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 compassion, commitment, excellence, professionalism, integrity, accountability, and stewardship.
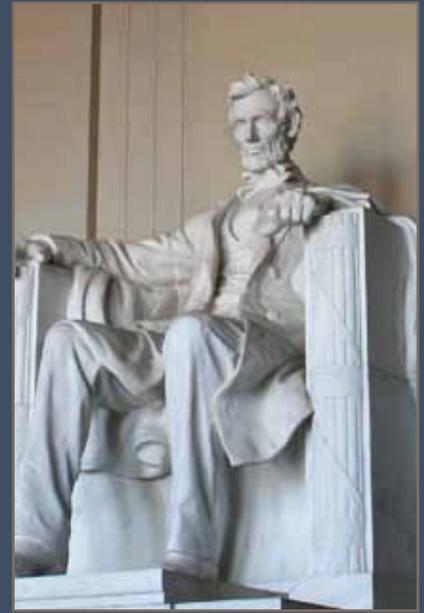
"To care for him who shall have borne the battle, and for his widow, and his orphan."

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 listening and responding to their concerns, we seek continuous improvement in our programs and services.

Accountability
We will perform in a manner that makes us accountable and responsible to Veterans and their families, our leaders and other employees, as well as to 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 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.
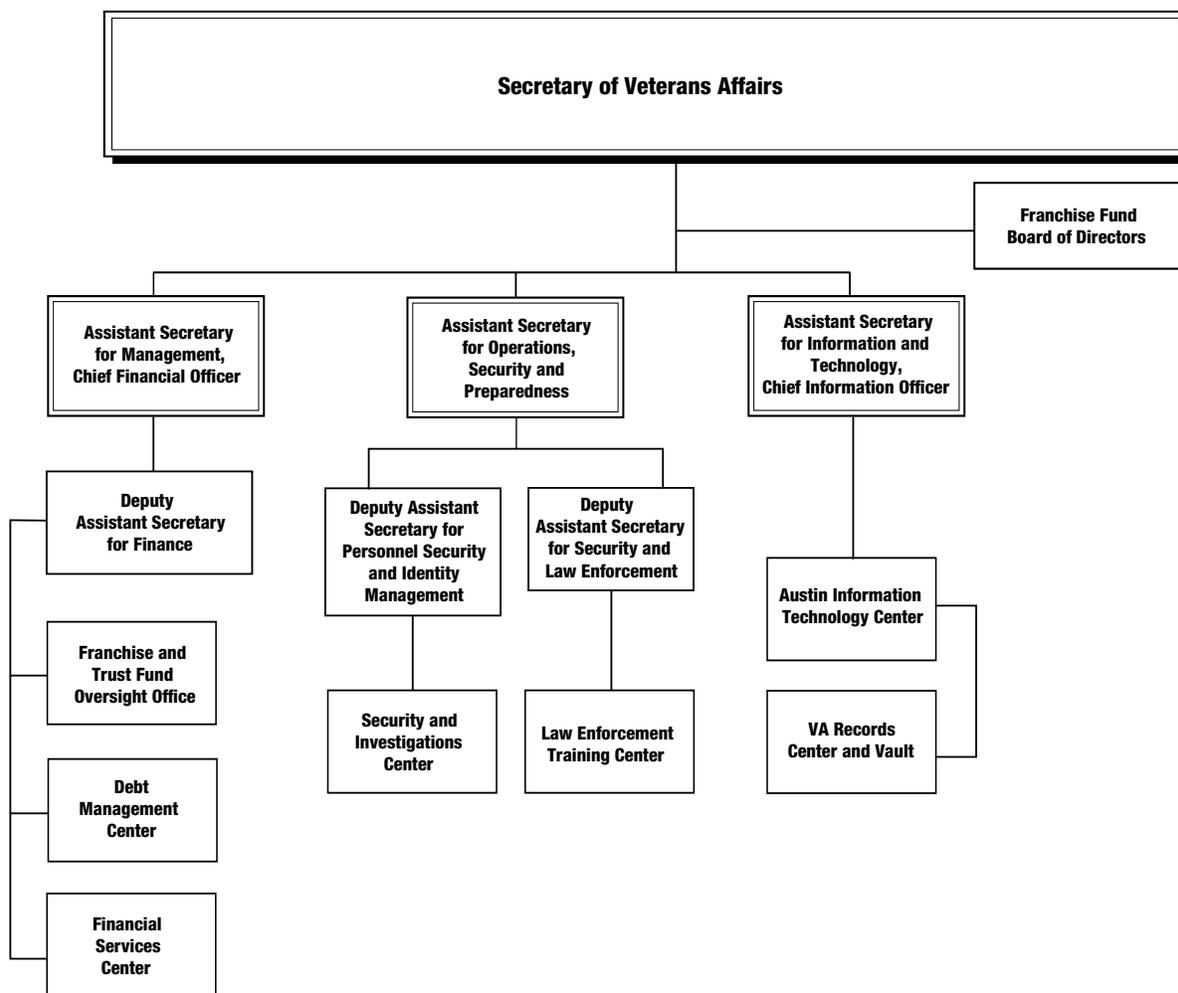
Organizational Structure

The VA Franchise Fund is composed of an administrative office (Franchise and Trust 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.
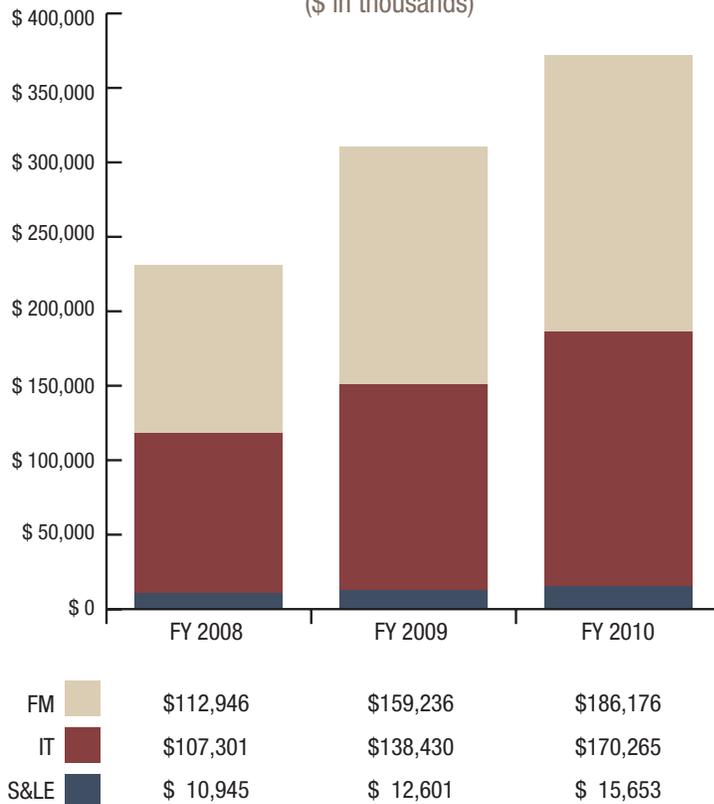
Business Segments

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 2008 through FY 2010.

The IT segment ended FY 2010 with over $170 million in revenue, compared to $138 million in FY 2009.

The FM segment generated over $186 million in revenue in FY 2010, a 17 percent increase over FY 2009's revenue of $159 million.
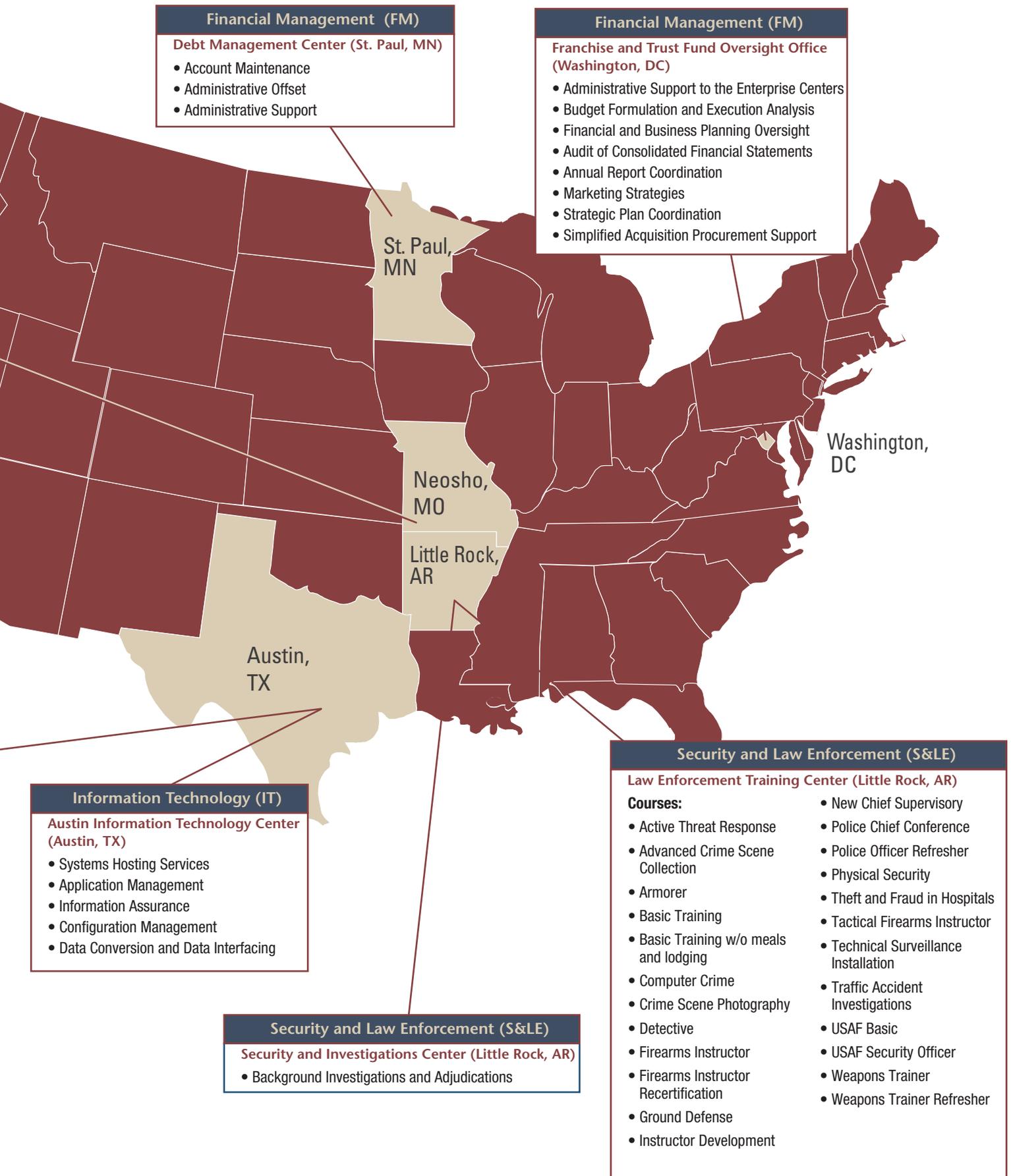
The S&LE segment experienced an increase in revenue of approximately 24 percent. Revenue in FY 2010 was nearly $16 million compared to nearly $13 million in FY 2009.

Information Technology (IT)

Records Center and Vault (Neosho, MO)
- Records Storage
- Records Management Services

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

**VA Franchise Fund
Revenue Trend by Major Segments
($ in thousands)**

	FY 2008	FY 2009	FY 2010
FM	$112,946	$159,236	$186,176
IT	$107,301	$138,430	$170,265
S&LE	$ 10,945	$ 12,601	$ 15,653

Financial Management (FM)

Debt Management Center (St. Paul, MN)

- Account Maintenance
- Administrative Offset
- Administrative Support

Financial Management (FM)

Franchise and Trust 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
- Simplified Acquisition Procurement Support

St. Paul, MN

Neosho, MO

Little Rock, AR

Washington, DC

Austin, TX

Information Technology (IT)

Austin Information Technology Center (Austin, TX)

- Systems Hosting Services
- Application Management
- Information Assurance
- Configuration Management
- Data Conversion and Data Interfacing

Security and Law Enforcement (S&LE)

Security and Investigations Center (Little Rock, AR)

- Background Investigations and Adjudications

Security and Law Enforcement (S&LE)

Law Enforcement Training Center (Little Rock, AR)

Courses:

- Active Threat Response
- Advanced Crime Scene Collection
- Armorer
- Basic Training
- Basic Training w/o meals and lodging
- Computer Crime
- Crime Scene Photography
- Detective
- Firearms Instructor
- Firearms Instructor Recertification
- Ground Defense
- Instructor Development
- New Chief Supervisory
- Police Chief Conference
- Police Officer Refresher
- Physical Security
- Theft and Fraud in Hospitals
- Tactical Firearms Instructor
- Technical Surveillance Installation
- Traffic Accident Investigations
- USAF Basic
- USAF Security Officer
- Weapons Trainer
- Weapons Trainer Refresher

Members of the VA Franchise Fund Network

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

Daniel Osendorf, Director Debt Management Center

Rodney Wood, Director Financial Services Center

Marianne Condon, Director Franchise and Trust 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) – Austin Information Technology Center (AITC). Located in Austin, TX, the AITC provides comprehensive electronic government solutions to match the critical needs of VA and other federal agency customers, from managing data to automating business processes. The AITC 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 AITC 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 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 and Trust Fund Oversight Office (FTO). Located in Washington, DC, the FTO functions as the business office for the VA Franchise Fund. As such, the FTO 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,
Acting Assistant
Secretary for
Management and
Chief Financial Officer**

On behalf of the Franchise Fund, I invite you to examine our FY 2010 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 2010 with total revenue of $372 million, an increase of 20 percent over FY 2009 revenue of $310 million.

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

➤ Integrating five data centers into Corporate Data Center Operations to provide more efficient data processing and maximize knowledge transfer opportunities (AITC).

➤ Increasing debt collections at a rate of return of $149 for every dollar spent in FY 2010, compared to $101 in FY 2009 (DMC).

➤ Creating a Web-based Permanent Change of Station (PCS) travel portal to automate the flow of interagency transfer requests, thus streamlining the process for initiating and approving travel documents (FSC).

➤ Constructing a 48-room dormitory to accommodate the growing need for in-residence training programs (LETC).

➤ Conducting the Records Center and Vault's first customer satisfaction survey to enhance records storage and management services capabilities (RCV).

➤ Developing SecurityManager, a comprehensive Web-based enterprise security management database (SIC).

➤ Attaining an unqualified audit opinion of our financial statements for the 13th consecutive year.

These successful endeavors are examples of **"Demonstrating Sound Business Practices"** through our efficiency in delivering 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 2010 Annual Report. We look forward to the coming year and are confident that we will continue to demonstrate sound business practices.
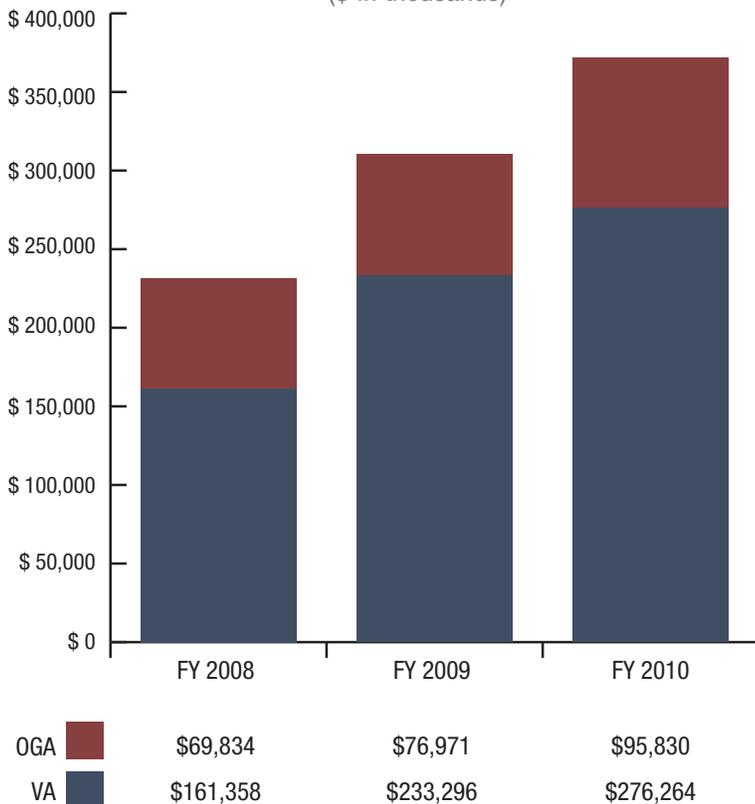
Our Stakeholders

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)

	FY 2008	FY 2009	FY 2010
OGA	$69,834	$76,971	$95,830
VA	$161,358	$233,296	$276,264

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
- ➤ Denali Commission
- ➤ 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
- ➤ White House Commission on the National Moment of Remembrance
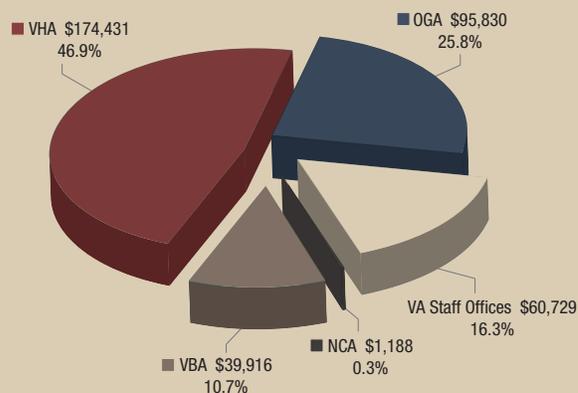
Internal Stakeholders

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

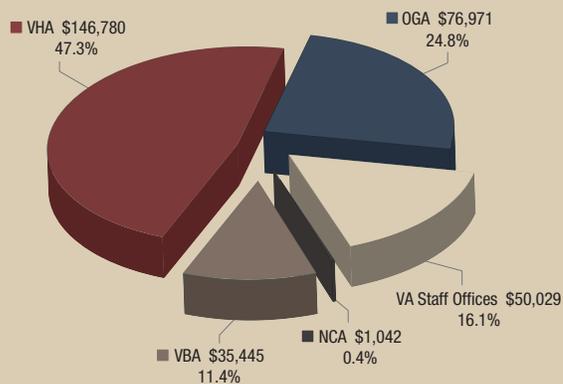# Comparison of Customer Revenue from FY 2008–2010

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 2010 with $96 million, an increase in OGA sales of 25 percent over FY 2009 levels of $77 million. 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.

VA Franchise Fund Revenue by Customer
As of September 30, 2010
(Dollars in Thousands)

- VHA $174,431 46.9%
- OGA $95,830 25.8%
- VA Staff Offices $60,729 16.3%
- NCA $1,188 0.3%
- VBA $39,916 10.7%

VA Franchise Fund Revenue by Customer
As of September 30, 2009
(Dollars in Thousands)

- VHA $146,780 47.3%
- OGA $76,971 24.8%
- VA Staff Offices $50,029 16.1%
- NCA $1,042 0.4%
- VBA $35,445 11.4%

VA Franchise Fund Revenue by Customer
As of September 30, 2008
(Dollars in Thousands)

- VHA $97,699 42.2%
- OGA $69,834 30.2%
- VA Staff Offices $40,212 17.4%
- NCA $608 0.3%
- VBA $22,840 9.9%
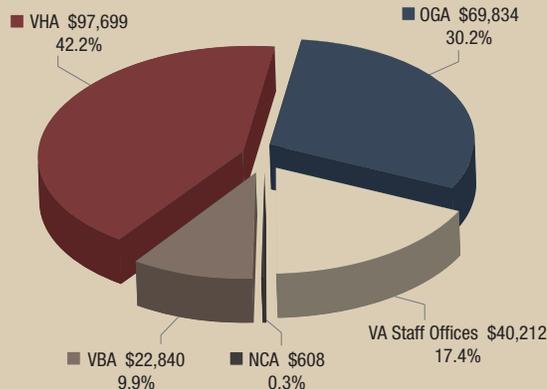
Meeting VA Franchise Fund Objectives

Information Technology Segment

CDCO – AITC National Service Desk

CDCO – AITC National Service Desk professionals are certified through an accredited service desk institution, and receive extensive training and certification from the Information Technology Infrastructure Library (ITIL). The NSD provides a vital customer interface for processing and managing incidents, problems, inquiries, and service requests. The purpose of this interface is to manage and minimize the impact of any disruption to customer service.

The CDCO – AITC service desk receives an average of over 16,000 contacts monthly, and consistently exceeds their FY 2010 goal of 80 percent resolution on "first contact." It also meet its goal of ensuring that 5 percent or fewer of all calls are abandoned. Year after year, the AITC service desk receives high marks on its annual customer satisfaction survey, conducted independently by Gartner. The service desk provides support on a corporate-wide basis for VA Central Office, VHA, and VBA systems and applications processed at all four Centers. In addition to its VA customers, the service desk supports such Federal customers as the Environmental Protection Agency (EPA), National Archives and Records Administration (NARA), and the Government Accountability Office (GAO).

All CDCO ITIL professionals in all areas are well trained and receive professional certification where available, and all of the various ITIL implementations are closely integrated.

Department of Defense (DoD) and VA

AITC hosts several important sharing projects between the Department of Defense and VA.

➤ The Consolidated Mail Out Pharmacy (CMOP) project allows DoD patients to receive prescription refills using VA CMOP facilities, which has resulted in substantial cost savings to DoD and enhanced revenue for VA.

➤ The Laboratory project is similar to CMOP and allows DoD hospitals to order lab results from VA medical centers and have results transferred back to them securely using a virtual private network (VPN) hosted at AITC. DoD is also investigating the benefits of using the DoD-VA gateway at AITC to transmit images, such as X-ray, CAT scan, and other digitized medical data to VA medical centers for analysis. Such telemedicine projects have already been effective within VA.

➤ Part of the Veterans Relationship Management program, eBenefits (EBN) is a Web portal that is a joint VA and DoD project allowing servicemembers and Veterans to access and retrieve copies of their official military personnel records, view VA disability compensation and pension claim status, obtain or submit an application for a home loan certificate of eligibility, and directly access MyHealtheVet accounts. VA has a critical need for assistance in establishing, implementing, integrating and maintaining an identity and access management (IAM) system for the EBN Web portal. This IAM system must be secure and available to link to EBN sites (i.e., DoD, VA, Department of Labor, and the Social Security Administration) for use by wounded, ill, and injured servicemembers, Veterans and their families. The EBN Web portal is the VA and DoD benefits Web site for information on benefit and assistance programs for this user population. The AITC is providing a complete, secure, highly scalable IAM solution that seamlessly manages audits, and protects and stores identity data for access to the EBN Web portal and supported sites.

OMB Exhibit 300 Project Support

For IT, Exhibit 300s are designed to be used as non-stop documents for many IT management issues. CDCO – AITC provides support to the following OMB Exhibit 300 level investment and steady state projects:

➤ **The Decision Support System legacy application** enables hospitals to compute their costs for treating individual patients and providing specific services, view corporate data for management and quality improvement purposes, and conduct clinical studies.

➤ **The Financial Management System** is VA's standardized, integrated, VA-wide accounting system that interfaces externally with the Department of the Treasury, GSA, the Internal Revenue Service, the Defense Logistics Agency, and various commercial vendors and banks for electronic billing and payment purposes. This system supports the collection, processing, and dissemination of several billion dollars of financial information and transactions each fiscal year.

➤ **VETSNET** provides a system that will support claims processing from establishment, development, and rating, to award and payment. VETSNET will provide for more streamlined, accurate processing of claims and availability of Veteran data, including claims history. This translates into better, timelier service to Veterans through the improved access to Veteran and claim data, on-time updates, and immediate status on pay.

➤ **VistA Foundations Modernization applications** include Dental Encounter System, Debt Management System, Lab Sharing and Interoperability, Data Translation, Environmental Agents Systems, Environmental

Epidemiology Service, Emerging Pathogens Initiative, Essence, Functional Status and Outcomes Database, Financial Management Information System, Home Based Primary Care, Hospital Laboratory, Lockbox, Medical Statistical Analysis Software (SAS) files, Mailserver Mumps Farm, Master Patient Index, National Item File, National Patient Care Database, Non-VA Hospital System, Patient Assessment File, Program Cost Reporting, Purchase Order Management System, Prisoner of War, Residential Home Care, Spinal Cord Injury, Treasury Offset Program, Veterans Canteen Application, Vitria/Veterans Health Information Systems and Technology Architecture (VISTA) Interface Engines, VHA Work Measurement, and Workers Compensation Information System.

➤ **Enrollment applications** include Enrollment Database, Enrollment System Redesign, Health Eligibility Center, Enrollment Priority Letters Phase II, Operation Enduring Freedom, and Social Security Confirmation.

➤ **VA Computing Infrastructure and Operations applications** include Automated Customer Registration System, Delegation of Authority, Electronic Data Interchange, Freedom of Information Act Reporting, Information Collection Budget, Privacy Officer Database, and Remote Customer System Use.

➤ **Payroll/HR Systems applications** include Personnel and Accounting Integrated Data (PAID) System and front end systems like Electonic Time and Attendance (ETA).

➤ **The Health Data Repository (HDR)** is a data repository of clinical information that resides on one or more independent platforms and is used by clinicians and other personnel to facilitate longitudinal patient-centric care. The data in HDR will be retrieved from existing VistA files and organized in a format that supports the delivery of care, regardless of the patient's location or where the patient has been treated at VA in the past.

➤ **Loan Guaranty Maintenance and Operations** applications include Lockbox Funding Fee, Loan Guaranty Web Processing, Loan Guaranty Processing, Loan Service and Claims, Mortgage Loan Accounting Center, and Customer Owned Assets.

➤ **Compensation and Pension Maintenance and Operations** includes the Beneficiary Identification and Records Locator System/Veterans Assistance Discharge System (BIRLS/VADS), Benefits Delivery Network (BDN) Maintenance and Operations, Insurance System Maintenance and Operations, Burial Operations Support System, Automated Monument Application System, VA Enterprise Architecture, Capital Asset Management System, and Program Integrity/Data Management.

➤ **Other applications** include Allocation Resource Center, Patient Financial Services System, Fee Basis Treatment/Central Fee (FEE), Replacement Scheduling Application, Pharmacy Re-Engineering and IT Support, VA Learning Management System, Federal Health Information Exchange, HealtheVet-Vista, and MyHealtheVet.

➤ **Direct Access Storage Device (DASD)**

The AITC – 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 recovery (DR). Until recently, industry-wide decreases in hardware costs per unit and the use of best practices resulted in a continued decline in our DASD rates. Current market research indicated a need for extensive reconfiguration of the existing hardware configuration with greatly increased software costs to accommodate projected 30 percent annual growth rates. In FY 2010, the CDCO-AITC procured and installed Hitachi hardware and software at all of the CDCO data centers, excluding the Capital Region Data Center (CRDC). This DASD infrastructure supports routine, essential support and mission critical, high availability

disaster tolerant storage at the three data centers. Under this new infrastructure, failover at one primary site can be accomplished by any of the other two DR sites. This new solution includes two petabytes of usable storage and incorporates and interoperates with the existing investment in EMC Corporation storage subsystems, software, and infrastructure. This capital expenditure and its depreciation expense are included in FY 2011 and FY 2012 rates. So while the DASD mirrored rate increased from $1.89 in FY 2010 to $2.02 in FY 2011, the AITC-CDCO does not anticipate further increases in the DASD rates into FY 2012. The AITC plans to incorporate all disk storage into this replacement solution; then, as the environment's individual current hardware components reach the end-of-life cycle, each can either be replaced or disposed of depending upon the existing DASD workload at that point in time. The AITC anticipates additional DASD workload from new initiatives in FY 2011 such as VBA's Image Management System, Veterans On Line Applications (VONAPP), Paperless, and Virtual VA applications. Additionally, several legacy applications are expecting increases in DASD workload. These applications include Loan Guaranty (LGY), VBA Corporate (CRP), ESSENCE (ESE), and Administrative Data Repository (ADR).


DASD Trends
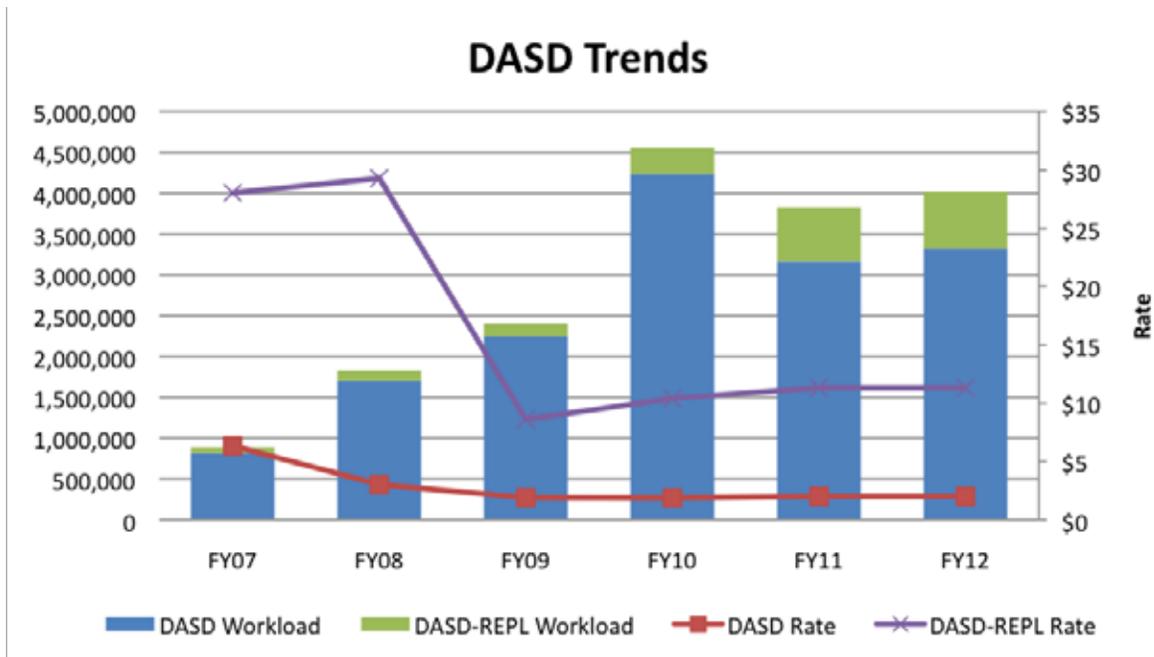
	FY07	FY08	FY09	FY10	FY11	FY12
DASD Workload	818,024	1,705,123	2,249,416	4,234,809	3,164,132	3,320,898
DASD Rate	$6.35	$3.03	$1.91	$1.89	$2.02	$2.02
DASD-REPL Workload	68,537	130,318	152,045	317,678	666,578	699,935
DASD-REPL Rate	$28.03	$29.30	$8.62	$10.42	$11.32	$11.32

* REPL = replicated

➤ Central Processing Unit (CPU)

Rate trends are illustrated in the CPU chart below. With workloads relatively stable between FY 2007 and FY 2010, AITC was able to reduce the CPU rate in FY 2009 with a moderate increase in FY 2010. Increases in estimated FY 2011 and 2012 workload will result in modest decreases in the CPU rates in FY 2011 and 2012.

CPU Trends
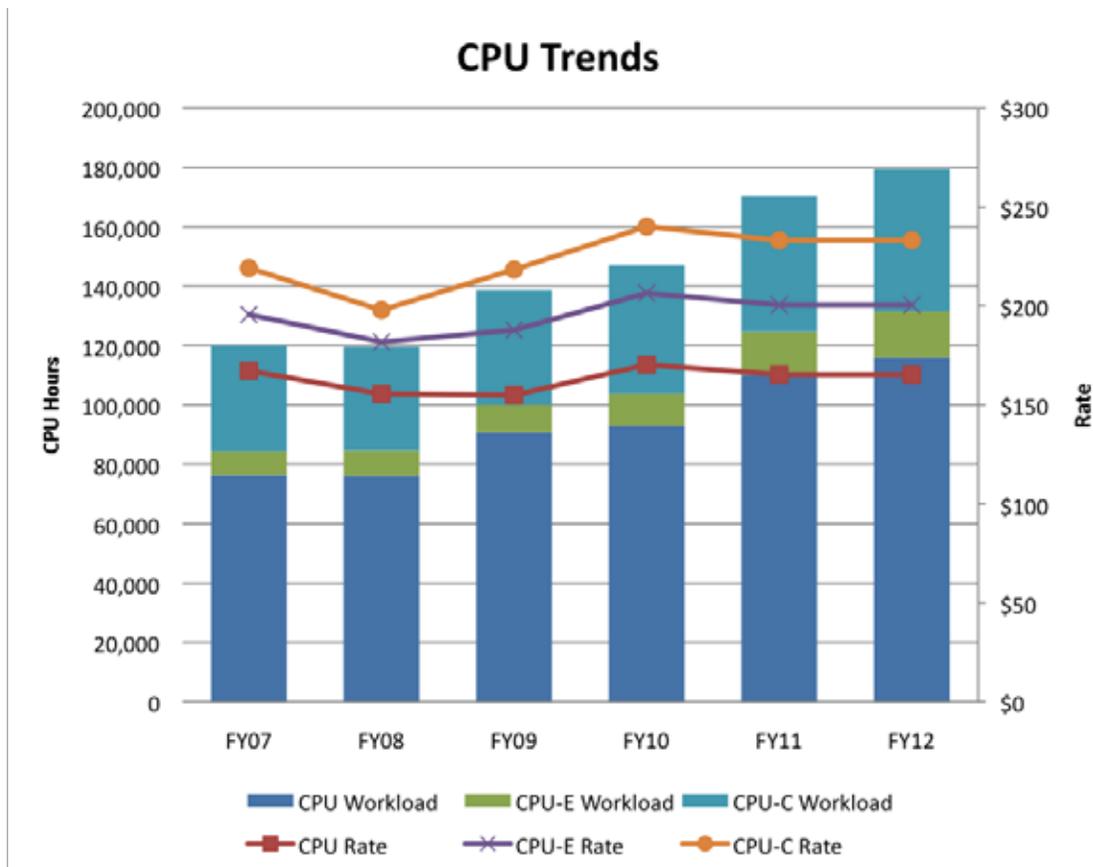
	FY07	FY08	FY09	FY10	FY11	FY12
CPU Workload	76,404	76,133	90,640	92,881	109,913	115,913
CPU Rate	$167.21	$155.46	$154.83	$170.27	$165.31	$165.31
CPU-E Workload	7,891	8,374	9,335	10,849	14,778	15,526
CPU-E Rate	$195.63	$181.74	$187.76	$206.48	$200.47	$200.47
CPU-C Workload	35,736	34,969	38,652	43,383	45,703	47,992
CPU-C Rate	$219.16	$197.89	$218.39	$240.15	$233.16	$233.16

* CPU-E: Essential
  CPU-C: Critical

➤ **Records Center and Vault (RC&V) Workload Trends**: Records Management Center (RMC) services continued to escalate in FY 2010 as the scope of the records inventory changed from the initial retired educational files to currently include military medical records. Increased workload to locate and ship files for VBA/RMC staff to examine/process Veteran compensation benefits for other than education and pending litigations, including the Nehmer Review case, requires the RC&V to temporarily increase staff with contract labor. To recover the additional operating expenses, the RC&V will increase RMC's combined box storage and services rate in FY 2011. When RMC's workload requirements decrease, the annual combined charge per box will re-adjust accordingly.

Information Technology Segment Plans for 2011 and Beyond

➤ **Z9 upgrade.** The z9 is the AITC's large mainframe enterprise server and requires an upgrade in capacity to address the need to support customer requests for more processing power, to accommodate the increased processing demands during end of year cycles, and to continue production processing on a vendor supported platform. Additionally, the disaster recovery mainframe located at the Philadelphia Information Technology Center (PITC) will also be upgraded to match the AITC's production server configuration. This upgrade, planned for second quarter FY 2011, will enhance the AITC's ability to continue to provide scalable, reliable, and supportable processing environments for its customers. The estimated cost is $7.2 million.

➤ **Generator Expansion.** By fourth quarter FY 2011, four additional two mega watt emergency diesel generators will be purchased at an estimated cost of $3.4 million. The Uptime Institute considers a data center's local generators to be the primary source of power; therefore, all designs and upgrades are targeted to achieve a Tier III rating (Concurrently Maintainable Site Infrastructure) for reliability, redundancy, and maintainability. The Uptime Institute's Tier Classification and Performance Standards define performance-based outcome requirements for different levels of reliability and availability of data centers. This begs the question "why not target to achieve a Tier IV rating?" This is a four-tier standard with Tier IV being the highest rating.

➤ **Customer Request for New Service.** During customer meetings in June 2010, the RC&V staff met with VHA records management staff to determine how it could better serve VHA's records storage and management needs. A key request was made that the RC&V offer scanning services. The RC&V will actively pursue this initiative in FY 2011 for feasibility and cost effectiveness. If viable, initial plans would be to offer scanning services in FY 2012.

➤ **Disk Storage Upgrade.** At the current rate of growth and with the creation of additional logical partitions (LPARS) on the mainframe, an estimated $5 million disk storage upgrade is anticipated in support of natural growth and forecasted new workload. This figure may be reduced if efforts are taken to reduce disk usage. This upgrade is planned for third quarter FY 2011.

➤ **UPS Expansion.** Power for all IT equipment inside the AITC's data center is delivered from an uninterrupted power supply (UPS). The AITC's UPS consists of three 675 KW modules and their battery strings providing uninterrupted support of electric power. Short, momentary losses of utility power occur frequently, and without a UPS, IT equipment processes would be disrupted. The AITC will soon reach maximum capacity on the existing UPS and expanding this system will be required in the fourth quarter FY 2011 to keep up with IT growth. The estimated cost for this upgrade is $1 million.
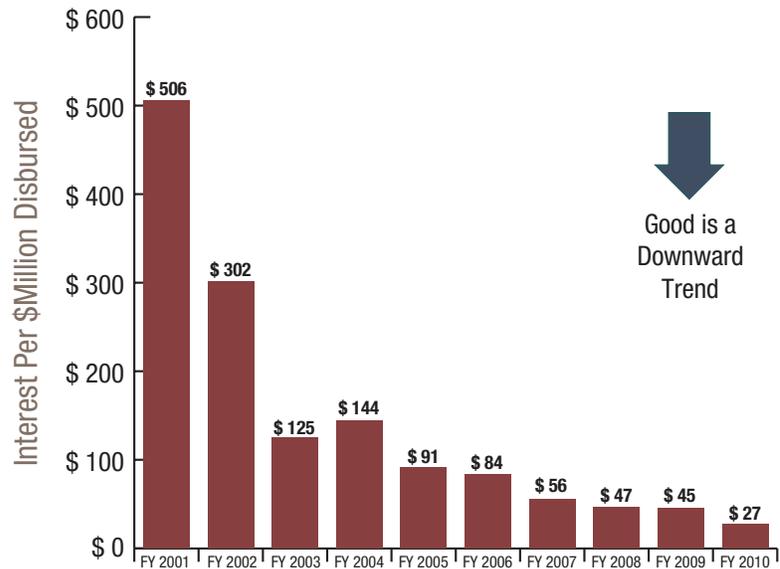
Financial Management Segment

Commercial Vendor Payments

VA continued to enhance its vendor payment processes throughout 2010. Overall VA interest penalties paid per million dollars disbursed decreased from $73 per million in FY 2009 to $64 per million in FY 2010. At the same time, VA earned 96 percent ($4.8 million) of its available discounts. The FSC interest penalties paid per million dollars disbursed also declined from $45 per million in FY 2009 to $27 per million (40 percent reduction) in FY 2010. Additionally, the FSC earned over 96 percent ($4.7 million) of its available discounts.
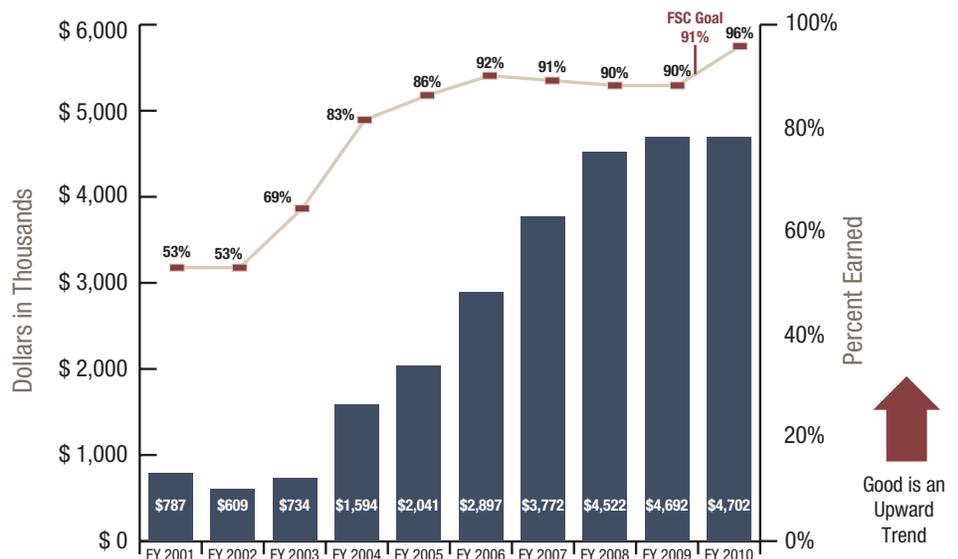
VA also continued to gain efficiencies and improve performance through an initiative started in FY 2004 which centralized vendor payment activities at the FSC. Through this centralization, VA strengthened its focus on identifying and preventing improper vendor payments. The FSC reviews VA vendor payments 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 in erroneous interest penalties.

Overall, during FY 2010, collections of improper payments and recovery audits totaled over $2.6 million. Improved payment oversight also enabled VA to identify and cancel nearly $7.8 million in potential improper payments prior to disbursement. Since the inception of the FSC's audit recovery effort

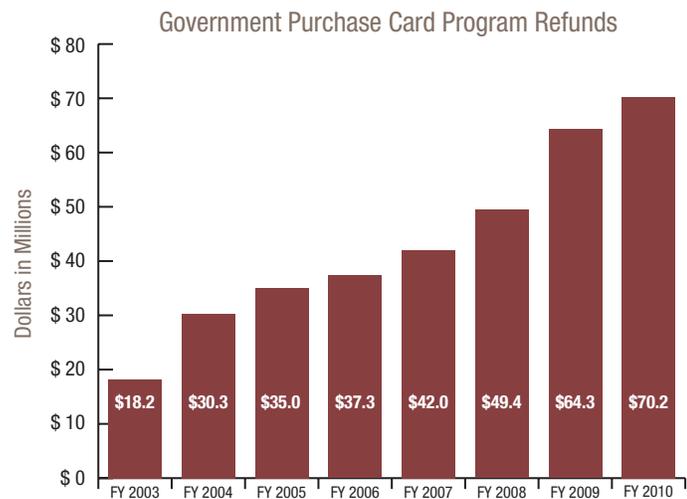### Financial Services Center
Interest Per $Million Disbursed

Good is a Downward Trend

FY	Interest Per $Million Disbursed
FY 2001	$506
FY 2002	$302
FY 2003	$125
FY 2004	$144
FY 2005	$91
FY 2006	$84
FY 2007	$56
FY 2008	$47
FY 2009	$45
FY 2010	$27

Financial Services Center
Discounts Earned

FSC Goal 91%

Good is an Upward Trend

FY	Dollars in Thousands	Percent Earned
FY 2001	$787	53%
FY 2002	$609	53%
FY 2003	$734	69%
FY 2004	$1,594	83%
FY 2005	$2,041	86%
FY 2006	$2,897	92%
FY 2007	$3,772	91%
FY 2008	$4,522	90%
FY 2009	$4,692	90%
FY 2010	$4,702	96%

in FY 2001, VA recovered over $28.5 million in improper payments and prevented the improper payment of another $70.7 million.

The FSC continued to improve its business processes, adding customer value. The FSC enhanced functionality of its Financial Accounting Service-Federal (FASFED) application enabling Web access to the Intra-Governmental Payment and Collection System (IPAC) supporting documentation, thus reducing delays in receiving information needed to record these transactions at the station level. The expanded use of the SF 224 Statement of Transactions 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.

Through FY 2010, the FSC processed 5 million purchase card transactions, representing over $3.3 billion in purchases. The electronic billing and payment process for centrally billed card accounts earned VA over $70 million in credit card refunds, which is a 9 percent increase from FY 2009 levels. These refunds are returned to VA entities for use in Veterans programs.

Government Purchase Card Program Refunds

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Dollars in Millions	$18.2	$30.3	$35.0	$37.3	$42.0	$49.4	$64.3	$70.2

The Fee Basis credit card program automates health care Fee Basis payments, eliminates processing of paper checks, and earns VA additional credit card refunds. Through the 4th quarter of FY 2010, the volume of transactions exceeded 487,000 and was valued at more than $164 million, earning VA over $3.3 million in refunds. By comparison, in FY 2009, VA's Fee Basis credit card program processed over 480,000 transactions representing over $140 million in payments and generated over $2.5 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. Through the 4th quarter of FY 2010, the travel management program processed over 481,000 transactions, disbursed payments of almost $62 million, and earned over $1.1 million in refunds compared to over $856,000 during FY 2009.

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. Through the 4th quarter of FY 2010, 132 VA medical centers used the Prime Vendor System to electronically process 617,000 payments valued at $3.9 billion.

FSC Electronic Commerce (EC)/Electronic Data Interchange (EDI) Services

The 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, health care entities such as VA medical centers, and Healthcare Clearinghouses. 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 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. FSC personnel participated in meetings and conference calls 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.

In addition to VHA, the FSC provides EC/EDI services to VA's Denver Acquisition and Logistics Center for invoices, billing documents, and payment vouchers. Those transactions are now processed using the FSC-owned software which reduces operational cost and facilitates day-to-day operational support. Commercial invoices, Financial Management System (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 support to the U.S. Department of Agriculture (USDA). Under a franchise agreement, the FSC accepts invoices from USDA utility and telecommunication providers, translates them to a USDA-approved file format, and transfers these invoices to USDA via a secure connection. The invoices are automatically input into legacy systems for processing and payment. This processing takes place using FSC-owned translator software, which ensures license compliance and reduces processing costs for USDA.

Medical Claims Processing

The FSC provides the Department of Homeland Security's Division of Immigration Health Services (DIHS) 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 HIPAA.

At VHA Central Business Office's (CBO) request, the FSC undertook a major medical claims payment project that has the potential to significantly expand the FSC's Medical Claims Payment Product line. The project is designed to develop a system to process all types of Fee Basis claims starting with one Veterans Integrated Service Network (VISN) as a pilot. The FSC is developing an automated process which includes an eligibility check process that integrates data from existing VA data systems to automate the process of determining a Veteran's eligibility for care, an Internet based Referral and Authorization System for medical centers to manage care for Veterans, and a newly procured off-the-shelf claims adjudication software and a business process management tool to create a highly automated claims adjudication processing system. Upon completion of the pilot, the FSC anticipates a decision to implement a nationwide process. In addition to this project, the FSC supports the following VHA CBO claims processing projects:

• HERO program claims auditing
• Dialysis program claims processing
• Millennium Act claims processing for VISNs 20 and 22
• Processing reclaims for laboratory and dialysis payments

Customer Support

The Customer Support Help Desk (CSHD) offers a comprehensive one-stop response team to support inquiries from VA stations and vendors. CSHD is organized to provide 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 E-gov Travel System (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 an easy-to-use tool for immediate access to their payment information 24 hours a day. VIS has also improved customer service efficiency by handling many routine inquiries and freeing FSC staff to work the more difficult customer issues.

Registered VIS users have the ability to submit electronic invoices directly to the FSC. Vendors complete easy-to-use forms to create invoices and can manage and track them. This online system provides vendors with a list of valid purchase orders, virtually eliminating the primary 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.

VA-wide Travel

The FSC serves as the Travel Project Office for the Department. The VA-wide travel system, known as FedTraveler.com, gives approximately 80,000 VA frequent travelers, as well as VA managers, a much more efficient and accountable way to plan, book, and track travel arrangements as well as request and approve expense reimbursements.

The FSC supports the VA-wide travel system 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; and participation in meetings hosted by GSA such as FedTraveler User Group meetings; Program Change Control Board meetings; and Executive Change Control Board meetings.

e-Invoicing

The FSC began the second vendor enrollment recruitment plan for its e-Invoicing initiative in May 2010. This 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. 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 using 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 the vendor. The FSC is targeting 2,900 vendors which represents approximately 70 percent of the FSC's total annual payment volume. Currently, over 1,000 vendors participate in e-Invoicing.

Centralization of Payments

During FY 2010, 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, processing over 1 million commercial vendor payments. Performance results indicated improvements in payment processing timeliness, accuracy, and cost savings. Continued reductions in interest penalties for late payments were realized along with consistently strong performance in maximizing vendor discounts earned.

Strategic Asset Management System (SAM)

The FSC supports VA's Strategic Asset Management System (SAM) initiative to standardize business processes and modernize the information technology environment supporting asset management. The FSC provided leadership and assistance to facilitate preparation of the Interface Control Documents for the SAM pilot site in Milwaukee, WI. FSC staff continues to provide the SAM project with assistance in order to meet VA Project Management Accountability System goals and deliverables.

Financial Policy Rewrite

Based on an audit recommendation, the VA Office of Financial Policy (OFP) awarded a contract to Grant Thornton to review and update VA's financial management policies and procedures. These policies and procedures are currently contained in various formats: manual procedures, directives, handbooks, and bulletins – making it difficult for VA organizations to ensure they are working with the most current policies and procedures. The FSC provides subject matter experts and is a voting member on the Financial Policy Working Group.

FSC Information Technology (IT) Support

The FSC relies on IT support to provide financial services to customers. FSC IT staff uses proactive research and development efforts to leverage technology as a workforce multiplier, ensures personnel are up-to-date on the latest technological advances, and strives to provide the FSC and 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 its customers.

The IT staff provides the FSC the following support:
• Application development and maintenance
• Helpdesk and PC desktop support
• Database administration
• Network administration
• Server administration
• EC/EDI services

Disaster Recovery

The FSC enhanced its ability to respond to and survive any disaster by upgrading its disaster recovery site at the Waco VA Medical Center which is 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 from days to minutes.

Electronic-Business (e-Business)

The FSC continues to support VHA CBO e-Business initiatives by processing medical claims and insurance verifications and sending them to the VA-contracted clearinghouses, Emdeon and MedData. Claims status messages and reports on the status of claims submitted through the EDI process are sent to VA medical centers. Furthermore, the FSC processes medical claims payments and explanation of benefits and sends them to VA medical centers for processing in their accounts receivable system. Also, the FSC works with its partners, VA medical centers, VistA developers, clearinghouses, and VHA CBO Project Managers to research issues, provide solutions, reach a consensus on action plans, and implement any necessary changes.

Throughout FY 2010, the FSC worked on implementing a software toolset to provide medical claims data analysis and reports. One of the benefits VHA CBO will gain from this tool is analysis of claim rejections which will help it decide what actions are required to reduce future claim rejections. This will lead to quicker collections of medical care cost recovery from third party insurance companies. The tool will also benefit FSC operations by providing the ability to better track transactions as they flow through their processes and applications.

DMC Debt Collection Services

The DMC collects debts arising from Veterans' or beneficiaries' participation in education, compensation, pension, and loan guaranty benefit programs.

The Department pays benefits 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 ensures that the accounts are referred to the Department of the Treasury for offset under the Treasury Offset Program or are referred to Treasury for cross-servicing action when they become eligible.

Collections/Offsets FY 2008-2010 ($ in thousands)

	FY 2008	FY 2009	FY 2010
	$585,918	$745,132	$1,018,347

This chart reflects collections/offsets on benefits and medical debts. The increase from FY 2008 to FY 2009 is attributed to a concerted effort on the DMC's part to identify and initiate offset when benefits become available. In FY 2010, the DMC experienced a significant increase in education receivables due to students receiving advance payments under the Post 9/11 GI Bill. In many cases, the students either paid the debt or their benefits were withheld to recover the advance payment.

Financial Management Segment Plans for 2011 and Beyond – FSC and DMC

Centralization of Permanent Change of Station (PCS)

The FSC created a Web-based PCS Travel Portal to automate the flow of Interagency Transfer Requests, VA Form 3918, and Requests for Permanent Duty, VA Form 3036c. This travel portal streamlines the process for initiating and approving travel documents required for relocating employees authorized PCS travel entitlements. This Web-based application with electronic flow of documents and electronic signature functionality can now be used by human resources, authorizing, budget, and approving officials. As of September 2010, 288 VA stations are using the portal and have electronically processed 402 employee moves. The FSC plans to implement the use of the PCS Travel Portal VA-wide in the first quarter of FY 2011 with plans to develop additional functionality for the electronic processing of claims for PCS travel reimbursements.

FSC Expansion

The FSC continues to expand both its customer base and services provided, with additional growth forecasted for the near future. The FSC has grown from 120 employees from FY 2009 levels with current staffing of to approximately 520 employees in FY 2010, with projections for continued growth to satisfy increased customer demand for its services. As a result, the FSC obtained additional available space in its current facility. This 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, allowing the FSC to continue to deliver "world class" services at competitive rates. Ongoing demand for additional FSC services led the VA Franchise Fund Board of Directors to approve the acquisition of additional office space to support planned growth in customer requirements. The additional space is expected to be available in FY 2012.

Customer Service

During FY 2010, the DMC expanded its service hours by two hours from 7:30 a.m. – 4:00 p.m. CST to 7:30 a.m. – 6:00 p.m. CST. It also increased the number of telephone lines it services from 18 to 24, and increased the number of full-time employees (FTE) servicing those lines. Additional plans are underway to further expand that service by adding additional lines and FTE. The improvements will allow more of customers to contact the DMC by telephone for assistance and information regarding their debt.

Security and Law Enforcement Segment

Training

The number of police officers trained at the Law Enforcement Training Center has steadily increased over previous years. During FY 2008, 1,175 VA police officers received basic and specialized training at the Little Rock campus. In FY 2009, that number rose to 1,250, and in FY 2010 the training facility accommodated 1,450 VA students and 212 from other government agencies. Additional courses offered in FY 2010 included Active Threat Response and Ground Defense and Recovery Instructor Course.

Number of Police Officers Trained

FY 2008	FY 2009	FY 2010
1,175	1,250	1,662

LETC Classroom

During FY 2010, the construction of a 48-room dormitory was completed. These additional dormitory rooms will accommodate the growing need for an expanded in-residence training program and other courses necessary to continue to meet customers' needs.

Also completed in FY 2010 was the lease of a new modular classroom building. This leased classroom is necessary to prepare for a surge in demand for services in FY 2011 and FY 2012.
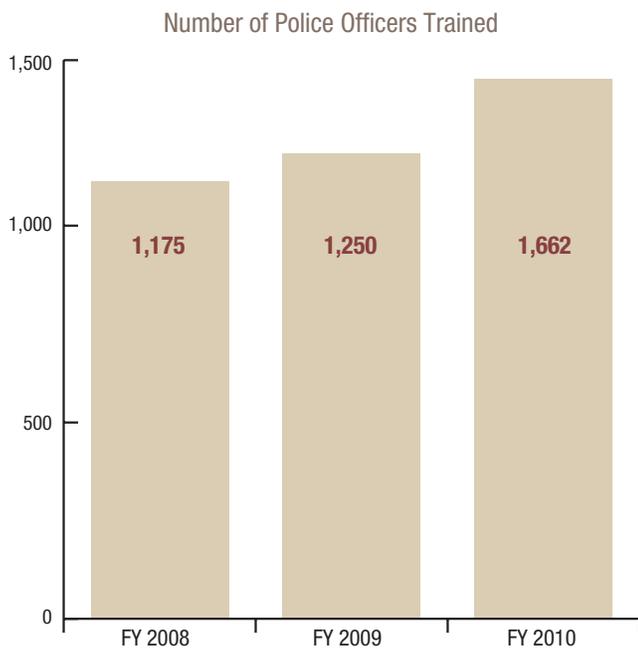
SecurityManager Database

The initial operation of SecurityManager is planned for FY 2011. SecurityManager is a comprehensive Web-based enterprise security management database which is envisioned to become the sole suitability and security database of records for all VA employees and contractors. It will provide customers live, up-to-date information on the status of their individual investigation and the ability to print certificates at any time. It has an electronic interface with the Office of Personnel Management (OPM) providing the SIC with the ability to receive completed investigations within 24 hours, further decreasing the time required to adjudicate an investigation.

Instrumental in E-Gov Initiatives

The SIC has completed the fielding of OPM's electronic Questionnaire for Investigations Processing (e-QIP) for all VA police officers and is in the final planning phases of deploying it to all VA employees and contractors. This eliminates the requirement for hard copy investigation questionnaires that must be completed by the applicants and provides for a more seamless process through the system.

Captain James A. Lovell Federal Health Care Center (FHCC)

The partnership between the Department of Defense (DoD) and the Department of Veterans Affairs culminated in the first fully integrated health care center in the Nation on October 1, 2010. The integration of the Naval Health Clinic Great Lakes (NHCGL) and North Chicago Veterans Affairs Medical Center (NCVAMC) into a single federal health care center is a completely unique situation and has created new certification requirements for SIC personnel. DoD is requiring all VA employees and contractors who have access to Navy personnel records to hold an Access National Agency Check with Written Inquiries (ANACI)

background investigation. DoD also requires that VA adjudicators successfully complete the Defense Security Service (DSS) Academy course, Personnel Security Adjudications.

Reorganization

The SIC underwent a major reorganization during the first quarter of FY 2010. The SIC and the LETC shared a director and support staff in North Little Rock and came under the immediate supervision of the Deputy Assistant Secretary for Security and Law Enforcement. Effective January 3, 2010, Jose Riojas, Assistant Secretary for Operations, Security, and Preparedness, placed the SIC under the supervision of the Deputy Assistant Secretary for Emergency Management. The reorganization resulted in a director and support staff working exclusively for the SIC business processes. The director and five support staff personnel all stayed with the LETC, creating additional vacancies within the SIC bringing the total to ten. The Office of Operations, Security, and Preparedness has been granted authority to create a third division, and on July 12, 2010, hired a Deputy Assistant Secretary for Personnel Security and Identity Management. The SIC will be aligned under that Deputy Assistant Secretary.

Security and Law Enforcement Segment Plans for 2011 and Beyond

Full implementation of OPM's electronic Questionnaire for Investigations Processing (e-QIP) is scheduled for the first quarter of FY 2011. SecurityManager and e-QIP combined will provide a true start-to-finish Web-based automated system for suitability and security investigation packets.

Performance Measures, Goals, and Objectives

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.
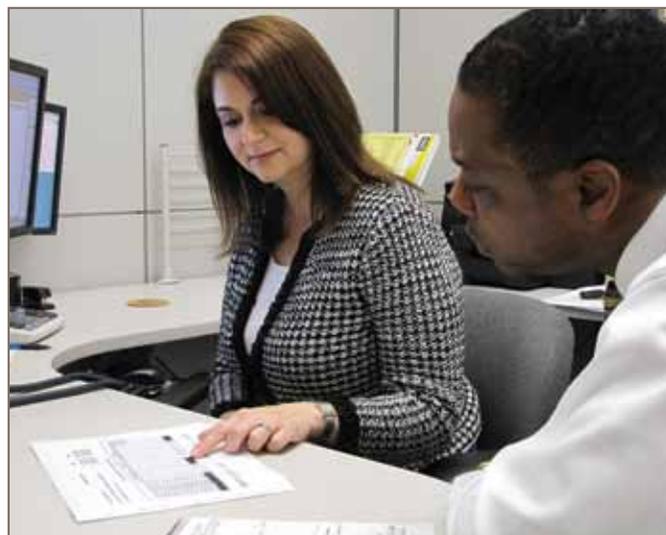
The performance information presented below accurately represents the Enterprise Centers' performance during fiscal years 2007–2010. We are committed to ensuring that reported performance information is accurate and based on reliable information, and we continually seek to improve our data collection 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 2010 Goals Achieved or Exceeded?	
	2007	2008	2009	2010	2010	Yes	No
Ranking within top 12.5% in the Information Technology Customer Satisfaction database [1]	8.0%	12.0%	3.5%	N/A	N/A		
Total collections per dollar spent on collection activities	$80	$84	$101	$149	$76	✓	
Payment processing accuracy rate	98%	98.4%	98.6%	98.9%	98.2%	✓	
Class graduation rate	96.5%	98.5%	96.8%	97.2%	95.0%	✓	
Percent of investigations that are completed within the established timeframes	98.0%	96.0%	99.0%	98.0%	98.0%	✓	
Percent of recalled records that are shipped securely and accurately to requesting facilities within established timeframes	99.6%	99.9%	99.9%	99.9%	99.0%	✓	
Number of audit qualifications for the VA Enterprise Centers	0	0	0	0	0	✓	

[1] Through FY 2009, VA's survey provider had been Gartner Consulting. Beginning in FY 2011, survey work will be conducted by a service-disabled Veteran owned small business. This change in survey providers will result in inconsistencies with survey results compared to previous years. Hence, VA did not conduct a survey in FY 2010.

Performance Highlights During FY 2010

➤ For the 13th consecutive year, the audited financial statements of the VA Franchise Fund received an unqualified "clean" opinion.

➤ The AITC 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 $149 collected for every dollar of incurred expense.

➤ The FSC's new facility received a Leadership in Energy and Environmental Design (LEED) "Silver" designation as a "green" facility.

➤ The LETC upgraded course offerings and maintained graduation rates at high levels.

➤ The RC&V 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.

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 2010 and FY 2009. 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 $202.6 million as of September 30, 2010. This is an increase of $35.3 million (21 percent over the previous year's total assets of $167.3 million). The increase in asset balances is largely due to two factors. The AITC procured a significant amount of IT equipment including a new computer server and storage capacity upgrades for its computer room. Similarly, the FSC procured IT equipment for its current facility as well as its Waco disaster recovery site. This resulted in an increase in Property, Plant, and Equipment. The other factor was due to increased services related to medical payments for Immigration and Customs Enforcement and the Office of Refugee Resettlement.

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

(Dollars in Thousands)		
	2010	**2009**
Fund Balance with Treasury	$118,868	$ 90,624
Property, Plant, and Equipment, Net	42,843	32,565
Accounts Receivable, Net	39,202	42,711
Other Assets	1,682	1,409
Total Assets	$202,595	$167,309

Liabilities

The Fund had total liabilities of $77.0 million as of September 30, 2010. This represents an increase of $18.3 million (31 percent over the previous year's total liabilities of $58.7 million). The increase in Intragovernmental Liabilities is primarily due to the FSC's increased activity with the General Services Administration (GSA) and the Department of Interior for contracting support, and the AITC's increased activity with GSA for the purchase of its new computer equipment. 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)		
	2010	2009
Other Liabilities	$30,996	$21,092
Intragovernmental Liabilities	43,928	34,375
Accounts Payable	2,120	3,219
Total Liabilities	$77,044	$58,686

Net Position

The Fund's net position increased by $16.9 million in FY 2010 on the Consolidated Balance Sheets and the Consolidated Statement of Changes in Net Position. The net position for the Fund was $125.6 million in FY 2010, which yielded a 15.6 percent increase from FY 2009's ending net position of $108.6 million. Net position is the sum of unexpended funds and cumulative results of operations.

Cumulative Results of Operations
The Fund's cumulative results of operations yielded a net gain of $10.2 million in FY 2010, 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 $471.7 million, a $49.9 million increase from the FY 2009 level of $421.8 million.

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

(Dollars in Thousands)		
	2010	2009
Beginning Unobligated Balance	$ 98,646	$124,072
Spending Authority Earned and Collected	383,148	284,657
Change in Receivable from Federal Sources	(3,544)	33,659
Change in Unfilled Customer Orders	(6,558)	(20,596)
Total Budgetary Resources	$471,692	$421,792

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 99 in the 2009 Department of Veterans Affairs Performance and Accountability Report (http://www4.va.gov/budget/docs/report/PartI/FY2010-VAPAR_Part_I.pdf).