (iCore) to small and mid-sized OGAs and plans to migrate most current customers to iCore. FSC support to VA's Financial Management Line of Business and the Financial and Logistics Integrated Technology Enterprise program will also continue in the out years. Centralization of construction payments at the FSC began in FY 2006 and was completed by the end of FY 2007.

Security and Law Enforcement

■ **Billing Audits** by the SIC have improved the monthly billing process. These monthly and quarterly audits have greatly reduced the likelihood of improper billings to our customers.

■ **New Courses** at the Law Enforcement Training Center (LETC) include the U.S. Air Force Security Guard Training Program, designed in collaboration with our Air Force security partners. This program provides entry-level security guard training uniquely designed to meet the U.S. Air Force standards.

■ **Increasing Workload** The number of total investigations



Security and Law Enforcement Plans for 2008 and Beyond

■ A **Help Desk** may be established at the SIC to provide telephone/online support. The SIC will conduct an analysis to determine if a business case exists for establishing a help desk.

■ **VA Police Automated Systems of Records (VAPS)** will capture and report information associated with the VA police force. Currently, this information is maintained at each VA medical center and is not accessible electronically.

received at the SIC increased greatly in FY 2007. These investigations were for both VA employees and contractors engaged by VA programs. The increase in the use of contract personnel by the medical centers and other VA facilities has driven some of the growth in the number of investigations. In addition, the Office of Inspector General has been reviewing VA's compliance with regulations associated with employee background investigations. These compliance reviews have also led to increased workload at the SIC. The following chart shows the number of investigations for fiscal years 2005 through 2007.

Performance Measures, Goals, and Objectives

VA's Strategic Enabling Goal and Objective

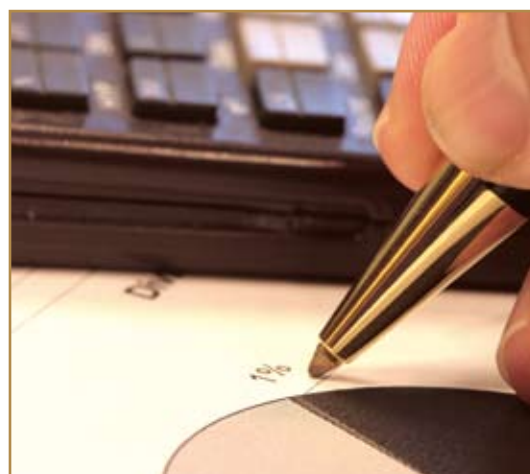
Enabling Goal. Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.

Objective. Improve overall governance and performance by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.



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 payroll and 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 for other stored Federal records.
- Establishing and managing the business aspects of the Fund.



The performance information presented below accurately represents the performance during fiscal years 2004–2007. 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. Out of seven performance goals, all seven were met.

Performance Summary Table

Performance Measure	Actuals				Plan	Were 2007 Goals Achieved?	
	2004	2005	2006	2007	2007	Yes	No
Ranking within top 12.5% in the Information Technology Customer Satisfaction database	6%	12%	8%	8%	12.5%	x	
Total collections per dollar spent on collections activities	\$63	\$67	\$80	\$80	\$70	x	
Payment processing accuracy rate	98.4%	99%	97.9%	98%	97.8%	x	
Class graduation rate	95.6%	95%	96.5%	96.5%	95%	x	
Percent of investigations that are completed within the established timeframes	98%	89%	96%	98%	98%	x	
Percent of recalled records shipped securely and accurately to requesting facility within established timeframes ¹	N/A	N/A	N/A	99.6%	99%	x	
Number of audit qualifications for the VA Enterprise Centers	0	0	0	0	0	x	

¹This is a new measure. Results were tracked in FY 2007.

Performance Highlights During FY 2007

- The CFD continued its leadership in exceeding performance levels associated with customer satisfaction.
- The DMC demonstrated a phenomenal rate of return of \$80 collected for every dollar of incurred expense.
- Despite increasing payment volume, the FSC maintains an accuracy rate of 98 percent.
- The personnel at the LETC have upgraded course offerings and kept graduation rates at extremely high levels.
- The SIC exceeded timeliness standards although the number of investigations increased by over 300 percent in a 2-year period.
- The RC&V ensured that medical centers received recalled patient records within a few workdays. In addition, the RC&V shipped the records in a manner that did not compromise the patients' personal information.
- For the 10th year in a row, the audited financial statements of the VA Franchise Fund received an unqualified "clean" opinion with no audit qualifications.



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. 3515(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 10th consecutive year (1998–2007), we have received an unqualified “clean” audit opinion.

Financial Statement Analysis

The consolidated financial statements present the VA Franchise Fund's (Fund) financial position, cumulative results of operations, changes in net position, and information on budgetary resources for FY 2007 and FY 2006. 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 \$196.2 million as of September 30, 2007. This is a decrease of \$26.4 million, or 13 percent, over the previous year's total assets of \$222.6 million. The reduction in asset balances primarily results from decreasing sales of information technology acquisition services by the Corporate Franchise Data Center.

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

(Dollars in Thousands)

	2007	2006
Fund Balance with Treasury	\$137,509	\$147,785
Property, Plant, and Equipment, Net	23,737	24,039
Accounts Receivable, Net	33,092	48,415
Other Assets	1,826	2,326
Total Assets	\$196,164	\$222,565

Liabilities

The Fund had total liabilities of \$73.8 million as of September 30, 2007. This is a decrease of \$38.8 million, or 35 percent, over the previous year's total liabilities of \$112.6 million. Similar to the reduction in asset balances, the reduction in liabilities primarily results from decreasing demand for information technology acquisition services.

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

(Dollars in Thousands)

	2007	2006
Other Liabilities	\$46,422	\$77,932
Intragovernmental Liabilities	23,592	24,179
Accounts Payable	3,799	10,565
Total Liabilities	\$73,813	\$112,676

Management Assurances

The financial and performance data presented in this report are complete and reliable. Throughout the year, the 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 a part of a VA-wide initiative, Department managers were tasked with the responsibility for establishing and maintaining effective internal controls over financial integrity and 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 can provide 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 material weaknesses were found. The Secretary's signed certification on internal controls may be found on page 95 in the 2007 Department of Veterans Affairs Performance and Accountability Report (http://www.va.gov/budget/report/2007/Part_1_Final.pdf).

Net Position

The Fund's net position increased by \$12.5 million in FY 2007 on the Consolidated Balance Sheets and the Consolidated Statement of Changes in Net Position. The net position for the Fund was \$122.4 million in FY 2007, an 11 percent increase over the prior year's ending net position of \$109.9 million. Net position is the sum of unexpended funds and cumulative results of operations.

Cumulative Results of Operations

The cumulative results of operations of the Fund yielded a net income of \$7.8 million in FY 2007. Net income was nearly double the FY 2006 figure of \$3.9 million, 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 \$446.5 million, a slight increase over the FY 2006 level of \$441.2 million.

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

(Dollars in Thousands)

	2007	2006
Beginning Unobligated Balance	\$150,351	\$88,930
Spending Authority Earned and Collected	281,966	311,095
Receivable from Federal Sources	(15,319)	(6,233)
Change in Unfilled Customer Orders	29,493	47,432
Total Budgetary Resources	\$446,491	\$441,224