



# Department of Veterans Affairs

## Franchise Fund Strategic Plan



## Continued Success 2010-2015

*A Veteran, whether active duty, retired, national guard or reserve, is someone who, at one point in their life, wrote a blank check made payable to "The United States of America" for an amount of "up to and including my life."*

– anonymous



## Purpose of the Strategic Plan

Since the inception of the Department of Veterans Affairs Franchise Fund (VA Franchise Fund) as a fee-for-service organization in FY 1997, we have taken important steps to ensure that we remain a performance-based organization and focus on the needs and concerns of our stakeholders. To this end, we continue to develop the VA Franchise Fund Strategic Plan. It guides us into the future and assists in aligning our mission with goals, strategies, and resources.

This plan communicates a top-level summary of our direction for the next 5 years. The framework for the strategic plan centers on the Department's guiding principles, strategic goals, and integrated objectives. The plan will serve as the cornerstone of our efforts to strengthen management, accountability, and stewardship. We are committed to working together to achieve the priorities defined in this plan.

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## Letter to Stakeholders



*John Rucker, 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*



**W. Todd Grams**

**Acting Assistant Secretary for Management**

Dear Stakeholders,

I am pleased to present the Department of Veterans Affairs Franchise Fund (VA Franchise Fund) 2010-2015 Strategic Plan, which describes our primary areas of focus for the next 5 years. This plan illustrates our integrated mission, vision, strategic goals, objectives, performance targets, strategies and processes. It will guide our progress in providing exceptional service to our broad customer base.

The VA Franchise Fund was established in FY 1997. Our success has been extraordinary. Our revenue base has shown steady growth over the past 12 years, increasing from \$59 million in FY 1997 to \$310 million in FY 2009. This success is a direct result of the outstanding leadership of the individual Enterprise Centers and the exceptional talent and dedication of their staff.

As a fee-for-service government organization, we operate in a dynamic business environment, where we recover the full cost of our operations through customer revenue. Accordingly, it is imperative that we maintain a high level of customer satisfaction by delivering high-quality services at competitive prices. Our ability to maximize our value to the federal marketplace is closely linked to how well we retain current customers and attract future customers, as well as how we adapt our services within the ever-changing business environment to provide our customers with “best value” total business solutions.

This strategic plan communicates a top-level summary of our long-term direction and will serve as our blueprint for success to enhance our relationships with our stakeholders. We are committed to working together to achieve the priorities defined in the plan. It will be used to guide us in the future, and assist us in aligning our mission with our goals, strategies and resources. We have taken steps to ensure that we remain a performance-based organization and focus on the needs and concerns of our stakeholders.



*Marianne Condon, Director  
Franchise and Trust Fund  
Oversight Office*



*Robert Cagle, Director Law  
Enforcement Training Center*



*Walter Dodd, Acting Director  
Security and Investigations  
Center*

We have established five strategic goals for accomplishing our 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.”

**Goal 1:** Involve the customer in the planning of activities and programs in order to satisfy customer expectations and business needs.

**Goal 2:** Provide results-oriented, efficient and effective common administrative support services to the customer.

**Goal 3:** Build and maintain a professional, productive, innovative, diverse workforce focused on customer service.

**Goal 4:** Ensure financial viability through continuous growth and diversity of the business base.

**Goal 5:** Ensure effective corporate governance, oversight of operations, and financial integrity.

Our strategic goals are crosscutting in nature and are intended to reflect the combined effort of each component of the VA Franchise Fund. This plan, and the governance process that we have established, will serve as the cornerstones of the VA Franchise Fund’s effort to strengthen management, accountability, and stewardship.

Each of the centers within the VA Franchise Fund is accountable for achieving the goals, objectives, and performance targets presented in this plan. While we are committed to using this plan as a framework to monitor our progress and to ensure results, we also recognize that planning is a dynamic process that may require future changes. By listening to our stakeholders, we will modify our direction to respond to trends and changes in the government business environment.

A handwritten signature in black ink, appearing to read "Marianne Condon". The signature is fluid and cursive, written over a white background.

# Overview of the VA Franchise Fund

## Our Values

To guide us in fulfilling our mission, as well as the Department's mission, our employees strive to uphold a set of core values, which are consistent and closely aligned with VA's core values. These values include:

### Compassion

- We will treat all Veterans and their families with dignity and compassion. We will provide services in a caring manner, with 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 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 the human, financial, information, and 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.

## 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.

## Vision

To Provide Comprehensive Business Solutions for Tomorrow's Government

## Who We Are: The Origin of the 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. After careful screening, VA was selected by the Office of Management and Budget in 1996 as one of six Franchise Fund pilots. In 1997, the VA Franchise Fund was established as a revolving fund and began providing common administrative support services to VA and other government agencies (OGAs) on a fee-for-service basis rather than through an annual appropriation.

The VA Franchise Fund is comprised of an administrative office (Franchise and Trust Fund Oversight Office) and six Enterprise Centers that are divided into three major segments: the **financial management segment** is comprised of the Debt Management Center and the Financial Services Center, the **security and law enforcement segment** is comprised of the Law Enforcement Training Center and the Security and Investigations Center, and the **information technology segment** is comprised of the Austin Information Technology Center and the Records Center and Vault.



Within the Department's headquarters in Washington, DC, the respective Enterprise Centers are managed by three VA component organizations the **Office of Management**, the **Office of Operations, Security, and Preparedness**, and the **Office of Information and Technology**.

## 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
- 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 Capitol Police
- 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

## Who We Serve

The VA Franchise Fund serves a wide variety of stakeholders. Our ultimate stakeholders are those who directly benefit from the services VA provides to Veterans and their families and those who carefully monitor the delivery of these services, including the Office of Management and Budget, Congressional authorizations and appropriations committees and subcommittees, and Veterans service organizations.

By serving as the best valued provider of choice for common administrative support services, the VA Franchise Fund has marketability within the federal community as other government agencies maximize the level of resources they can dedicate to serving their customers and accomplishing their primary missions.

Our objective is to improve the overall governance and performance of VA's Franchise Fund by applying sound business principles, ensuring accountability, and enhancing our management of resources through improved capital asset management, acquisition and competitive sourcing, and linking strategic planning, budgeting, and performance planning.

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

As a self-sustaining organization, the Franchise Fund does not receive appropriated funds; therefore, it must recover the full cost of operations through customer revenue obtained from providing common administrative support services. To deliver high quality services at competitive prices to stay in business, we must be ever-responsive to our customers. We must also demonstrate good stewardship and promote customer confidence by conducting business responsibly.



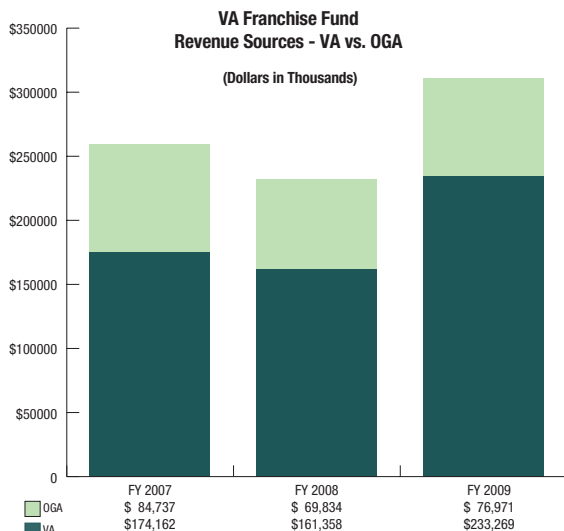
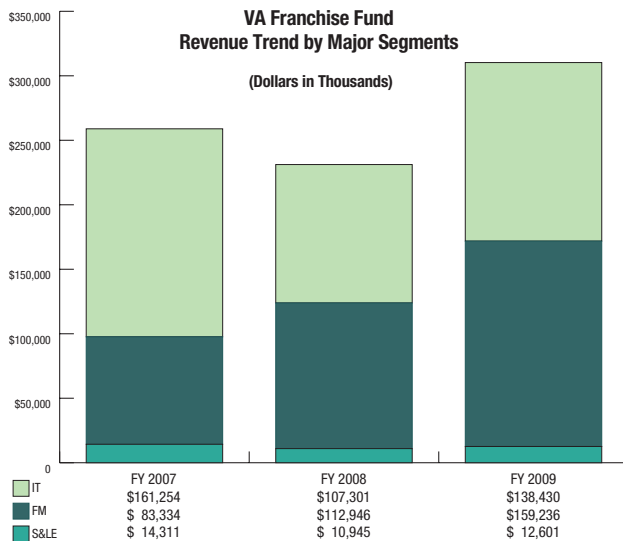
# Operating Philosophy

Consistent with the enabling legislation and operating principles for federal franchise funds (See Appendices A and B), the Enterprise Centers provide common administrative support services to VA and OGAs on a reimbursable basis. The Enterprise Centers combine the application of technology with public/private sector synergy where applicable for cost efficiency. Rates are set at levels to ensure that the costs of operations are recovered and that operating and capital reserves are sufficient for business contingencies, capital investments, and new initiatives.

## Analysis of the FY 2009 Revenue

The Franchise Fund generated total revenue of \$310 million in FY 2009 among its three major product categories.

VA customer business accounted for 75 percent of the FY 2009 revenue sources.



## Analysis of the FY 2009 Revenue

Total revenue generated by the VA Franchise Fund, \$310 million, came from three major segments (Information Technology, Financial Management, and Security and Law Enforcement). The **Information Technology** (IT) segment (comprised of the Austin Information Technology Center and the Records Center and Vault) generated \$138 million, which accounts for approximately 45 percent of the total revenue. Fifty-one percent of the revenue was generated by the **Financial Management** (FM) segment (comprised of the Financial Services Center and the Debt Management Center), which accounts for \$159 million. The **Security and Law Enforcement** (S&LE) segment (comprised of the Security and Investigations Center and Law Enforcement Training Center) generated the remaining \$13 million, which accounts for 4 percent of the total revenue.

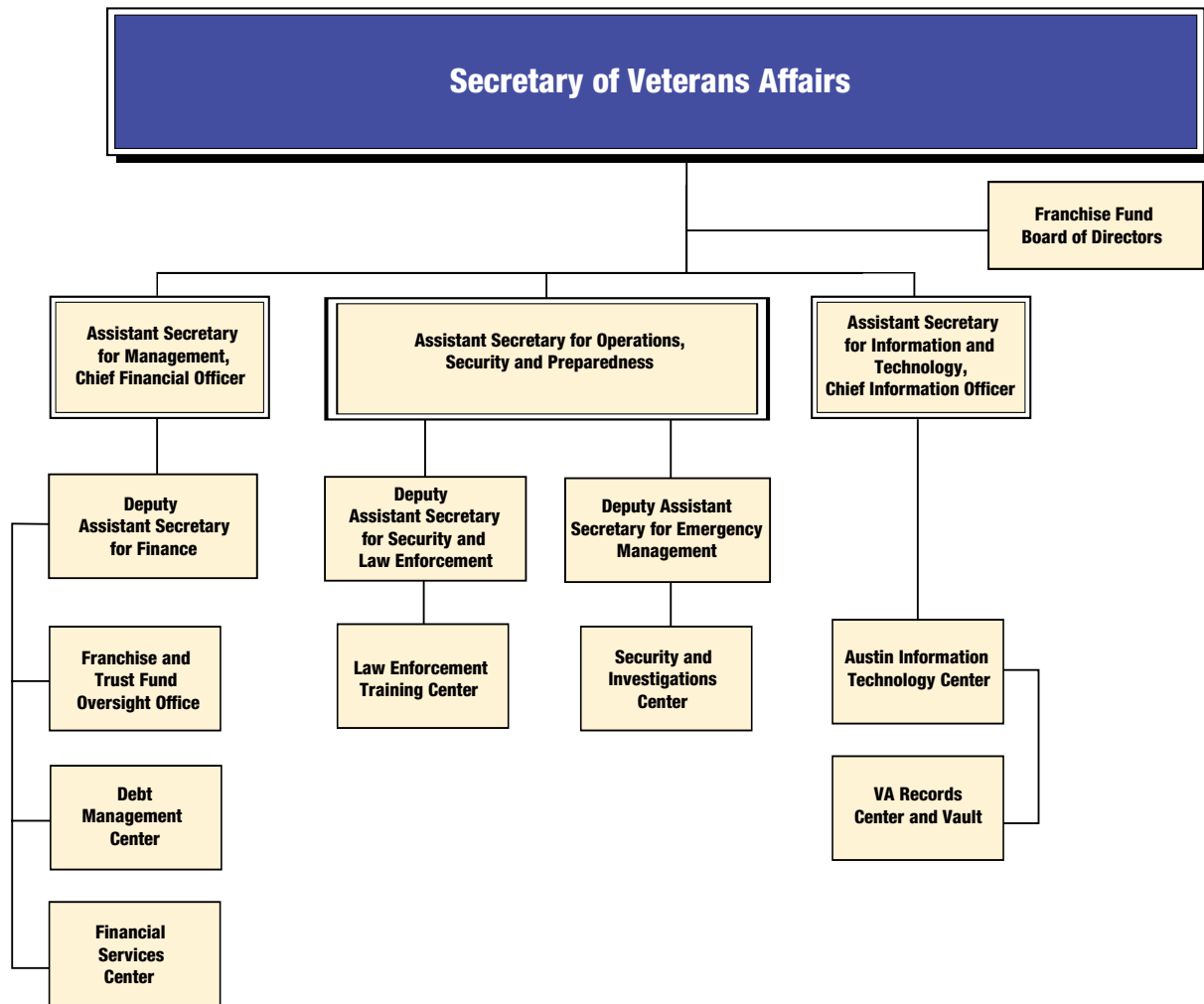
VA business accounted for 75 percent, or \$233 million, of our FY 2009 revenue stream. Twenty-five percent (\$77 million) of our revenue came from OGAs.

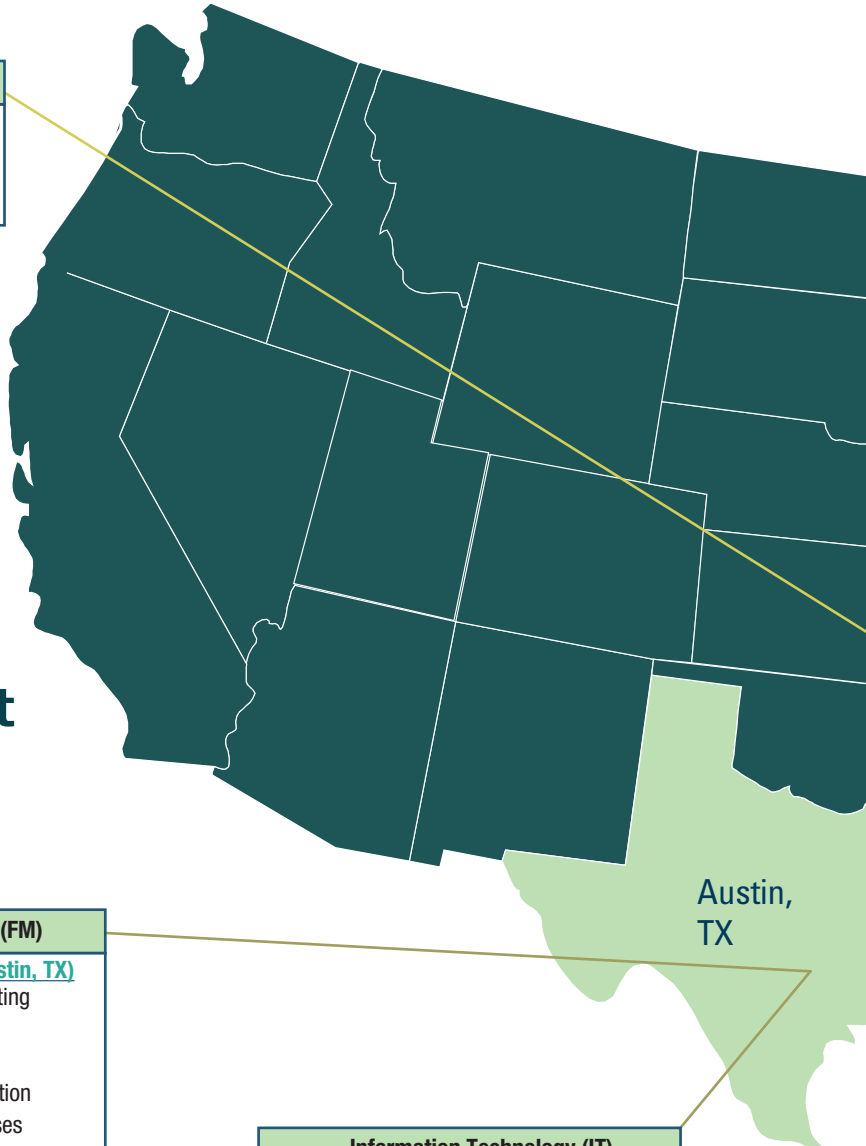
## Organization Structure

- The Corporate Data Center Operations (CDCO) **Austin Information Technology Center (AITC)** provides cost-efficient information technology (IT) solutions and enterprise best practices to VA and other Federal agency customers. The AITC administers approximately 200 complex IT applications that support VA medical care, financial payments, benefits, record-keeping, and research programs. Most systems support Exhibit 300 programs managed by the AITC for multiple VA program offices and projects.
- The **Debt Management Center (DMC)** is a leader in the Government-wide collection effort. The DMC manages the entire collection process: generating demand letters, negotiating payment plans and compromise offers, coordinating requests for waiver of collection, administering automated recovery programs and processing cash payments and administrative offsets. The DMC employs every practical means of collection available, including referrals to Treasury for offset of federal payments and collection through Treasury's cross-servicing program.
- The **Financial Services Center (FSC)** provides federal financial solutions and a complete suite of financial management services.
- The **Law Enforcement Training Center (LETC)** is the sole provider of a unique federal law enforcement training program that provides an alternative approach emphasizing non-violent techniques to ensure the safety of VA patients, visitors, and staff, while maintaining order in a federal institution.
- The **Records Center and Vault (RC&V)**, certified by The National Archives and Records Administration (NARA), provides short and long-term records storage and offers a wide range of records management services.
- The **Security and Investigations Center (SIC)** performs investigations, adjudications, fingerprint processing, and identification badge and access card design and production.
- The **Franchise and Trust Fund Oversight Office (FTO)** facilitates the business activities of the individual Enterprise Centers. It coordinates the preparation of the annual business plans, establishes operational and financial policy for the Fund, coordinates operational and financial reporting, manages the annual Fund audit process, leads the development of periodic Fund reports, and coordinates the activities associated with Board meetings.

The Enterprise Centers are managed by three VA component organizations: the **Office of Management**, the **Office of Operations, Security, and Preparedness**, and the **Office of Information and Technology**.

The Enterprise Centers report to the Franchise Fund Board of Directors and the Office of the Secretary to ensure sound business principles, financial accountability, and goal attainment.





## Common Administrative Support

**Information Technology (IT)**

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

- Records Storage
- Records Management Services

**Financial Management (FM)**

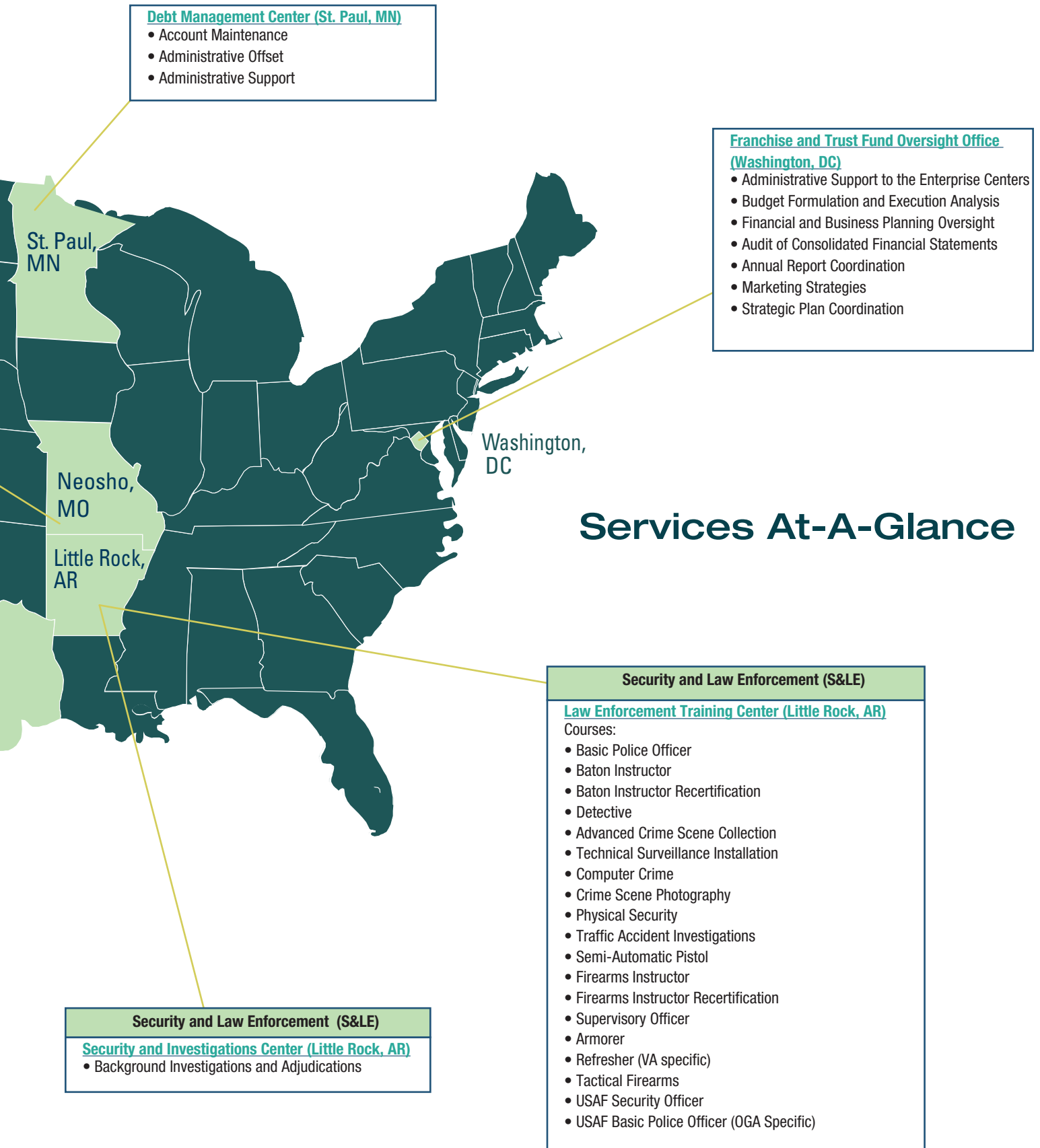
**Financial Services Center (Austin, TX)**

- 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 Processing
- Permanent Change of Station and Temporary Duty Travel
- Vendor File Maintenance
- Common Administrative Services
- Accounting Training
- Consulting

**Information Technology (IT)**

**Austin Information Technology Center (Austin, TX)**

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



## Services At-A-Glance

## Corporate Governance, Leadership and Oversight of the VA Franchise Fund

### Franchise Fund Board of Directors

The Franchise Fund Board of Directors (Board) is comprised of representatives from the major organizations within VA (pictured on page 13), including the Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administration, and VA Central Office staffs. Internal customers are heavily represented on the Board. The Chairman of the Board is VA's Assistant Secretary for Management/Chief Financial Officer.

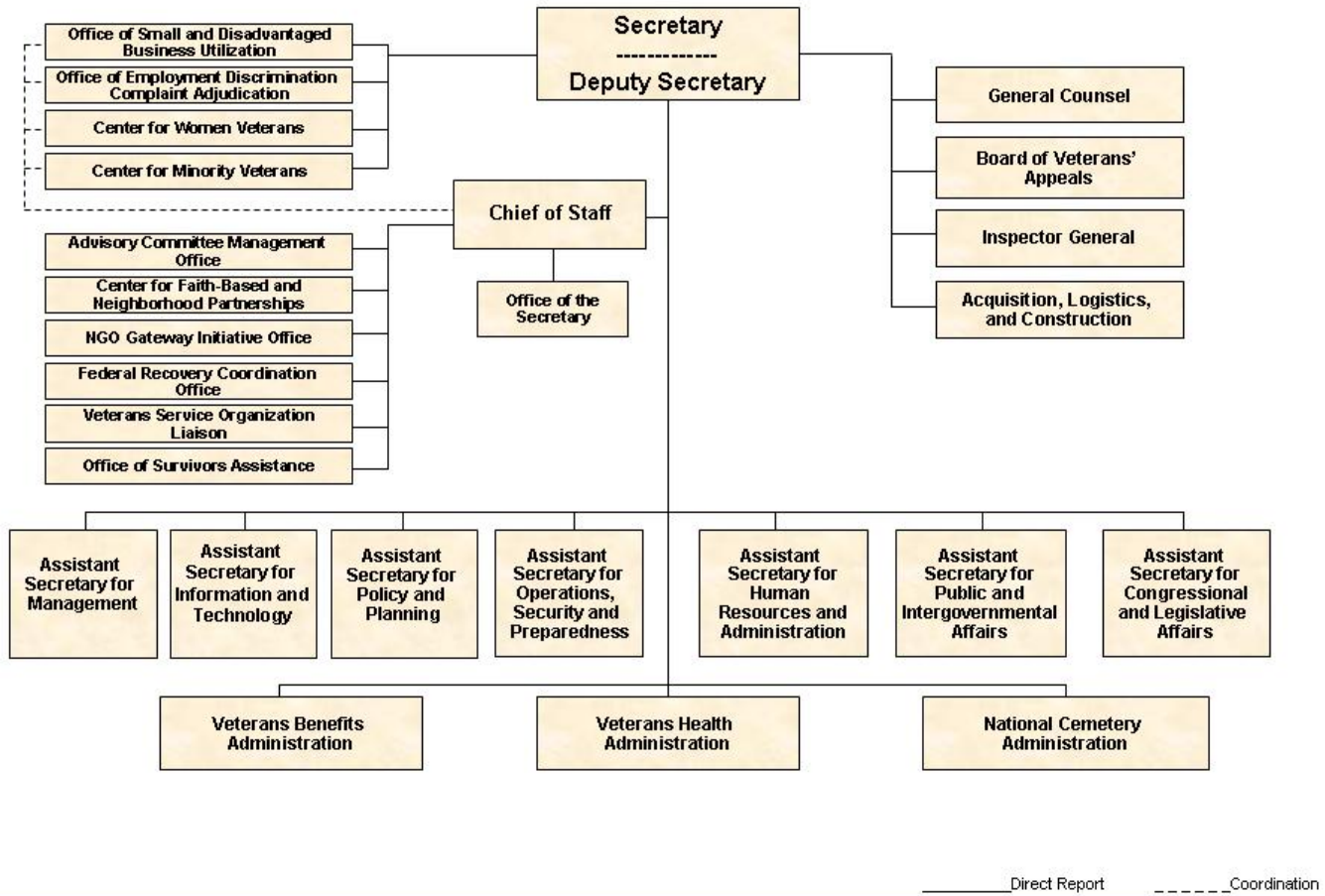
The Board takes an active role in reviewing and approving the addition and/or deletion of Enterprise Centers, annual budgets and rates, and capital projects, maintaining financial integrity and accountability, and making revisions to the Franchise Fund Charter.

### Enterprise Centers Leadership

The Franchise and Trust Fund Oversight Office (FTO) facilitates the business activities of the individual Enterprise Centers. It coordinates the preparation of annual business plans, establishes operational and financial policy for the Fund, coordinates operational and financial reporting, manages the annual Fund audit process, leads the development of periodic Fund reports, and coordinates the activities associated with Board meetings.

The directors of the individual Enterprise Centers and their staff are responsible for customer liaison and coordination, business planning and development, staffing and execution of day-to-day business activities consistent with the annual business plans, as well as reporting of operational and financial results.

# DEPARTMENT OF VETERANS AFFAIRS



June 2009

## Relationship to VA Strategic Plan

The VA Franchise Fund supports and facilitates our internal stakeholders in meeting the broad spectrum of the Department's strategic goals. Most specifically, the VA Franchise Fund directly supports attainment of VA's Guiding Principles, Strategic Goals, and its Integrated Objectives.

### Guiding principles

The Department aspires to be:

- **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

Four strategic goals represent the top priorities of the Department:

- **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.

As such, many of these functions and activities are transparent to Veterans and their families. However, the activities are critical to our stakeholders and VA employees who implement our programs. VA's goals all support the Department's operation as an integrated Veteran-centric organization, while ensuring full compliance with applicable laws, regulations, financial commitments, and sound business principles.

We have established five strategic goals that are critical to our success. Some relate to program outcomes, others to management of our Enterprise Centers. They include:

- Goal 1: Involve the customer in the planning of activities and programs in order to satisfy customer expectations and business needs.
- Goal 2: Provide results-oriented, efficient and effective common administrative support services to the customer.
- Goal 3: Build and maintain a professional, productive, innovative, diverse workforce focused on customer service.
- Goal 4: Ensure financial viability through continuous growth and diversity of the business base.
- Goal 5: Ensure effective corporate governance, oversight of operations, and financial integrity.

On pages 16-18, the Franchise Fund managers provide historical data from FY 2009 with respect to specific objectives and measures concerning the five strategic goals. In addition, the managers provide projected measurement goals for FY 2010 to FY 2015. Where possible, these projected goals are based on empirical data, e.g., Financial Services Center Customer Satisfaction Ratings for FY 2009 (Goal 1, Objective 1.2). The RC&V plans to conduct a Customer Satisfaction Survey in the 2nd quarter of FY 2010. In other cases, historical data is not available, and the strategic planners, in coordination with the fund managers, provided their best estimates of the measures and projected goals, e.g., "Number of business process changes that improve service delivery or reduce cost." For these measures, the fund managers will monitor carefully the empirical data in the current and future years in order to validate the estimates and to allow refinement of the projected goals.

Goals	Objectives	Measures	2009 Actual	2010 Target	2015 Target
<b>Goal 1:</b> Involve the customer in the planning of activities and programs in order to satisfy customer expectation and business needs.	<b>Objectives 1.1:</b> Fully meet or exceed the performance levels outlined in customer contracts (franchise agreements and service level agreement)	Instances of significant non-compliance with agreements brought to the attention of the Franchise and Trust Fund Oversight Office.	0	0	0
	<b>Objective 1.2:</b> Maintain a high level of customer satisfaction with franchise activities.	Austin Information Technology Center benchmarked Customer Satisfaction Rating (ranking in the top percent of the IT Customer Satisfaction (ITCS) peer database).	Top 3.5%	Top 15%	Top 15%
		Financial Services Center Customer Satisfaction Rating (1-5)	4.28	4.3	4.3
		Law Enforcement Training Center Student Evaluations (1-5)	4.9	4.5	4.5
		Records Center and Vault Customer Satisfaction Rating (1-5)	N/A	4.0	4.5
	<b>Objective 1.3:</b> Build business partnerships with customers to improve efficiency, anticipate needs and deliver total business solutions	Number of VA Enterprise Centers meetings held per year with customer representation.	2	2	2
<b>Goal 2:</b> Provide results-oriented, efficient and effective common administrative support services to the customer.	<b>Objective 2.1:</b> Use industry best practices to identify opportunities for improving quality, timeliness and efficiency of operations.	Number of benchmarking studies undertaken of industry best practices to ensure competitiveness.	2	4	4
	<b>Objective 2.2:</b> Identify and implement technological innovations aimed at improving service delivery.	Number of business process changes that improve service delivery or reduce cost.	18	12	12
	<b>Objective 2.3:</b> Protect the availability and integrity of customer data and processes.	Percentage of staff with required background clearances completed or initiated	100%	100%	100%
		Percentage of VA Enterprise Center employees completing required security training.	100%	100%	100%
		Percentage of VA Enterprise Centers with a documented Continuity of Operations plan.	100%	100%	100%

Goals	Objectives	Measures	2009 Actual	2010 Target	2015 Target
<b>Goal 3:</b> Build and maintain a professional productive, diverse workforce focused on customer service.	<b>Objective 3.1:</b> Develop and implement training programs for quality improvement and customer service.	Percentage of employees having an individual development plan.	100%	100%	100%
		Percentage of annual personnel expenses dedicated to employee training development.	1.03%	1.28%	1.34%
	<b>Objective 3.2:</b> Maintain a high level of employee satisfaction and retention.	Annual rate of voluntary employee attrition.	4%	4%	4%
	<b>Objective 3.3:</b> Fund and manage total Fund workforce in an integrated manner to support achievement of overall goals.	Percentage of Fund positions filled by contractor workforce.	16%	15%	10%
	<b>Objective 3.4:</b> Plan and prepare for succession in the technical and managerial leadership of the VA Enterprise Centers.	Number of VA Enterprise Centers with career development/succession plans in place.	6	6	6
<b>Goal 4:</b> Ensure financial viability through continuous growth and diversity of the business base.	Objective 4.1: Improve awareness of support for Franchise Fund programs.	Percentage of business development and marketing plans included in each VA Enterprise Center's annual business plan.	100%	100%	100%
		Active liaison is maintained with other federal agencies.	100%	100%	100%
	Objective 4.2: Expand Franchise Fund business through repeat business and new referrals from existing customers.	Retention rate for existing customers/Addition of new line of business.	95%	90%	100%
	Objective 4.3: Leverage franchise services for the benefit of other government agencies.	Percentage of earned revenue from other government agencies. <sup>1</sup>	4%	4.8%	5.4%
	Objective 4.4: Dedicate resources to research and development for the purpose of identifying and developing new business opportunities.	Annual level of funding expended on developmental efforts.	\$289K	\$248K	\$295K
	Objective 4.5: Through a combination of increased volume, competitive rates and new business, maintain an upward trend in overall earned revenue.	Percentage of earned revenue increases from prior year.	21%	14%	10%

<sup>1</sup> Earned revenue does not include revenue that is received from VA customers for pass-through activities.

Goals	Objectives	Measures	2009 Actual	2010 Target	2015 Target
<b>Goal 5:</b> Ensure effective corporate governance, oversight of operations and financial integrity.	<b>Objective 5.1:</b> Manage operational and financial risks by addressing issues and decisions in the context of impact on overall Fund performance.	Variability of overall fund earnings from the VA Enterprise Centers' business plans.	6%	2%	2%
		First quarter at risk revenue from VA sources as measured by billings to customers without a signed contract.	15%	0%	0%
		At risk revenue from other government agency sources as measured by billings to customers without a signed contract.	6%	0%	0%
	<b>Objective 5.2:</b> Ensure the Board of Directors meetings are scheduled as needed and communicate the results to stakeholders.	Number of Board meetings held during the year with published minutes.	3	4	4
	<b>Objective 5.3:</b> Provide periodic training to the Board to ensure awareness of fiduciary responsibilities and elements of effective Fund oversight.	Number of training sessions held per year.	0	2	2
	<b>Objective 5.4:</b> Establish rates that are sufficient to maintain operating and capital reserves in accordance with established Fund policy.	Percentage of operating and capital reserves that are fully funded.	100%	100%	100%
	<b>Objective 5.5:</b> Ensure financial integrity, accountability, and sound stewardship.	Attain an unqualified "clean" audit opinion on the Franchise Fund annual consolidated financial statements.	Yes	Yes	Yes
		Timely resolution of audit findings and recommendations (maximum time to resolve in months).	6	3	3

## Strategies and Processes

Our strategic goals are crosscutting by nature and are intended to reflect the combined effort of each component of the VA Franchise Fund. This plan, and the governance process that we have established, will serve as the cornerstones of the VA Franchise Fund's effort to strengthen overall management, accountability, and stewardship.

### **Goal 1: Involve the customer in the planning of activities and programs in order to satisfy customer expectations and business needs.**

The Enterprise Centers are committed to actively listening to what customers want and involving them in development of future business activities. In many cases, the results benefit not only the immediate customer, but also the entire Department and ultimately the Veterans we serve.

The AITC has a diverse and robust infrastructure that includes 400 UNIX servers. Most of the UNIX servers support Office of Management and Budget (OMB) Exhibit 300 programs. Virtual servers are also offered to AITC customers, which provide flexibility and operating efficiencies. The primary mainframe system is the 1400+ MIPS IBM eServer z9 which provides payroll processing for all of VA and supports Financial Management System (FMS) and Decision Support System (DSS) processing. It provides a highly secure and reliable processing environment. In addition to the diverse server offering, the AITC is a network hub for VA. Two OC-3 connections for remote data vaulting run between Austin and Hines as well as between Austin and Philadelphia. As the primary gateway for DoD traffic, the AITC supports Federal Health Information Exchange as well as DoD-VA lab and pharmacy efforts.

The AITC supports "green" computing. As a major consumer of electricity, the AITC is proactive in finding solutions to reduce electricity consumption. An example is the aggressive approach to virtualization of servers, which translates to fewer physical servers, thereby reducing energy consumption and heat load. The AITC is currently converting the data center from 75 watts per square foot to 150 watts per square foot. The conversion allows the AITC to consolidate Federal IT equipment within the existing infrastructure, extending the life of the data center and avoiding new construction costs. In addition to reducing energy consumption, the AITC recycles paper products and will be expanding to recycle plastics, metal, aluminum, and batteries. AITC carpet and furniture comply with executive orders related to "greening" the government through waste prevention and recycling.

The DMC is working closely with VBA to fully synchronize the automated collection system with the fiscal component of VETSNET, the new compensation

and pension delivery system. At the same time, the DMC is engaged in its largest and most complex automation effort in almost twenty years – consolidation of all collections accounting to one agency location code, fully integrating and automating all education accounts receivable processing into the Centralized Accounts Receivable System (CARS), initiating the collection of debts arising from the newest education program – the Post-9/11 G.I. Bill (chapter 33) – and adopting paperless check processing. These initiatives are of such magnitude that further development and refinements will continue over a number of years.

The FSC achieved a 4.28 out of 5 in its FY 2009 customer satisfaction rating and expects to improve customer satisfaction (Deliver World-Class Customer Service) by continuing to improve customer surveys (preparation, implementation, and evaluation) to receive more useful customer feedback and benchmark customer satisfaction.

The LETC cumulatively attained 4.9 out of a possible 5 points on its student satisfaction surveys for FY 2008 and FY 2009. These surveys are provided to students in both basic training classes and specialty courses to measure factors such as effectiveness of classroom instruction and audio/visual aids. By reviewing the feedback provided by students, the LETC is able to maintain a high level of customer satisfaction while keeping its instructors and course materials current.

The remaining two smaller VA Enterprise Centers, the DMC and the SIC, do not currently have formal customer satisfaction survey instruments in place. No high-level survey has been done to measure the VA Franchise Fund and its effectiveness in meeting VA needs as well as the defined 12 operating principles (see Appendix A) on which the Franchise Fund was based. This is a short-term goal while each VA Enterprise Center explores its own survey instrument. The long-term goal is for all VA Enterprise Centers to measure customer satisfaction in a way that is meaningful to their customer mix and business needs—making a common survey unlikely and impractical.

The Records Center and Vault will conduct an in-depth customer satisfaction survey in FY 2010 primarily with our 2,000+ registered users of the Records Retrieval System (RRS). The survey focus will be on whether we are meeting our customers' records storage and management expectations and will solicit other ways in which we can assist them in making their jobs easier. The survey will be used as a benchmark with a follow-up survey planned in FY 2011.

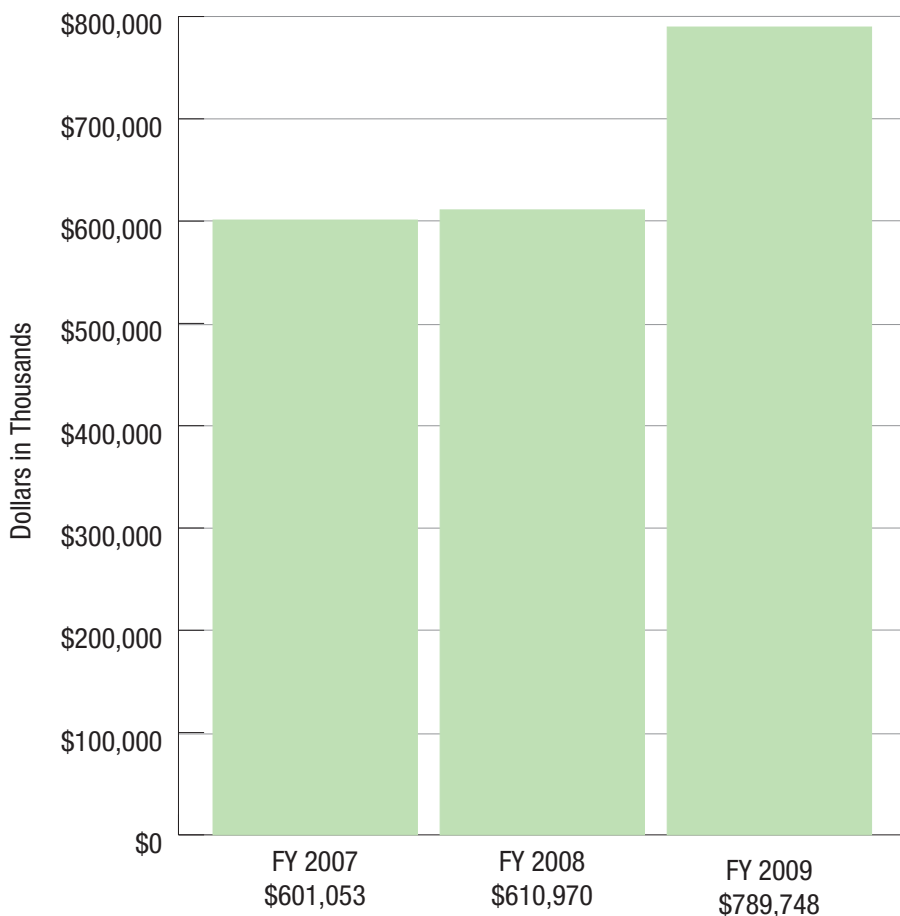
**Goal 2: Provide results-oriented, efficient and effective common administrative support services to the customer.**

Improved service and efficiency are not just slogans to the VA Franchise Fund. Process improvements not only result in higher levels of customer satisfaction, they can yield significant savings across the Department which can be used to improve service to Veterans in other areas.

From FY 2004-2009, the AITC has continued to grow workload volume and reduce unit rates for central processing unit (CPU) and direct access storage device (DASD) services. While software costs are increasing, the increases are being more than offset by declining per unit hardware costs and use of industry best practices. The AITC is focused on sustaining these trends.

The DMC has continued to adapt to the changing dynamics of providing services to both retail and business customers. Operational processes are under constant scrutiny and changes, made whenever possible, to help accelerate the collection cycle or reduce operating costs. We use a three-pronged approach to streamlining operational processes: 1 – automate as much of the collection

**Collections/Offsets FY 2007 - 2009**



process as possible and improve the automated processes in place; 2 – continue to increase staffing in critical components of operations; and, 3 – look for methods to make manual processes more efficient. Since adding staff and telephone lines to our toll-free telephone system, lost calls have dropped to an insignificant percentage. Benefit collections increased from 29 percent of the available portfolio in FY 2008 to almost 34 percent of available portfolio in FY 2009. The dollar amount of benefit debts collected or administratively offset exceeded \$780 million in FY 2009, an amount exceeding any previous year since the DMC was established in 1991. All benefit collections are returned to benefit appropriations or revolving funds and are available to pay VA beneficiaries. At the same time, the DMC's administrative offset program for delinquent medical billings increased medical collections under the program by more than 31 percent in FY 2009.

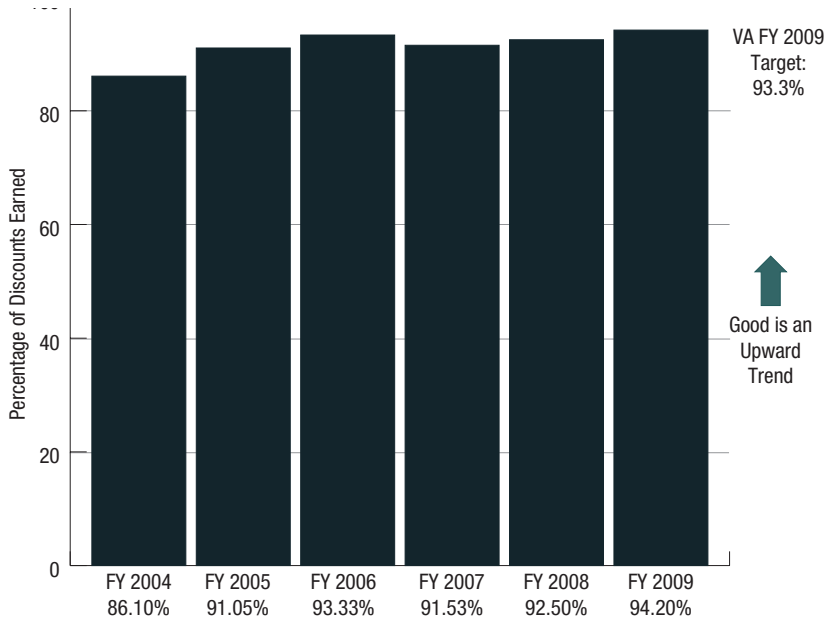
In July 2009, the FSC relocated to a larger facility to accommodate the current and planned expansion of our workload and workforce due to increased customer demand for services. Our planned increased workload includes additional support for the Department's FLITE, Project for Healthcare Effectiveness through Resource Optimization (Project HERO), and Millennium Bill initiatives.



The FSC continued to gain efficiencies and improve performance through an initiative started in FY 2004 to centralize vendor payment activities at the FSC. Through this centralization, VA strengthened its focus on identifying and preventing vendor payment errors. Continued reductions in interest penalties for late payments were realized along with consistently strong performance in maximizing vendor discounts earned. The FSC realized its best interest performance to date, improving interest paid to vendors due to late payment invoices to just \$45 per million dollars disbursed, a 6.2 percent improvement over FY 2008 and a 46 percent improvement over the past three years. At the same time, VA earned 94 percent (\$8.5 million) of its available discounts. This is a 33 percent increase in discounts earned over 2008 levels.

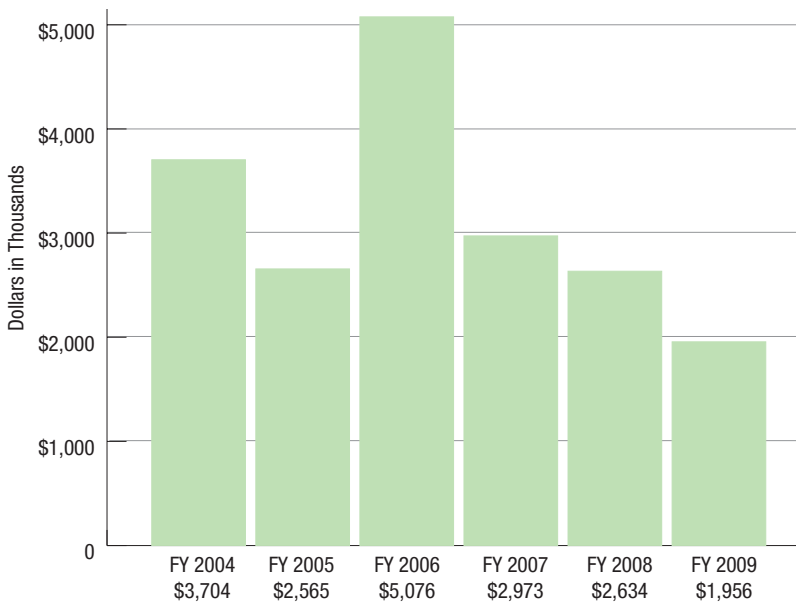


**Department of Veterans Affairs  
Percentage of Total Discounts  
(Earned vs. Available)**



The FSC has made steady progress in implementing audit recoveries of potential duplicate vendor payments to identify, prevent and recover funds erroneously paid to VA vendors. During FY 2009, improved payment oversight enabled VA to identify and cancel nearly \$16.3 million in potential improper payments prior to disbursement. Since inception of the FSC audit recovery effort in 2001, VA has recovered \$25.9 million in improper payments and prevented the improper payment of another \$62.9 million.

**Department of Veterans Affairs  
Total Audit Recovery Collections**



The FSC continues to make great strides in tailoring electronic commerce/ electronic data interchange solutions to customers. In partnership with our VA customers and by leveraging technology, our goals and initiatives include additional support for the Department's FLITE and Veterans Health Administration (VHA) medical claims processing. We will also enhance our capacity to deploy new electronic initiatives. In FY 2009, we increased our OB-10 electronic invoicing to 25 percent of our total invoice volume. Beginning with two Veterans Integrated Service Networks, we also launched our automated review and payment system for processing claims for emergency medical services for Veterans funded by the Millennium Bill. Additionally, we implemented an automated system for reviewing and auditing medical claims administered by VHA's Project HERO. Also, this year we began plans to replace our matched invoice processing and document management systems with an integrated "Procure to Pay" system. In FY 2009, we continued to support the VHA Chief Business Office (CBO) by implementing the Edifecs software package to track and monitor electronic healthcare transactions to improve data quality, enhance CBO's revenue cycle, and enhance our EDI medical claims processes.

The SIC has implemented OPM's Electronic Personnel Security Questionnaire (e-QIP) in many of our stations. The goal is to have the entire Department utilizing the e-QIP system, which will eliminate paperwork and expedite the background investigation process.

The RC&V replaced its manual, time-consuming paper process of requesting accession numbers to ship records to the RC&V and to recall records back to the facilities with the Web-enabled Records Retrieval System (RRS) application. This on-line portal, developed by the Austin Information Technology Center, is a valuable tool in posting timely announcements to our over 2,000 registered users as well as providing links to the two User's Guides that offer up-to-date information on records management services and processes.



Daniel Osendorf, Director, received recognition for the Debt Management Center's work leading to the enactment of the Combat Veterans' Debt Elimination Act of 2008. This law was signed by the President on June 30, 2008, and provides for termination of collection action on certain debts arising from a VA benefit program for members of the Armed Forces and Veterans who die of injuries incurred or aggravated in the line of duty while serving in theaters of combat or as the result of hostile action. The law also provides for refunds of collections received after the death of the service member or Veteran. On October 10, 2008, President Bush signed into law a subsequent measure broadening the equitable relief to all military members who die while on active duty regardless of combat or hostile activity.

**Goal 3: Build and maintain a professional, productive, innovative, diverse workforce focused on customer service.**

The AITC's workforce planning efforts allow the AITC to assess current employee skill sets against the long-term business needs of VA, to promote professional growth of our employees, to retain skilled employees, and to provide incentives to recruit employees with the necessary skills. The AITC is involved in several efforts to achieve employee certifications as part of our career development program. The certifications ensure the AITC has well-trained experts to meet our customers' business needs. AITC staff also prepare the AITC for the future through creative employee recruitment efforts and career development, such as the Student Career Experience Program (SCEP).

The AITC's SCEP is designed to attract and retain some of the brightest talent in local universities. SCEP targets its efforts toward near-term graduates with Computer Information Systems, Management Information Systems, and Computer Science majors with an emphasis on business. Students work full-time in the summer and part-time during the school year. SCEP integrates the students into work teams in all of the major functional areas. These students, with their academic preparation and innovative ideas, are adding a new and exciting dimension to the workforce. When the AITC hires students as interns, the intent is to offer them permanent employment upon graduation. SCEP provides the talent and leadership needed to serve our customers well into the 21st century.

The FSC provides training to VA field personnel on various accounting and financial topics. This training consists of formal instructor-led hands-on courses provided at the FSC's Austin, Texas, facility as well as on-site at various field locations. In preparation for the FLITE program's extensive training needs, the FSC moved this training group under the Integrated Financial Asset Management (IFAS) Project Director. Preparations are underway to increase staff size and provide them with extensive IFAS training after the vendor has been selected. These trainers will assist the IFAS contractor with the IFAS training, leveraging their VA knowledge to supplement the contractor's knowledge of the new IFAS solution. Upon full deployment, this staff will provide on-going IFAS training to field personnel on the new solution.

With the current records inventory of nearly 1.6 million boxes and future influx of records, the RC&V experiences sporadic shifts in workload. The RC&V manages this rapidly growing, but sometime variable, workload through prudent hiring of temporary contract workers to meet surges during peak periods of demand. The RC&V's management of an integrated Federal and contract workforce is a model for achieving responsible growth. Labor costs remain low due to cross training employees within the same job classification. All staff continue to raise levels of awareness with comprehensive specialized training in privacy and security

mandates as well as an in-depth focus on safety due to the very nature of their work environment.



The RC&V purchased an industrial media disintegrator in FY 2009 as a cost savings measure. The RC&V can economically and securely shred sensitive information to be in compliance with VA Directive 6317, Destruction of Temporary Paper Records. This

media disintegrator expeditiously reduces all paper-based waste to particles no larger than 3/32" in size to meet the performance requirements of National Security Agency/Central Security Service (NSA/CSS) specification 02-02 ~ High Security Disintegrators and the NSA/CSS 04-02 ~ Optical Media Destruction Devices. As records reach their retention period and become eligible for destruction, witnessed onsite destruction will keep operating costs down while ensuring the integrity of the destroyed materials.



As a response to customer requests, the LETC is continually reviewing its curriculum and will develop new course offerings as required to meet customer needs. The addition of an expanded basic training course is planned, as well as the implementation of instruction in other areas, such as an Active Shooter module and specialty courses for supervisory-level officers.

**Goal 4: Ensure financial viability through continuous growth and diversity of the business base.**

Overall Fund revenue has grown from \$59 million in FY 1997 to \$310 million in FY 2009.

The FSC seeks to create greater efficiencies and cost savings by constantly reviewing and improving our financial management products, processes, and services. The FSC projects expansion in our EDI and Medical Claims Processing product lines in FY 2010. New products in operation during FY 2010 include:

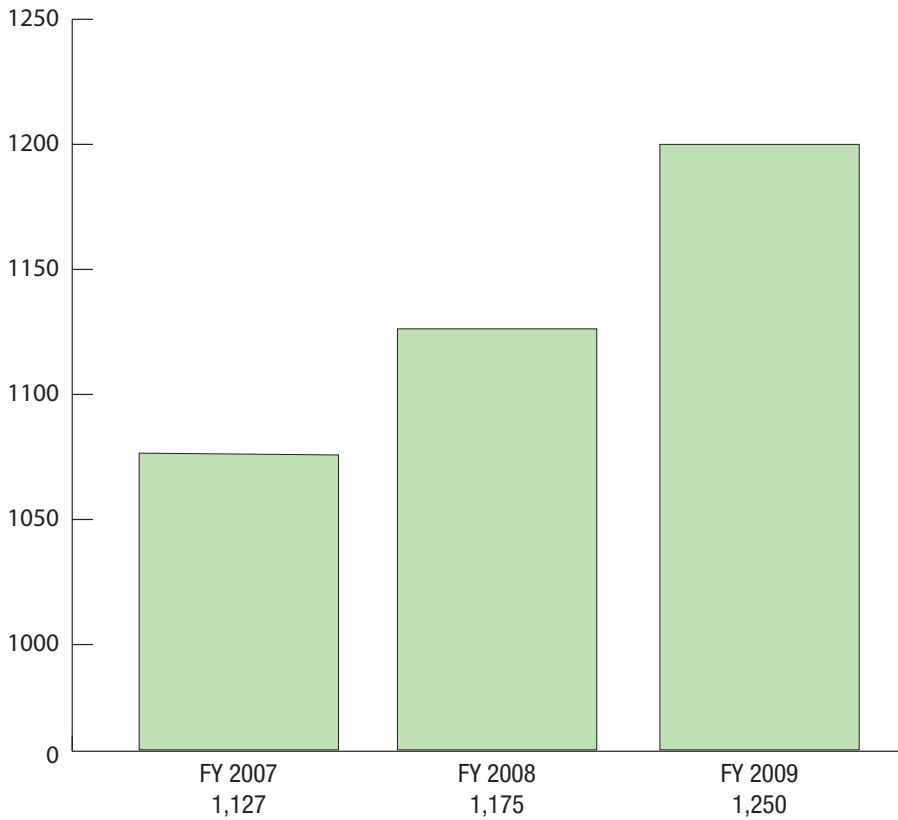
- Medical claims processing services for VHA CBO is an automated system for reviewing and auditing claims paid under the terms of VHA's Project HERO contract.
- Managing the VA Medical Claims Internet Portal, the Portal provides a Web-based tool for medical providers under the Civilian Health and Medical Program of the VA (CHAMPVA) and FEE Basis (FEE) programs to receive information regarding their Explanation of Benefits for claims submitted for care provided to VA patients. A best practice in many commercial medical insurance programs, the Internet portal provides a means to improve communications with these providers as well as offer an opportunity to encourage providers to enroll in the EDI payment program.

Approximately 2 percent of the AITC's revenue comes from OGAs. Many of these customers have worked with the AITC for years and are the result of successful outreach efforts. These agencies are a diverse group including the Department of Justice, Government Accountability Office, National Archives and Records Administration, and others.

The AITC's primary business opportunities focus on supporting VA customers. Our high availability, employment of the latest IT technologies, 24x7 operations and COOP capability provide the AITC with enhanced opportunities for e-government business. In FY 2009 the AITC began an effort to increase IT business to OGAs. Because federal deficits are growing and budgets are becoming tighter, it is believed that over the next several years OGAs will be seeking ways to leverage their IT budgets by outsourcing IT requirements that can be done by organizations like the AITC. Attendance by the AITC staff at the Information Technology Line of Business conference in November 2008 confirmed this concept. At this conference, Chief Technical Officers and other high ranking IT managers from various federal agencies collaborated on ways to make Federal government IT budgets more efficient. The universal theme at the conference was for federal agencies with advanced data centers to look at cross servicing other federal agencies whose data centers are dated and costly to maintain.

From FY 2004 to the present, the RC&V has increased from a 172,842 square foot records storage facility to 403,160 square feet. The contiguous subterranean, climate-controlled space is primarily comprised of nine 40,000 to 58,000 square foot warehouse bays and staging areas as well as offices, incoming and outgoing mailrooms, and a secure loading/unloading dock. Likewise, customers' records inventory has nearly doubled in size from 835,334 cubic feet (countable boxes) to over 1,560,000 cubic feet as of August 2009. The RC&V will continue to pursue opportunities for growth based on customer records storage requirements.

**Department of Veterans Affairs  
Number of VA Police Officers Trained**



The LETC continues to grow, both in course offerings and number of students. Because of increased security awareness at VA facilities, more police officers have required training as the VA police force has grown. Additionally, the LETC provides training to a wide array of customers, including USAF Security Forces, USAF Reserve Command, Tripler Army Medical Center and Red River Army Depot. The LETC is also exploring options to expand its training capacity through the addition of a satellite training facility.



We have continued our tradition of sound financial stewardship—having received an unqualified ‘clean’ audit opinion since FY 1998.

**Goal 5: Ensure effective corporate governance, oversight of operations, and financial integrity.**

The Franchise Fund will continue its tradition of sound financial stewardship, having received its 12th unqualified 'clean' audit opinion. It will also strive to attain more timely resolution of audit findings.

VA's Franchise Fund Board meetings will continue on a quarterly basis. Board members will be provided training in a number of areas to help ensure effective financial oversight and fulfillment of their fiduciary responsibilities.

In FY 2010, the FSC plans to expand purchased care claims processing services beyond the initial Millennium Bill pilot project for VHA to process claims for additional VA medical centers. In addition, the FSC will begin a project to process dialysis claims for VHA. Finally, the FSC will partner with VHA to undertake a project to allow VA medical facilities to participate in the VA/Department of Defense (DOD) TRICARE Pharmacy program. The FSC will process pharmacy-related claims for reimbursement to DOD.

A new invoice processing and document management system will be in place to replace the aging ViewStar, Online Certification System, Computer Assisted Payment Processing System, and related systems.

In FY 2011 and beyond, the FSC plans to further expand Purchased Care Claims services for VHA. The FSC will work with VHA to process, pay, and audit various FEE medical claim payments.



# Management Challenges Affecting Achievement of Our Goals

VA is committed to the continuous improvement and growth of Franchise Fund operations, which have been a resounding success since the pilot program was launched in FY 1997. The issues outlined below will continue to receive management attention until resolved.

## **Continued Improvement of Cost Accounting and Allocation to Ensure Rate Validity**

Consistent with our objective to ensure financial viability through continuous growth and diversity of the business base, we must continue to improve and refine our cost accounting and allocation capability to ensure the validity of our rate structure, ensure rates charged result in the full recovery of all costs of doing business, and retain customer confidence in our rate structure.

## **Cascading the VA Franchise Fund Strategic Plan Down to the Individual Enterprise Centers**

As this plan is written at the overall Fund level, it must be cascaded down to the individual Enterprise Centers for inclusion in their own strategic and business plans. It will also remain a challenge to compile metrics from the Enterprise Centers into a unified base metric for reporting purposes.

## **Availability of Benchmarking Data**

Benchmarking data is not uniformly available for the VA Franchise Fund's broad range of services. It will be challenging to gather this information for the purpose of making valid comparisons between the VA Franchise Fund and other fee-for-service organizations within other federal agencies, as well as private sector providers.

## **Impact of Security Concerns on Implementation of Business Process Changes**

Implementation of business process changes resulting from technological innovations and improvements is often constrained by very real security concerns and precautions. While security concerns may slow the implementation of technological improvements, the security of our internal processes and our customers' data may not be compromised.

### **Supports Objective 5.5:**

Ensure financial integrity, accountability, and sound stewardship.

### **Supports Objective 4.1:**

Improve awareness of and support for Franchise Fund programs.

### **Supports Objective 2.2:**

Identify and implement technological innovations aimed at improving service delivery.

## Appendix A: Twelve Operating Principles of Franchise Funds

- 1) **Services.** The enterprise should only provide common administrative support services.
- 2) **Organization.** The organization would have a clearly defined organizational structure including readily identifiable delineation of responsibilities and functions and separately identifiable units for the purpose of accumulating and reporting revenues and costs. The funds of the organization must be separate and identifiable and not commingled with another organization.
- 3) **Competition.** The provision of services should be on a fully competitive basis. The organization's operation should not be "sheltered" or be a monopoly.
- 4) **Self-sustaining/Full Cost Recovery.** The operation should be self-sustaining. Fees will be established to recover "full costs," as defined by standards issued in accordance with the Federal Accounting Standards Advisory Board.
- 5) **Performance Measures.** The organization must have a comprehensive set of performance measures to assess each service that is being offered.
- 6) **Benchmarks.** Cost and performance benchmarks against other "competitors" are maintained and evaluated.
- 7) **Adjustments to Business Dynamics.** The ability to adjust capacity and resources up or down as business rises or falls, or as other conditions dictate, if necessary.
- 8) **Surge Capacity.** Resources to provide for "surge" capacity and peak business periods, capital investments, and new starts should be available.
- 9) **Cessation of Activity.** The organization should specify that prior to curtailing or eliminating a service, the provider will give notice within a reasonable and mutually agreed upon timeframe so the customer may obtain services elsewhere. Notice will also be given within a reasonable and mutually agreeable timeframe to the provider when the customer elects to obtain services elsewhere.
- 10) **Voluntary Exit.** Customers should be able to "exit" and go elsewhere for services after appropriate notification to the service provider and be permitted to choose other providers to obtain needed service.
- 11) **Full Time Equivalents (FTE) Accountability.** FTEs would be accounted for in a manner consistent with the Federal Workforce Restructuring Act and OMB requirements, such as Circular A-11.
- 12) **Initial Capitalization.** Capitalization of franchises, administrative service, or other cross-servicing operations should include the appropriate FTE commensurate with the level of effort the operation has committed to perform.

## Appendix B: Legislative Authority

- Each such fund may provide, consistent with guidelines established by the Director of the Office of Management and Budget, such common administrative support services to the agency and to other agencies as the head of such agency, with the concurrence of the Director, determines can be provided more efficiently through such a fund than by other means. To provide such services, each such fund is authorized to acquire the needed capital equipment, automated data processing systems, and financial management and management information systems. Services shall be provided by such funds on a competitive basis. (GMRA Title V, Section 403)
- Fees for services shall be established by the head of the agency at a level to cover the total estimated costs of providing such services. Such fees shall be deposited in the agency's fund to remain available until expended, and may be used to carry out the purpose of the fund. (GMRA Title V, Section 403)
- The Franchise Fund may be paid in advance from funds available to the Department and other Federal agencies for which such centralized services are performed, at rates which will return in full all expenses of operation, including accrued leave, depreciation of fund plant and equipment, amortization of automated data processing (ADP) software and systems (either acquired or donated) and an amount necessary to maintain a reasonable operating reserve, as determined by the Secretary. (VA Appropriation Act of 1997)
- An amount not to exceed 4 percent of the total annual income to such fund may be retained in the fund for FY 1997 and each fiscal year thereafter, to remain available until expended, to be used for the acquisition of capital equipment and for the improvement and implementation of Departmental financial management, ADP, and other support systems, provided, that no later than 30 days after the end of each fiscal year amounts in excess of this reserve limitation shall be transferred to the Treasury. (VA Appropriation Act of 1997)
- 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.

## Appendix C: Frequently Asked Questions

### What is a Franchise Fund?

A Franchise Fund is a special category of intragovernmental revolving (IR) funds established under the authority of the Government Management Reform Act of 1994. These are usually referred to as working capital funds, revolving funds, supply funds, industrial funds, or franchise funds. Most of these funds were created to provide common support services required by federal agencies, such as photocopying, payroll and information technology services.

Others, such as the Defense Commissary Agency Working Capital Fund, were created to provide specialized goods or services to satisfy unique agency needs. A revolving fund conducts continuing cycles of business-like activity within and between government agencies. It charges for the sale of products and services and uses the proceeds to finance its expenses, usually without requirement for annual appropriations. IR funds operate under a wide variety of statutory authorities, including the Economy Act, the Government Employees Training Act, the Government Management Reform Act, and individual authorization or appropriation acts.

GAO's Principles of Appropriation Law defines a franchise fund as "a type of working capital fund, which in turn is a type of revolving fund, designed to compete with similar funds of other agencies to provide common administrative support services. Examples of such services include accounting, financial management, information resources management, personnel, contracting, payroll, security, and training."

### What is a revolving fund?

Most Treasury accounts are either receipt accounts or expenditure accounts, but not both. Under traditional funding arrangements, any money an agency receives from any source outside of its Congressional appropriations must, unless Congress provides otherwise, be deposited in the Treasury to the credit of the appropriate general fund receipt account. Without a specific appropriation, agencies may not withdraw money from a receipt account. Agency operating funds are appropriated by Congress from the general fund of the Treasury or general fund expenditure accounts.

A key element of Congressional control is the ability to control the disposition and use of receipts. A revolving fund, while classified as an expenditure account, combines elements of both receipt and expenditure accounts. The term

revolving fund may be defined as a fund established by the Congress to finance a cycle of operations through amounts received by the fund. Expenditures from the revolving fund generate receipts which, in turn, are earmarked for new expenditures, thereby making the activity a self-sustaining enterprise.

The concept is aimed at selected government programs in which a buyer/seller relationship exists to foster an awareness of receipts versus outlays through business-like programming, planning and budgeting. A revolving fund is a single combined account to which receipts are credited and from which expenditures are made. The generated or collected receipts are available or expended for the authorized purposes of the fund without the need for further congressional action and without fiscal year limitation.

Thus, a revolving fund amounts to an authorization for a program to be financed, in whole or in part, through the use of its collections to carry out future operations. An intragovernmental revolving fund is a revolving fund whose receipts come primarily from other government accounts. It is designed to carry out a cycle of business-type operations with other federal agencies or separately funded components of the same agency.

## Why are revolving funds needed?

Revolving funds are the oil that lubricates the machinery of intragovernmental business transactions. Federal agencies are prohibited by law from transferring funds from one agency to another, unless otherwise authorized by law. The Economy Act of 1932 authorizes a federal agency to provide goods or services to another federal agency and generally provides authority for federal agencies to enter into intragovernmental transactions when no other more specific authority applies.

The Economy Act, however, restricts flexibility by requiring the client agency to deobligate fiscal year funds at the end of the period of availability to the extent that these funds have not been obligated by the performing agency. In contrast, where an interagency agreement is based on specific statutory authority other than the Economy Act, an agency is not required to deobligate funds at the end of the period of availability.

The specific legal authorities creating IR funds authorize these funds to enter into intragovernmental transactions and provide more flexibility by allowing the client agency's fiscal year funds to remain obligated, even after the end of the fiscal year, to pay the IR fund for the provision of services which meet a legitimate need incurred during the period of availability of the customer agency's appropriations.

## How are Franchise Funds different from other revolving funds?

Franchise Funds differ from other revolving funds in policy and legislative intent as well as legislative authority. From a policy and legislative intent perspective, Franchise Funds were created to address a number of issues. First was the perception that federal line managers were often dependent upon internal monopolies to provide administrative support services essential to meeting program objectives. These monopolies did not have direct incentives to reduce costs, perform efficiently, or treat line managers as customers, and line managers had little control over the quality of services rendered.

Many revolving funds and federal providers of common administrative support services were perceived as having risk-averse cultures that emphasized adherence to process and regulations over customer service and results. At the same time, there was considerable growth of competitive cross-servicing between agencies.

Enterprising service organizations were expanding their services to customers in other organizations on a reimbursable basis, and were improving services and reducing costs in the process. This success set the stage for expansion of the concept government-wide. The term “franchising” was chosen to refer to the provision of internal services based upon three concepts:

1. Goods and services provided on a reimbursable basis
2. Competition to provide goods and services to eliminate monopoly-like behavior by providers
3. Business conducted within government-wide principles and criteria

The franchising concept is intended to apply market incentives to internal federal services. Most agencies have working capital funds to provide common services designed primarily to serve that agency. Franchising is intended to foster competition among agencies in providing these services. It is focused on the needs of the line manager, injecting competition, finding market instead of administrative solutions, decentralizing authority, and fostering excellence in customer service.

Line managers would be empowered to demand provision of common administrative support services of continually improving quality with a high degree of customer responsiveness, create competition for these services to reduce duplication and provide economies, and enable users of services to shop for the best value. Franchise organizations would have to meet customer needs in order to be financially self sustaining.

If unable to compete in this environment, franchise organizations will eventually cease to exist. The franchising concept depends upon budget funds controlled by the line manager to purchase support services where they receive best value for the dollar, and a market to ensure competition. To survive, franchise organizations must market their services to gain business.

## Appendix D: Glossary of Terms

**External Factors:**

Situations beyond agency control such as changes in economic, social, environmental, governmental, technological or other conditions that may impact achievement of strategic goals and objectives.

**Integrated Objective:**

An objective is paired with a goal and is used to help assess whether a goal was or is being achieved. An objective describes a more specific level of achievement than a goal. It is measurable, succinctly stated, and outcome-oriented.

**Mission:**

A clear, concise statement that defines what the agency does and presents the main purpose for its major functions and operations.

**Outcome:**

A description of the intended result, effect, or consequence that will occur from carrying out a program or activity.

**Performance Measure:**

A method used to assess performance. It may include outputs, indicators, intermediate or final outcomes.

**Performance Target:**

A level of performance intended to be achieved within a specified timeframe. Targets are created as part of the planning process to set distinct goals and to act as a catalyst for agency improvement.

**Program Evaluation:**

An assessment, through objective measurement and systematic analysis, of the manner and extent to which programs are achieving intended outcomes.

**Service Delivery Measure:**

A description of the level of activity, effort, or work that will be produced or provided over a period, by a specified time. This measure is associated with the delivery of a particular service or outcome.

**Stakeholder:**

Any person, group, or organization that can place a claim on, or influence, the organization's resources or outputs, is affected by those outputs, or has an increased interest in or expectation of the organization.

**Strategic Goal:**

Defines how an agency will carry out its mission over a period of time. The goal is expressed in a manner that allows a future assessment to be made of whether the goal was or is being achieved. The goal may be of a programmatic, policy, or management nature. Goals should be outcome-oriented.

**Strategies and Processes:**

Describes how the strategic goals and objectives will be achieved, e.g., human, capital, information or other resources, and the operational processes, skills, or technology that will be used.

**Vision:**

A statement of a desired state of-being of the organization at a specific timeframe in the future, looking back toward the present.

# Department of Veterans Affairs

## FRANCHISE FUND

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### **Austin Information Technology Center**

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### **Debt Management Center**

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Internet: [www.va.gov/debtman](http://www.va.gov/debtman)

### **Financial Services Center**

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### **Law Enforcement Training Center**

2200 Fort Roots Drive, Building 104  
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### **Security and Investigations Center**

2200 Fort Roots Drive, Building 192  
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Internet: [www1.va.gov/VABackground\\_Investigations](http://www1.va.gov/VABackground_Investigations)

### **Records Center and Vault**

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Contact the Department of Veterans Affairs  
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[www.va.gov/fund](http://www.va.gov/fund)

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