

Franchise Fund Strategic Plan



Blueprint for Success 2005 - 2010





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 have developed the VA Franchise Fund 2005-2010 Strategic Plan. It will be used to guide us in the future and assist in aligning our mission with goals, strategies and resources.

This plan communicates a top-level summary of our direction for the next 5 years. Our five strategic goals are crosscutting in nature and are intended to reflect the combined effort of each component of the VA Franchise Fund. 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.

Table of Contents

- Letter to Stakeholders** 2
- Overview of the VA Franchise Fund** 4
 - Mission, Vision and Values 4
 - Who We Are 5
 - Who We Serve 6
 - Operating Philosophy 7
- Organization Structure** 8
- VA Franchise Fund’s Common Administrative Support Services At-A-Glance** 10
- Corporate Governance, Leadership and Oversight of the VA Franchise Fund** 12
- Relationship to the VA Strategic Plan**..... 14
- Measuring Up Strategic Goals, Objectives and Performance Measures** 16
- Strategies and Processes**
 - Goal 1: Listen to and involve the customer in the planning of activities and programs in order to satisfy customer expectations and business needs..... 18
 - Goal 2: Provide results-oriented, efficient and effective common administrative support services to the customer 20
 - Goal 3: Build and maintain a professional, productive, innovative, diverse workforce focused on customer service 22
 - Goal 4: Ensure financial viability through continuous growth and diversity of the business base 24
 - Goal 5: Ensure effective corporate governance, oversight of operations, and financial integrity..... 26
- Management Challenges and Key Factors Affecting Achievement of Our Goals**..... 27
- Appendix A: Strategic Management Process and Stakeholder Consultation** 29
- Appendix B: Twelve Operating Principles of Franchise Funds** 30
- Appendix C: Legislative Authority** 32
- Appendix D: Frequently Asked Questions** 33
- Appendix E: Glossary of Terms** 38

Letter to Stakeholders



Linda Voges
Director, Austin
Automation Center
and Records Center
& Vault



Ronald Angel
Director, Law
Enforcement Training
Center



Daniel Osendorf
Director, Debt
Management Center

Dear Stakeholders,

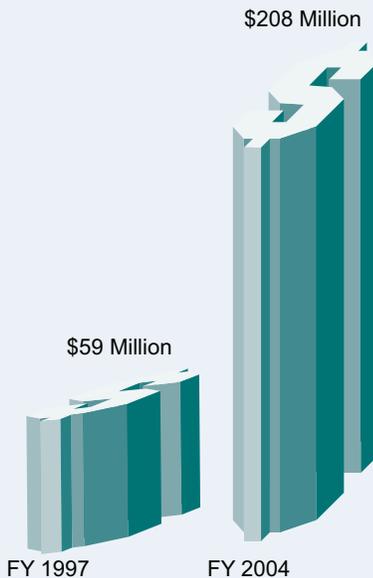
I am pleased to present the Department of Veterans Affairs Franchise Fund (VA Franchise Fund) 2005-2010 Strategic Plan, which describes our primary areas of focus for the next 5 years. This plan illustrates our integrated mission, vision, strategic goals, objectives, performance targets, strategies and processes. It will guide our progress in providing exceptional service to our broad customer base.

The VA Franchise Fund has participated in the federal pilot program since FY 1997. Our success can only be described as stunning. Our revenue base has shown steady growth over the past 7 years, increasing from \$59 million in FY 1997 to \$208 million in FY 2004. This success is a direct result of the outstanding leadership of the individual Enterprise Centers and the exceptional talent and dedication of their staffs.

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.

Franchise Fund Revenue Growth



This success is a direct result of the outstanding leadership of the individual Enterprise Centers and the exceptional talent and dedication of their staffs.



Rodney Wood
Director, Financial
Services Center



Steve Swanson
Director, Enterprise
Fund Office



Christopher Price
Business Manager, 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: Listen to and 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 VA Franchise Fund are 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.



William A. Moorman,
Acting Assistant Secretary for
Management, Chief Financial Officer

A handwritten signature in black ink that reads "William A. Moorman".

Overview of the VA Franchise Fund

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

"Comprehensive Business Solutions for Tomorrow's Government"

Values

VA Franchise Fund staffs are committed to enabling the fulfillment of the Department's mission as stated by President Lincoln, "*To care for him who shall have borne the battle and for his widow and his orphan*". Our focus on achieving the highest possible levels of customer satisfaction through continuous improvement is unwavering.

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:

Commitment

- Veterans have earned our respect and commitment, and their health care, benefits, and memorial services needs drive our actions. We will value our commitment to veterans through all contingencies and remain fully prepared to achieve our mission.

Excellence

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

People

- We are committed to a highly skilled, diverse, and compassionate workforce.
- We foster a culture of respect, equal opportunity, innovation, and accountability.

Communication

- We practice open, accurate, and timely communication with veterans, employees, and external stakeholders, and seek continuous improvement in our programs and services by carefully listening to their concerns.

Stewardship

- We will ensure responsible stewardship of the human, financial, information, and natural resources entrusted to us.
- We will improve performance through the use of innovative technologies and sound business principles.

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 (OGA) on a fee-for-service basis rather than through an annual appropriation.

The VA Franchise Fund is comprised of an administrative office (Enterprise Fund Office) and six Enterprise Centers that are divided into three major segments: (1) the **financial management segment** is comprised of the Debt Management Center and the Financial Services Center, (2) the **security and law enforcement segment** is comprised of the Law Enforcement Training Center and the Security and Investigations Center, and (3) the **information technology segment** is comprised of the Austin Automation 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 (1) **the Office of Management** (2) **the Office of Policy, Planning and Preparedness**, and (3) **the Office of Information and Technology**.

Internal Stakeholders

- Veterans Benefits Administration
- Veterans Health Administration
- National Cemetery Administration
- Staff offices within VA

External Stakeholders

- Veterans and their families
- Office of Management and Budget
- Congressional authorizations and appropriations committees and subcommittees
- Veterans service organizations
- Private sector vendors
- Denali Commission
- Department of Agriculture
- Department of Defense
- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Justice
- Department of Labor
- Department of State
- Department of the Interior
- Department of the Treasury
- Federal Regulatory Commission
- General Services Administration
- Government Accountability Office
- Mid-Atlantic Cooperative Administrative Support Unit
- Minnesota Cooperative Administrative Support Unit
- National Aeronautics and Space Administration
- National Archives and Records Administration
- Office of Federal Housing Enterprise Oversight
- Postal Rate Commission
- Securities and Exchange Commission
- United States Capitol Police
- Other federal organizations

Who We Serve

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.

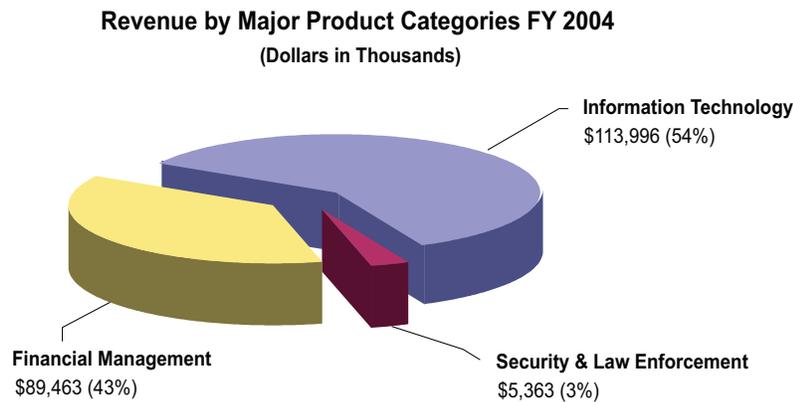
As a self-sustaining organization, we do not receive appropriated funds; therefore, we must recover the full cost of our operations through customer revenue obtained from providing common administrative support services. It is imperative to deliver high-quality services at competitive prices to stay in business. We must be responsive to our customers on a continuous basis to retain their business. We must also demonstrate good stewardship and promote customer confidence in our ability to conduct business in a responsible way.

Operating Philosophy

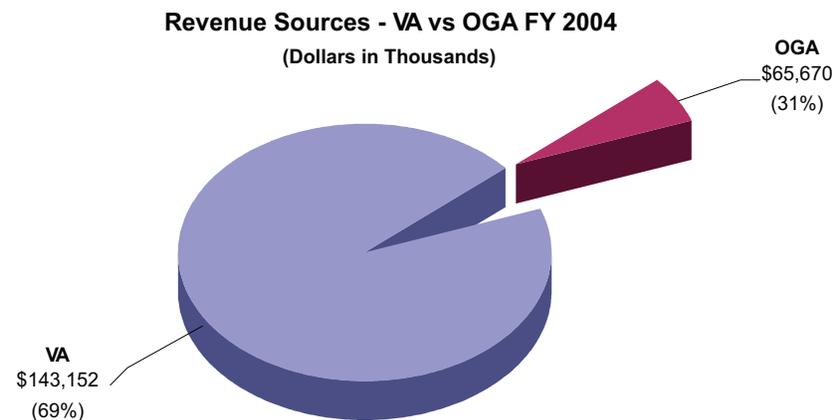
Consistent with the enabling legislation and operating principles for federal franchise funds (See Appendices B and C), the Enterprise Centers provide common administrative support services to VA and OGA on a reimbursable basis. The Enterprise Centers combine the application of technology with public/private 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 2004 Revenue

The Franchise Fund generated total revenue¹ of \$208 million in FY 2004 among its three major product categories.



VA customer business accounted for 69 percent of the FY 2004 revenue sources.



¹Total revenue includes funding that is passed through to a vendor when VA is provided contract management services.

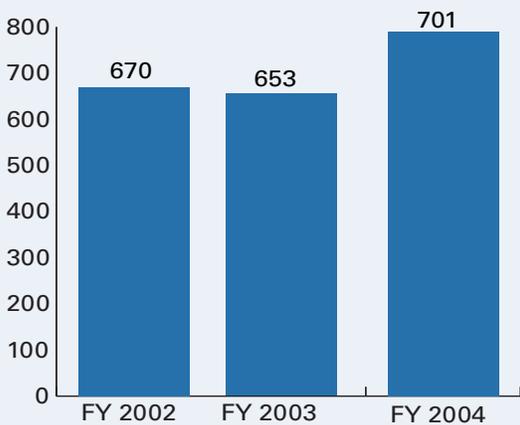
Analysis of the FY 2004 Revenue

The total revenue¹ generated by the VA Franchise Fund, \$208 million, is comprised of three major segments (Information Technology, Financial Management, and Security and Law Enforcement). The **Information Technology** segment is comprised of the Austin Automation Center and the Records Center and Vault. This segment generated \$113 million, which accounts for 54 percent of our total revenue. Forty-three percent of our total revenue was generated by the **Financial Management** segment (comprised of the Financial Services Center and the Debt Management Center), which accounts for \$89 million of our total revenue. The **Security and Law Enforcement** segment (comprised of the Security and Investigations Center and the Law Enforcement Training Center) generated the remaining \$5 million, which accounts for 3 percent of our total revenue.

VA business accounted for 69 percent (\$143 million) of our FY 2004 revenue stream. We are aggressively leveraging technology and improving customer service to expand our business beyond the walls of VA. Thirty-one percent (\$65 million) of our revenue came from external business.

Comprised of 6 self-supporting organizations and 1 administrative office, the VA Franchise Fund employs 701 employees. Each Enterprise Center provides customers with professional, high-quality service. Our knowledgeable and experienced professionals are enabling their federal clients to succeed in today's challenging budgetary climate.

VA Franchise Fund FTE Levels

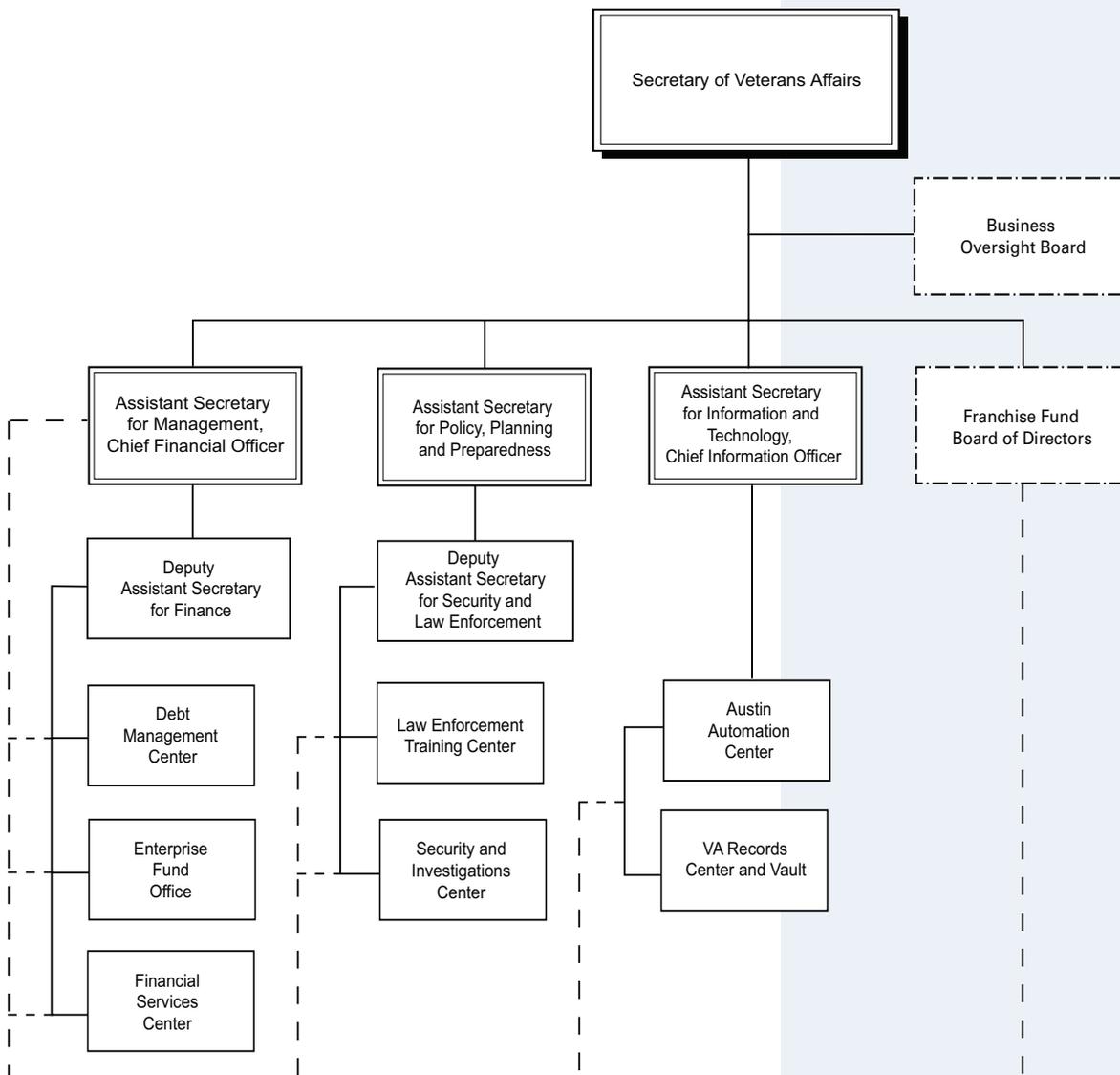


Organization Structure

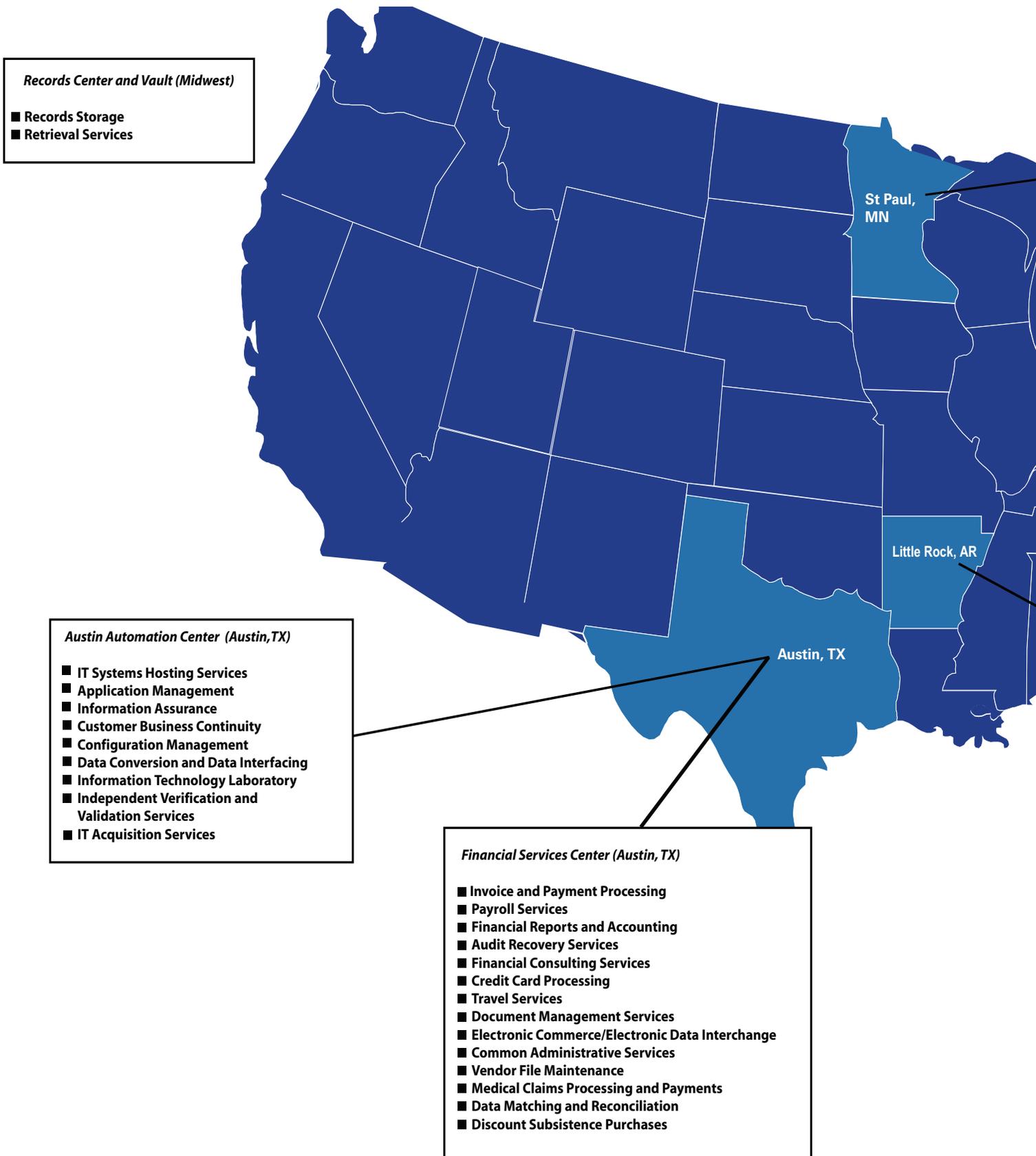
- **Austin Automation Center (AAC)** provides cost-efficient e-government information technology solutions and enterprise best practices. The AAC supports over 100 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, eligibility benefits, and supply functions.
- **Debt Management Center (DMC)** is a leader in the federal debt management community. The DMC oversees the entire collection process: making initial cold calls to debtors, negotiating repayment plans, and administering automated recovery programs. The DMC employs every collection tool available to federal agencies (referrals to locator services, private collection agencies, and computer matching).
- **Financial Services Center (FSC)** provides federal financial solutions and a complete suite of financial management services.
- **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 LETC's program is geared toward resolving incidents in a humane, respectful manner and utilizing law enforcement as a last resort.
- **Records Center and Vault (RC&V)** provides a highly secure, climate-controlled certified storage facility that houses short-term and long-term records and files.
- **Security and Investigations Center (SIC)** performs investigations, adjudications, fingerprint processing, and identification badge and access card design and production.
- **Enterprise Fund Office (EFO)** 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, coordinates the activities associated with Board meetings, and prepares reports presented to the VA Business Oversight Board.

The Enterprise Centers are managed by three VA component organizations: (1) **the Office of Management**, (2) **the Office of Policy, Planning and Preparedness**, and (3) **the Office of Information and Technology**.

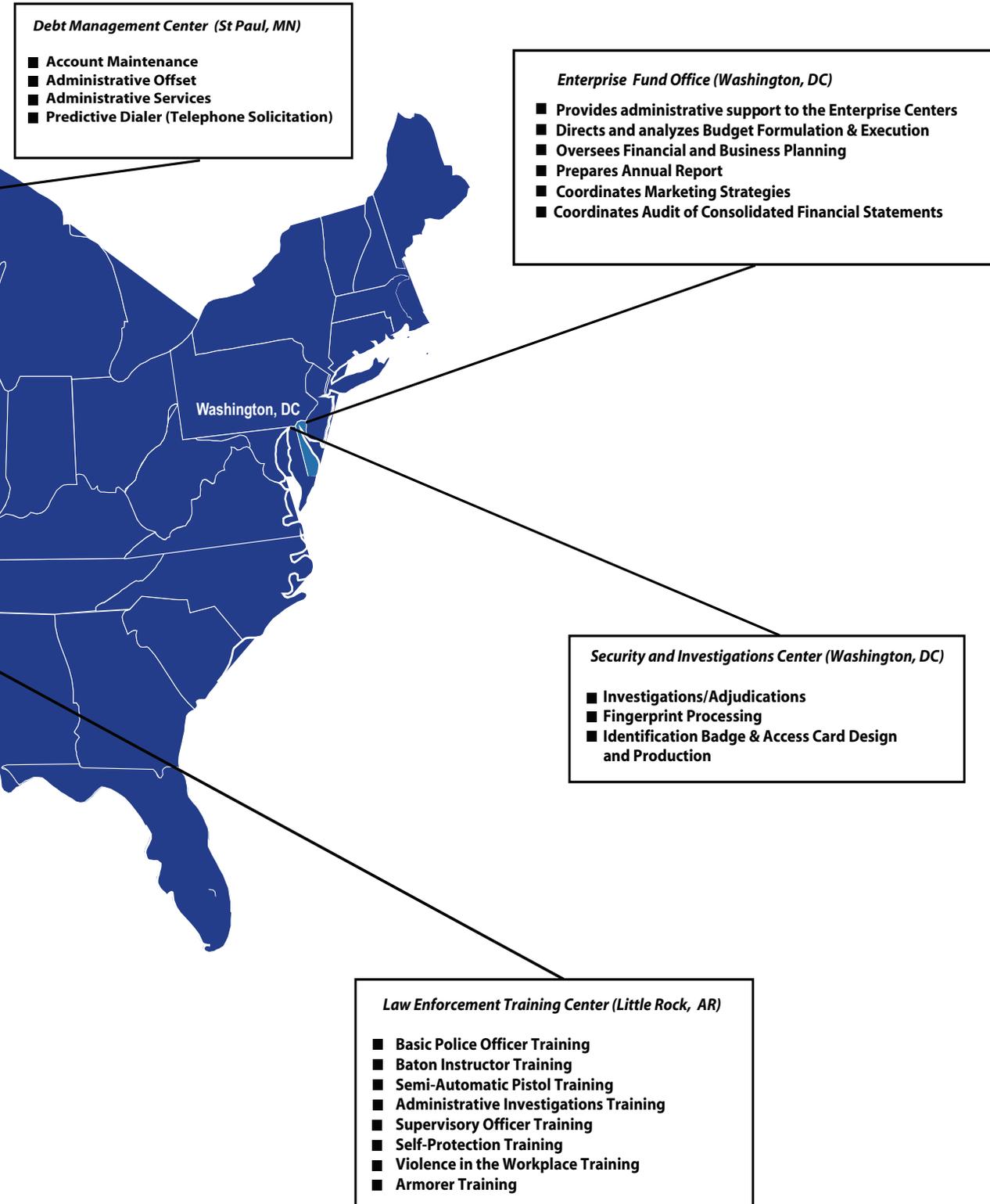
The Enterprise Centers report to the Franchise Fund Board of Directors, Business Oversight Board and the Office of the Secretary to ensure sound business principles, financial accountability, and goal attainment.



Common Administrative Support



Services At-A-Glance





As our program matured, we adopted more businesslike practices, which enabled us to become more efficient, responsive, and cost conscious. The Franchise Fund Board of Directors and the Business Oversight Board oversee key issues that affect the Fund's ability to execute program and fiduciary responsibilities.

Corporate Governance, Leadership & 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 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, capital projects, maintenance of financial integrity and accountability and revisions to the Franchise Fund Charter.

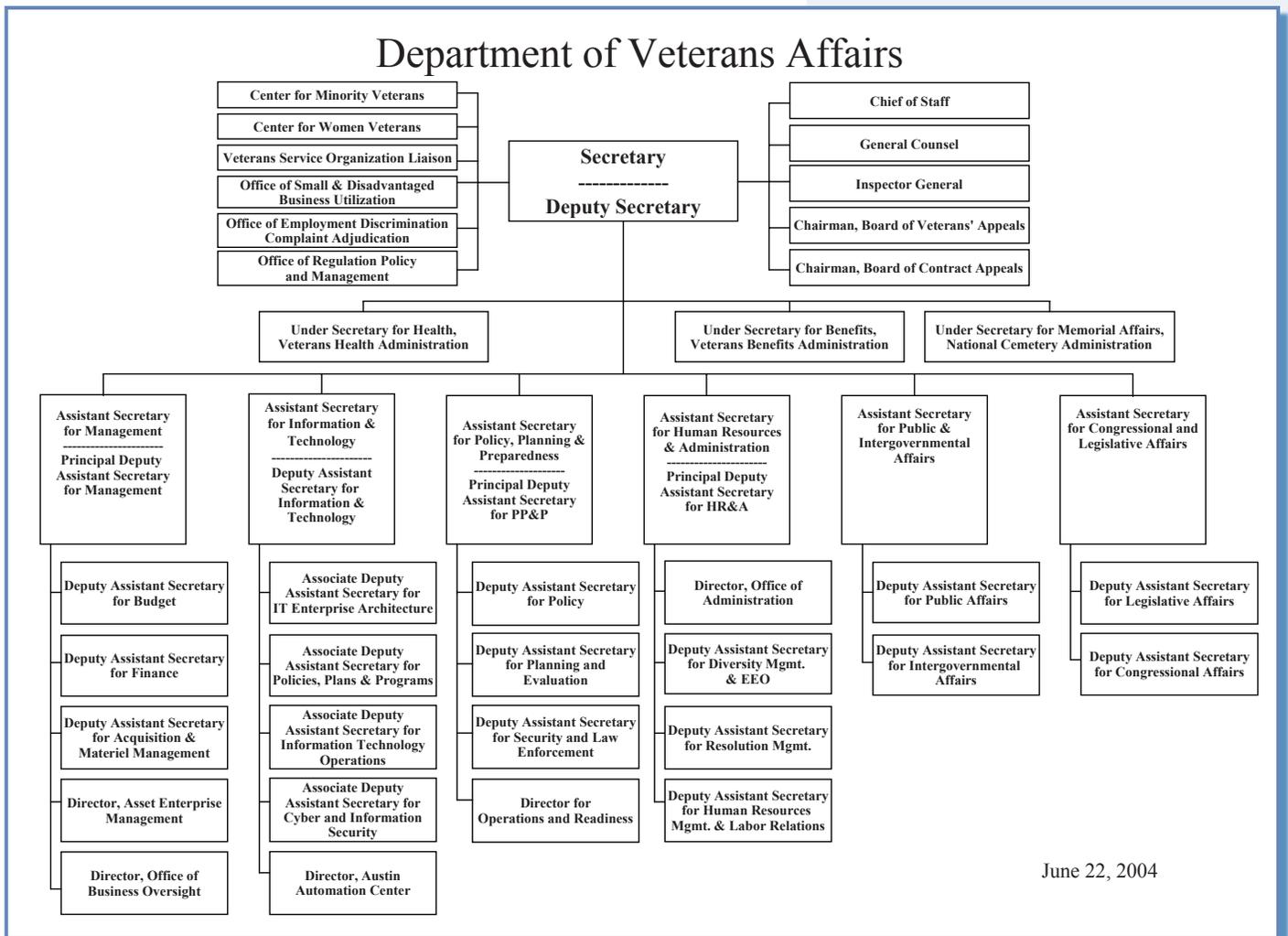
VA Business Oversight Board

The Fund also receives direction from the VA Business Oversight Board (BOB). The BOB serves as the Department's senior management forum on all business activities and is chaired by the Secretary of Veterans Affairs. Its mission is to review and oversee the performance, efficiency and effectiveness of the Department's business processes. Specific activities include identifying, monitoring and managing key business issues facing VA; reviewing and approving business activities planning, performance planning, and performance reporting documents; and monitoring business processes and goal attainment.

Enterprise Centers Leadership

Enterprise Fund Office (EFO) 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, coordinates the activities associated with Board meetings, and prepares reports presented to the VA Business Oversight Board.

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 the annual business plans, as well as reporting of operational and financial results.

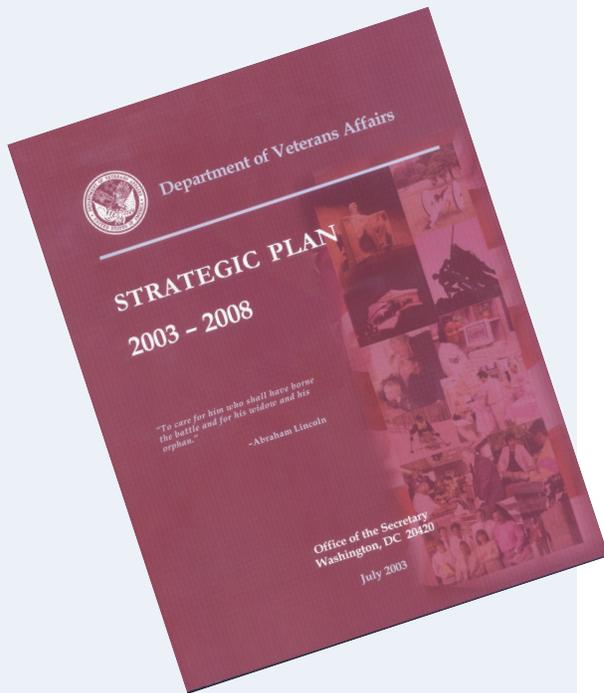


Relationship to VA Strategic Plan

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 Enabling Goal and its four corresponding objectives:

- **VA's Enabling Goal:** Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.
- **VA Objective E-1:** Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.
- **VA Objective E-2:** Improve communications with veterans, employees, and stakeholders about the Department's mission, goals, and current performance as well as benefits and services VA provides.
- **VA Objective E-3:** Implement a One VA information technology framework that supports the integration of information across business lines and provides a source of consistent, reliable, accurate, and secure information to veterans and their families, employees, and stakeholders.
- **VA Objective E-4:** Improve the overall governance and performance of VA 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.

VA's Enabling Goal is different from its four strategic goals. The enabling goal and its corresponding objectives represent crosscutting activities that enable all VA organizational units to carry out the Department's mission. VA's functions and activities focus on enhancing the workforce assets and internal processes, improving communications, and furthering a crosscutting approach to providing seamless service to veterans and their families through an improved governance structure that applies sound business principles.



VA's Franchise Fund is structured to provide recurring high-quality, cost-effective common administrative support services to VA, thereby allowing internal customers to maximize their available resources to the direct delivery of benefits and services to VA's primary stakeholders, veterans and their families.

As such, many of these functions and activities are transparent to veterans and their families. However, they 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 considered critical to our success. Some relate to program outcomes, others to management of our Enterprise Centers. These goals are:

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

On pages 16-17, the Franchise Fund managers and the Franchise Fund Board provides historical data from FY 2004 with respect to specific objectives and measures concerning the five strategic goals. In addition, the Board provides projected measurement goals for FY 2005 and FY 2010. Where possible, these projected goals are based on empirical data, e.g., Financial Services Center Customer Satisfaction Ratings for FY 2004 (Goal 1, Objective 1.2). 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. Further, the Franchise Fund Board may add to, or eliminate certain objectives and measures, or improve the projections based on actual data.

VA Franchise Fund Measuring Up Strategic

Goals	Objectives	Measures	2004	2005	2010
			Actual	Target	Target
Goal 1: Listen to and involve the customer in the planning of activities and programs in order to satisfy customer expectations and business needs.	Objective 1.1: Fully meet or exceed the performance levels outlined in customer contracts (franchise agreements and service level agreements).	Instances of significant noncompliance with agreements brought to the attention of the Enterprise Fund Office.	0	0	0
	Objective 1.2: Maintain a high level of customer satisfaction with franchise services.	Austin Automation Center benchmarked Customer Satisfaction Rating (ranking in the top percentage of IT Customer Satisfaction (ITCS) peer database).	Top 6%	Top 15%	Top 15%
		Financial Services Center Customer Satisfaction Rating (range 1-5).	3.8	4.2	4.5
Objective 1.3: Build business partnerships with customers to improve efficiency, anticipate needs and deliver total business solutions.	VA Enterprise Centers meetings held per year with customer representation.	5	5	5	
Goal 2: Provide results-oriented, efficient and effective common administrative support services to the customer.	Objective 2.1: 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.	5	2	2
	Objective 2.2: Identify and implement technological innovations aimed at improving service delivery.	Number of business process changes that improve service delivery or reduce cost.	26	18	22
	Objective 2.3: 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 Operation plan.	100%	100%	100%
Goal 3: Build and maintain a professional, productive, innovative, diverse workforce focused on customer service.	Objective 3.1: Develop and implement training programs for quality improvement and customer service.	Percentage of employees having an individual development plan.	69%	90%	100%
		Percentage of annual personnel expenses dedicated to employees training and development.	2.1%	1.5%	1.5%
	Objective 3.2: Maintain a high level of employee satisfaction and retention.	Annual rate of voluntary employee attrition.	27%	15%	15%
	Objective 3.3: Fund and manage total Fund workforce in an integrated manner to support achievement of overall goals.	Percentage of Fund positions filled by contractor workforce.	20%	17%	17%
	Objective 3.4: 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

Goals, Objectives, and Performance Measures

Goals	Objectives	Measures	2004 Actual	2005 Target	2010 Target
Goal 4: Ensure financial viability through continuous growth and diversity of the business base.	Objective 4.1: Improve awareness of and support for Franchise Fund programs.	Percentage of business development and marketing plans included in each VA Enterprise Centers' annual business plan.	100%	100%	100%
		Active liaison is maintained with the CFO Council, OMB and other federal Franchise Funds.	100%	100%	100%
	Objective 4.2: Expand Franchise Fund business through repeat business and new referrals from existing customers.	Retention rate for existing customers.	99%	100%	100%
	Objective 4.3: Leverage franchise services for the benefit of other government agencies.	Percentage of earned revenue ² from other government agencies.	4%	9%	10%
	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.	\$556K	\$2.0M	\$2.0M
	Objective 4.5: Through a combination of increased volume, competitive rates and new business, maintain an upward trend in overall earned revenue.	Percentage earned revenue increases from prior year.	18%	7%	9%
Goal 5: Ensure effective corporate governance, oversight of operations and financial integrity.	Objective 5.1: 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' annual business plans.	1%	10%	5%
		First quarter at risk revenue from VA sources as measured by billings to customers without a signed contract.	8%	0%	0%
		At risk revenue from other government agency sources as measured by billings to customers without a signed contract.	21%	0%	0%
	Objective 5.2: Ensure the Board of Directors (Board) meetings are scheduled as needed and communicate the results of the meetings to stakeholders.	Number of Board meetings held during the year with published minutes.	4	4	4
	Objective 5.3: 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	1	2
	Objective 5.4: 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%
	Objective 5.5: Attain permanent legislative authorization to ensure continuity of operations.	Include permanent authorization in the VA legislative program for each fiscal year until accomplished.	100%	100%	100%
	Objective 5.6: Ensure financial integrity, accountability, and sound stewardship.	Attain an unqualified "clean" audit opinion on the Franchise Fund annual consolidated financial statements.	100%	100%	100%
Timely resolution of audit findings and recommendations (maximum time to resolve in months).		6	6	4	

²Earned revenue does not include funding that is passed through to a vendor when VA is provided contract management services.

Strategies and Processes

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 overall management, accountability, and stewardship.

Supports VA Objectives E-3 and E-4

Goal 1: Listen to and 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 say about their needs, 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.

Currently, formal customer satisfaction surveys are conducted by only two of the six Enterprise Centers, the AAC and the FSC, and they are tailored to their specific business lines and customer bases. The AAC contracts with Gartner Measurement to conduct customer satisfaction surveys and receives ratings from over 600 VA and OGA customers. The AAC scored in the top 6 percent of all private and public sector organizations in Gartner's database in FY 2004.

The FSC achieved a 3.8 out of 5 in its FY 2004 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 remaining four smaller VA Enterprise Centers, the DMC, LETC, SIC and RC&V, 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 B) 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 AAC is a federal leader in Continuity of Operations (COOP) planning. The AAC serves as the lead project manager for VA's Corporate Data Center Infrastructure (CDCI), which will provide enterprise fail-over capabilities, enhance data availability for mission-critical applications, and provide hot site backup solutions to customers. The AAC is developing a tiered service that allows mission-critical enterprise business functions and key enabling functions to be supported at a higher level of service while keeping more cost-effective options available for routine activities such as historical repositories used for analysis.

CDCI will allow the AAC to meet Presidential Decision Directive 67, which requires mission-critical systems be restored within 12 hours, and provides an infrastructure capable of supporting the electronic collection and storage of data under the Government Paperwork Reduction Act. The AAC is also a leader in qualifying employees as Certified Information Systems Security Professionals (CISSP), a degree of expertise that is readily shared with customers.

To offer customers the most cost-effective, state-of-the-art computing environment, the AAC continually upgrades and maintains its technical infrastructure "just in time." Infrastructure upgrade and maintenance is typically transparent to the customer. Recent initiatives include the upgrade of the enterprise server to an IBM z900 Model 2C5 server capable of executing 1,305 million instructions per second, along with an upgrade to the enterprise server operating system.



Such upgrades keep the AAC consistent with industry standards. Future plans for infrastructure maintenance include consolidating data for multiple customers on open system servers, raising the mark on high systems availability, and leveraging costs by providing enterprise-wide hardware and software solutions. The RC&V is completing a facility and capacity expansion that will allow it to meet storage needs through FY 2006.

The LETC has developed a new 80-hour refresher training course for all VA police officers who received training prior to FY 1986. The course, implemented in FY 2004, will train 750 police officers over a 3-year period. This new business line for the LETC recognizes that periodic refresher training is needed to maintain officer proficiency and address customer expectations for a fully trained officer corps.

In an effort to reduce operating costs, the DMC is moving its collection software off mainframe hardware to a smaller stand-alone system and converting it to make it more state-of-the-art. This will allow the DMC to share licensing fees with other users and significantly reduce software maintenance fees which will result in savings to its customers.

Supports VA Objectives E-3 and E-4

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.

The DMC has implemented a dynamic collection strategy aimed at reducing costs by generating fewer collection notices. Letters were revamped to be more reader friendly, informative and direct. As a result, the collection cycle is expected to be shortened and become more cost-effective. The DMC also installed an imaging system to store all historical data electronically, thus eliminating the need for microfiche and microfilm. Collection staff has direct access to the

system, via their desktop PCs, allowing them to work more efficiently when responding to debtor inquiries. The DMC is in the process of developing the ability to accept credit card payments using the Internet. This will provide the debtor a simple, convenient payment option and reduce collection costs for DMC customers.

The FSC made great strides in improving the VA vendor payment process, resulting in a significant improvement in timely payment of invoices subject to the Prompt Payment Act, and a 37 percent reduction in VA interest payments on invoices not paid on time. At the same time, prompt payment discounts surged by \$469,000 to over \$2.7 million, a 21 percent improvement over FY 2003 levels. Combined payment process improvements saved VA \$514,000 in FY 2004, with further progress expected in FY 2005 and beyond. VA improved the ratio of payment discounts earned versus available from 86.10 percent in FY 2004, and the FSC expects to continue this improving trend.

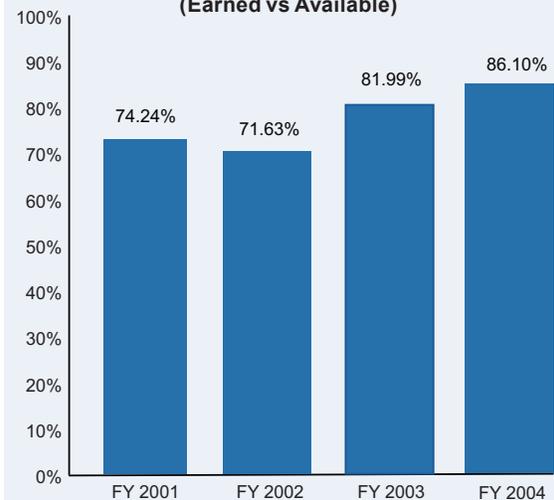
The FSC has also made great strides in tailoring electronic commerce/ electronic data interchange solutions to customers. Examples include enabling the electronic processing of mortgage loan applications and mortgage guaranty certificates, as well as the electronic exchange of health care claims and payment data. The FSC is actively involved in identifying business requirements, designing business models, developing data exchange processes, providing customized editing and tracking functions, and mitigating development and deployment issues.

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. Total audit recovery collections increased from \$1.6 million in FY 2001 to \$3.7 million in FY 2004. The FSC is implementing improved payment oversight processes to reduce potential duplicate payments from occurring in the first place. The FSC makes extensive use of statistical sampling to track payment accuracy and timeliness rates and to evaluate its performance against the standards established in customer and service level agreements.

**Department of Veterans Affairs
Total Interest Penalties
(Dollars in Thousands)**



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



**Department of Veterans Affairs
Total Audit Recovery Collections
(Dollars in Thousands)**



Over FY 2000-2004, the AAC 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 usage of industry best practices. The AAC is focused on sustaining these trends.

The AAC has implemented a number of e-Government initiatives, including Web-enabling the process by which customers may access records at the RC&V instead of faxing or mailing hard copy requests.

The SIC began using Live Scan Fingerprint capability in late FY 2003, which electronically links to the Office of Personnel Management (OPM) and eliminates the manual screening process previously performed by the Federal Bureau of Investigation (FBI). The Live Scan Classification Management System will allow the SIC processors to take flawless fingerprint images, input personal data, and electronically transmit the data to OPM. This process has greatly reduced rejection rates by OPM and the FBI, and provides classification of fingerprints and recovery of arrest data within 24-48 hours, compared with the previous standard of 30 days.

Also, the SIC is replacing its manual paperwork process with an online security eligibility system that will electronically route forms to employees who require national security clearances or determinations of public trust eligibility. This system will reduce clearance processing time by up to 6 weeks.

Supports VA Objective E-1



Recipient of the
Federal Computer
Week 2003 Federal
Award

Linda Voges
Director, Austin
Automation Center
and Records Center &
Vault

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

Meeting customer expectations and delivering high-quality results begins with committed, principled leadership. Linda Voges, Director of the AAC and the RC&V, was recognized by Federal Computer Week (FCW) with one of its 2003 Federal 100 awards. The awards were presented to 100 leaders for their contributions to the development, acquisition, or management of federal information technology. The winners were nominated by FCW readers and selected by an independent panel of judges, who noted that the winners are part of an "all-star team." The award recognizes the AAC's success

in achieving high service availability and outstanding customer satisfaction results, and receiving the Cyber Security Practitioner of the Year Award, among other efforts.

With the relocation of VHA medical records from the National Archives and Records Administration, the RC&V has seen an exponential increase in the number of emergency and non-emergency individual and multiple records recalled. The RC&V has managed this rapidly growing but sometimes variable workload through judicious hiring of contract workers to meet surges in workload during peak periods of demand. The RC&V's management of an integrated federal and contract workforce is a model for achieving responsible growth without relying strictly on permanent increases in federal civilian FTE levels.

With the inception of this plan, the VA Franchise Fund will ensure that all employees within the Enterprise Centers have an individual development plan (IDP), and will begin tracking the level of resources dedicated to workforce training and development.

The FSC goal is to develop greatness in their workforce. Strategies for the future include:

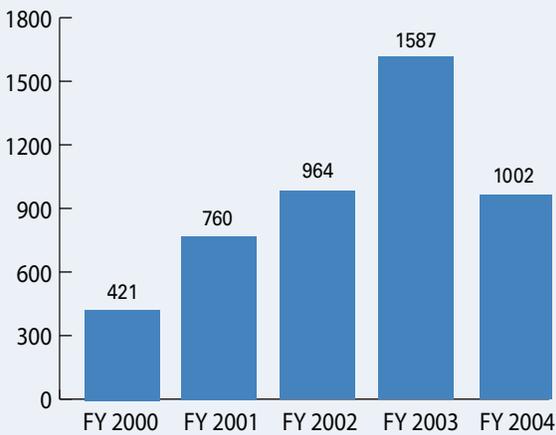
- Attract and retain high achievers through partnerships with colleges and universities, making use of the "outstanding scholar" program.
- Maximize use of available tools for rewarding outstanding levels of performance.
- Strengthen employee performance through establishment of a manager support network.
- Redesign the IDP process to streamline the employee training process. In March 2004, a new automated IDP program was developed to support the FSC's IDP process. It is currently in beta testing.
- Increase the use of career ladder positions to promote upward mobility.



The RC&V received the final shipment of retired veteran records from NARA in August 2004.

Supports VA Objective E-4

Number of LETC Students Trained



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

Most of this growth has been in the number of OGA customers. Overall Fund revenue has grown from \$59 million in FY 1997 to \$208 million in FY 2004.

The LETC increased its annual student participation level from 421 in FY 2000 to 1002 in FY 2004. The spike in FY 2003 was attributed to the VHA firearms training initiative, which was completed in FY 2003—a full year ahead of schedule. The LETC provides training services to a wide array of customers, including the Indian Health Service, Tripler and Walter Reed Army Medical Centers, the National Guard, National Museum of Art, and Washington Navy Yard. The LETC is exploring options to expand its training capacity, including facility expansion and increased use of exportable training.

The AAC is engaged in a number of important data sharing projects between DoD and VA. These include the hosting of the Consolidated Mail Out Pharmacy (CMOP) project, which allows DoD patients to receive prescription refills using VA CMOP facilities. This has resulted in substantial cost savings to DoD and enhanced revenue for VA. The AAC also hosts platforms and provides network connectivity for the Federal Health Information Exchange (FHIE) system, a data repository that receives information (laboratory results, radiology reports, prescription data, and selected demographic information) from DoD.

FHIE allows the electronic transfer of medical records of 3.7 million servicemembers from DoD to the VHA FHIE data repository, thereby providing VA access to veterans’ active duty health information.

In FY 2003, the FSC began providing the Division of Immigration Health Services with an integrated, end-to-end medical claims payment-processing application in conjunction with document processing through an optical character reader. State-of-the-art technology is being applied to automate and Web-enable this application.

The FSC’s customer base continues to steadily increase and diversify with the addition of new customers such as the United States Capitol Police, the White House Commission on the National Moment of

Remembrance, and the Division of Immigration Health Services. Future strategies to continue this growth include conducting more extensive market research to identify additional new customers and further analyzing the financial needs of VA and OGA customers.

The FSC will aggressively market Cooperative Administrative Support Unit (CASU) services to new customers to expand administrative support product offerings. The FSC will also implement business process reengineering (BPR) recommendations on service offerings (such as audit recovery, medical claim payments) to streamline operations, synchronize, integrate, and standardize data, apply technology to improve efficiency and reduce costs to customers, and provide greater visibility and access to data needed by VA customers. The FSC expects BPR recommendations to be finalized in FY 2005.

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

- Expanding acquisition services to OGAs focusing on the federal technology market.
- Implementing the BuyIT.gov branding campaign.
- Using the Global Information Technology Support Services (GITSS) contracts as BuyIT.gov's primary tool to deliver acquisition services.
- Providing acquisition services for security, e-government, and federal enterprise architecture efforts and all related initiatives to OGA customers.

GITSS awarded 10 indefinite delivery/indefinite quantity (ID/IQ) contracts on October 1, 2003. The GITSS project supports BuyIT.gov, the Federal Acquisition Center at the AAC. Through GITSS, customers can contract for any IT-related service, to be provided anywhere, at any time, and at the best prices and terms available in government. The GITSS program is sponsored and managed by BuyIT.gov.



**Supports VA Objectives
E-2 and E-4**



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.

In FY 2004, the VA Franchise Fund reached a point where, for the first time, operating and capital reserves were fully funded. Upon reaching this milestone, rates for many services were reduced to reflect the fact that sustaining a full level of reserves is less costly. With reserves fully funded, the VA Franchise Fund will focus risk management on other areas of concern, such as the variability of earnings (planned vs. actual) and the level of at-risk revenue, which may occur when services are being provided prior to the formal execution of a contract.

Besides attaining an unqualified “clean” audit opinion on Fund financial statements, the Enterprise Fund Office will strive to attain more timely resolution of audit findings.

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

The Franchise Fund will continue its long-standing efforts to attain permanent legislative authorization for the Fund. Attaining this milestone should help relieve concerns regarding continuity of operations by both Fund customers and employees.

Management Challenges and Key Factors 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.

Permanent Authorization of the VA Franchise Fund

Since the expiration of the initial Franchise Fund pilot program in FY 2002, the VA Franchise Fund has been subject to annual reauthorization as part of the federal budget process. This situation is problematic, particularly from the perspective of customers who must determine if they should commit multi-year work requirements to a business enterprise that is authorized to operate only for the duration of a single fiscal year. Given the success of the VA Franchise Fund, VA is committed to achieving permanent legislative authorization of the Franchise Fund and will include language in VA's legislative proposal each year until accomplished.

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 (Goal 4), 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 to 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.

Supports Objective 5.5:

Attain permanent legislative authorization to ensure continuity of operations.

Supports Objective 5.6: Ensure financial integrity, accountability, and sound stewardship.

Supports Objective 4.1: Improve awareness of and support for Franchise Fund programs.

Supports All Objectives

Supports Objective 2.2: Identify and implement technological innovations aimed at improving service delivery.

Supports Objective 2.3: Protect the availability and integrity of customer data and processes.

Supports Objective 1.2: Maintain a high level of customer satisfaction with franchise services.

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.

Development of a Common Survey Instrument to Measure Customer Satisfaction on a Fund-wide Basis

As discussed on pages 18-19, the four smaller VA Enterprise Centers, the DMC, LETC, SIC and RC&V do not have survey instruments in place and no high-level survey has been done to measure the VA Franchise Fund and its effectiveness in meeting VA needs and the 12 operating principles on which the Franchise Fund was based. This is a more realistic short-term objective while each VA Enterprise Center explores its own customer survey instrument. However, the long-term goal is for all VA Enterprise Centers to measure customer satisfaction in a way that is meaningful to their customer mix and business needs—making a common survey unlikely and impractical.

Appendix A: Strategic Management Process and Stakeholder Consultation

This plan was developed by an ad hoc working group with representatives from the individual Enterprise Centers, internal customers, Office of the General Counsel, and the Strategic Planning Service.

Initial review and concurrence was conducted by the directors of the six Enterprise Centers, with follow-on reviews conducted by customers and VA Central Office staff. Final internal VA review and concurrence was performed by the Board of Directors.

In addition, the Plan was reviewed by external stakeholders (Office of Management and Budget and selected Congressional staff members).



Each of the centers within the VA Franchise Fund are accountable for achieving goals, objectives, and performance targets presented in this plan. We are committed to using this plan as a framework to monitor our program and ensure results.

Appendix B: 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 the "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 Equivalent (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.



Specific legislative intent, direction and authority for Franchise Funds was provided by the Government Management Reform Act (GMRA) and the VA and Housing and Urban Development, and Independent Agencies Appropriation Act of 1997.

Appendix C: 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 capital equipment, automated data processing systems, and financial management and management information systems needed. 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 further, 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)
- The Franchise Fund pilot shall terminate pursuant to section 403(f) of Public Law 103-356." (VA Appropriation Act of 1997)

Appendix D: 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. According to the Government Accountability Office (GAO), there are 58 IR funds, which 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."



Pages 33-37 provide answers to the most frequently asked questions about franchise funds.

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 throughout the entire federal government. The term “franchising” was chosen to refer to the provision of internal services based upon three concepts:

1. Goods and services are provided on a reimbursable basis
2. There will be competition to provide goods and services to eliminate monopoly-like behavior by providers
3. Business will be conducted within governmentwide 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, which are 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 E: 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.

Mission:

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

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.

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.

Scenario-Based Planning:

A tool used to broaden the strategic outlook of an agency by challenging its staff and stakeholders to identify important societal movements or trends, anticipate their implications for organizational performance, and envision (through scenarios) potential organizational change. The process is not intended to predict the future, but to sketch out a range of possible futures and consider how they might effect the fulfillment of the agency mission.

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.

VA Franchise Fund Points of Contact

Austin Automation Center

Enterprise Business Office
1615 Woodward Street
Austin, TX 78772
512-326-6005 • 512-326-6922 (fax)
dvac@mail.va.gov
www.aac.va.gov

Debt Management Center

P.O. Box 11930
St. Paul, MN 55111
612-970-5700 • 612-970-5687 (fax)
dmc.ops@vba.va.gov
www.va.gov/debtman/default.html

Financial Services Center

Business Development Division (104/00B)
P.O. Box 149975
Austin, TX 78714
512-460-5010 • 512-460-5117 (fax)
bso@mail.va.gov
www.fsc.va.gov/fsc/index.htm

Law Enforcement Training Center

2200 Fort Roots Drive, Building 104
North Little Rock, AR 72114
501-257-4160 • 501-257-4145 (fax)
christopher.price@med.va.gov
www.va.gov/osle/valetc/default.html

Security and Investigations Center

810 Vermont Avenue, NW (07C)
Washington, DC 20420
202-273-5510 • 202-273-7095
pamela.prewitt@mail.va.gov
www.va.gov/sic/default.html

Records Center and Vault

1615 Woodward Street
Austin, TX 78772
512-326-6408 • 512-326-7442 (fax)
aacvarc&v@mail.va.gov
www.aac.va.gov/vault/default.html

Department of Veterans Affairs

Enterprise Fund Office

810 Vermont Avenue, NW (047F)
Washington, DC 20420
202-273-9475 • 202-273-7680 (fax)
vafund@mail.va.gov
www.va.gov/fund



Department of Veterans Affairs ■ Enterprise Fund Office ■ 810 Vermont Avenue, NW (047F)
Washington, DC 20420
vafund@mail.va.gov ■ www.va.gov/fund