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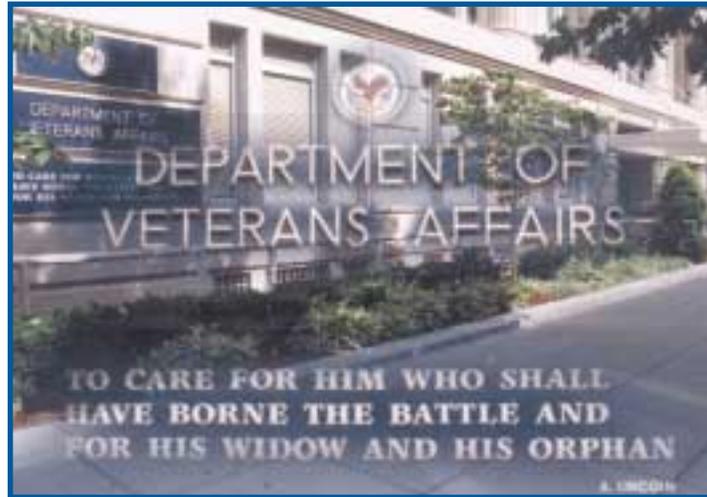
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Editor

Loleisa Davis

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Austin Automation Center
Debt Management Center
Financial Services Center
Law Enforcement Training Center
VA Records Center and Vault
Security and Investigations Center



The six entrepreneurial organizations (Enterprise Centers) within the Department of Veterans Affairs (VA) Franchise Fund offer an array of common administrative services at competitive prices. The Enterprise Centers are able to do this by adopting more efficient business processes and by increasing their sales to new and existing customers throughout the Federal government. By doing business with the Enterprise Centers, customers are freed from the burden of having to divert resources to administrative functions.

Our customer-driven Enterprise Centers have the experience and the technology necessary to deliver a broad range of services, i.e., information technology, financial management, debt management, law enforcement training, records storage, and background investigations. Put this experience to work for you today. Visit our Web site <http://www.va.gov/fund> for more information on how the VA Enterprise Centers can help your agency.

To Our Customers, Employees, and the American Taxpayer

Since their inception in 1997, the businesses that make up the VA entrepreneurial network (VA Enterprise Centers) have been working hard to reduce costs and improve the quality of services provided to our customers. In a purely financial sense, the Enterprise Centers have been very successful, i.e., revenues have almost tripled in only four years of operations. These revenues have funded the full range of costs (operating and capital) experienced by the Enterprise Centers.

However, the Enterprise Centers are still overly dependent on VA customers. Penetrating the federal market has been a struggle for us. We are devoting greater resources to attract more business from other Government agencies (OGA). To date, the Austin Automation Center has been the most successful Enterprise Center in obtaining OGA customers.

Focusing on service delivery and being customer-driven is proving to be the biggest challenge of all. The expectations of VA and OGA customers are increasing. They are demanding, as they should, timely and accurate products from the Enterprise Centers.

We were able to gauge customer satisfaction with the help of Gartner Group consulting this past year. The results of a comprehensive survey show our two biggest Enterprise Centers, the Austin Automation Center and the Financial Services Center, are perceived in a positive manner by our VA clients. However, we did not receive enough customer responses on the other four Enterprise Centers to perform a statistically valid analysis. This must be corrected in the future.

We embark on our fifth year of operations with the understanding that our customers have rising expectations and are very apt to look to competitive sources for the services we offer. This understanding stimulates and invigorates the Enterprise Centers. On their behalf, I invite you to read this report to discover how we are learning to meet our numerous entrepreneurial challenges.



W. Todd Grams,
Acting Chief
Financial Officer
& Chairman
of the Franchise
Fund Board of
Directors



Eileen T. Powell,
Associate Deputy
Assistant Secretary
for Financial
Operations and
Franchise Fund
Operations Officer

“For the third year running, the VA Enterprise Centers received an unqualified audit opinion.”

People in positions of responsibility often take on new challenges. Eileen T. Powell, VA Franchise Fund Operations Officer, took on a new assignment in FY 2000. In only two years, she oversaw many significant accomplishments, including two unqualified audit opinions and a dramatic increase in revenue. Ms. Powell passed the baton of leadership to Romano (Rom) Mascetti, III. Rom is quite enthusiastic about accepting this new challenge. In a joint interview, they talk about how the VA Enterprise Centers have become benchmarks for entrepreneurial excellence.

How are the VA Enterprise Centers doing in the fourth year of operation?

Eileen: Becoming more entrepreneurial! Hard work, diligent financial management, a focus on customer needs, and cooperation between the six diverse Enterprise Centers keep customers coming back. The management and staff of the Centers and the Fund Office are to be applauded for another successful, well-managed business year. Virtually every Enterprise Center has increased revenues. Customer satisfaction is clearly indicated by the fact our revenues have increased from \$59 million in 1997 to over \$137 million in 2000.

Current customers are staying with us and buying more. Some of our newer customers came to us from Federal agencies outside VA, which clearly demonstrates we have established ourselves as a provider of choice.

Rom: Our success is not breeding complacency. We will continue to leverage technology to enhance our products. The managers and employees of the Enterprise Centers continue to amaze me in how they have adapted to this ever-changing competitive environment.

How would you characterize the financial condition of the Fund?

Eileen: Very sound. For the third year running, the VA Enterprise Centers received an unqualified audit opinion. The international accounting firm of Grant Thornton conducted these audits. Customers can count on the financial integrity of all of the Enterprise Centers.

Rom: Along with the five other government Franchise Fund pilots, VA submitted a report to the Office of Management and Budget (OMB) regarding its fitness to become permanent. All pilots reported against a standard set of performance measures. Our report clearly supported the success of the Franchise Fund concept at VA. When benchmarked with the other pilots, VA's Franchise Fund stood out as one of the best. Based on these reports, OMB submitted legislation to make the Franchise Fund concept permanent in Fiscal Year 2002.

In light of the fact that one of your business lines failed, why do you still feel that Franchising is a success?

Eileen: For the Franchise Fund concept to be truly successful, each Enterprise Center must demonstrate it is a viable business. Not every business can succeed. More importantly, we cannot allow successful Enterprise Centers to subsidize unsuccessful ones. The Computer Training Center (CTC) failed because it couldn't compete successfully for customers. Potential customers weren't attracted by the CTC course offerings, and the cost of the training was not competitive. Closing down an Enterprise Center shows our commitment to follow prudent business practices.

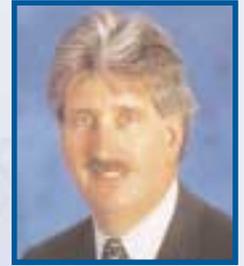
What are you doing to market your services?

Eileen: We have been involved in marketing our services since day one. We have established a corporate logo, and every business line has a brochure, Web site presence, and marketing materials. The Enterprise Centers and the Enterprise Fund Office have taken advantage of exhibit and speaking opportunities at conferences. Several Centers have done press releases as well as direct mail campaigns.

Rom: We took a hard look at our marketing efforts during FY 2000 and came to the conclusion we needed to move in a more corporate-like direction. With the support of the Directors from each of the Enterprise Centers, the Enterprise Fund Office will be working with a private sector contractor to execute marketing action plans. We are very excited by the growing cooperation developing between our diverse business lines, and we expect to see some marked progress in the success of our corporate marketing efforts.

How do the Enterprise Centers support veterans?

Eileen: I know the connection is not always clear. Let me take the opportunity to explain how the Enterprise Centers enhance the programs within VA. Soon, all of the veteran records maintained by our medical centers will be stored within our Records Center and Vault. This Enterprise Center successfully competed against the National Archives and Records Administration (NARA) to store these records. The Veterans Health Administration (VHA) will save money in this area and be able to apply those savings to health programs. In supporting the prime vendor pharmacy program, the Financial Services Center helps ensure medical centers receive the absolute best price for pharmaceuticals. The Austin Automation Center develops and runs many of the key systems for VA, e.g., National Enrollment Database. The Law Enforcement Training Center ensures every medical center has trained staff to deal in a compassionate manner with veterans in a hospital setting. VA employees in key positions must undergo background investigations by the Security and Investigations Center to ensure their fitness to serve in positions of public trust. Successfully competing for customers allows the Enterprise Centers to spread fixed costs over a larger universe, leading to lower unit costs to VA customers. As you can see, VA's Enterprise Centers are integral to the success of the Department's programs.



Romano Mascetti, III,
Acting Associate
Deputy
Assistant Secretary for
Financial
Operations and
Franchise Fund
Operations Officer

“When benchmarked with the other Franchise Fund pilots, VA's Franchise Fund stood out as one of the best.”



The management staff of the Centers and the Fund Office are to be applauded for another successful, well-managed business year.

Financial Accomplishments

Clean Audit Opinion

Received for the third consecutive year an unqualified (clean) audit opinion on our financial statements from the international accounting firm of Grant Thornton.

Growth in Revenue

Increased revenues significantly from \$59 million in FY 1997 to over \$137 million in FY 2000.

Customer Base on the Rise

Increased customer base from 36 in FY 1997 to 81 in FY 2000. Current customers are staying with us and buying more. In addition, we have established a presence in Federal agencies outside of VA, which clearly demonstrates that we are a provider of choice.

Debts Owed to VA

Collected almost \$300 million in debts owed to the Federal government.

Awards/Special Recognition

Consolidated Co-payment Processing Center (CCPC) Lockbox Application— an IT Best Practice

Showcased the CCPC Lockbox system at the Virtual Government 2000 conference and exhibition. Our application was one of ten selected, and was honored as an “IT Best Practice” by the Center of Excellence for Information Technology.

E-Gov 2000 Trailblazer

Received the E-Gov 2000 Trailblazer Award for On-line Invoice Certification for exceptional solutions within the e-government community.

Best Government Travel Management Program

Received the Best Government Travel Management Program Award by the Society of Government Travel Professionals for our effectiveness and innovations in electronic billings and payments.

Enhancements and/or Expansions of Products/Services

Records Storage Facility Expanded to Make Room for New Business

We are currently expanding the facility to accommodate an additional 900,000 cubic feet of records. The Records Center and Vault (RC&V), in a competition with NARA, won a contract to store all of the Veterans Health Administration's retired records. The RC&V offered records storage and services at a guaranteed flat rate for 5 years which was 25 percent lower than NARA's price. Winning this competition will benefit all current and future customers by allowing the RC&V to further reduce its rates for storage services.

Secure Fingerprint Processing

We have expanded our product offerings to include fingerprint processing. Our full scope of services include interview, investigation in partnership with the Office of Personnel Management, and final security adjudication for employees.

Fire Arms Training for Law Enforcement Personnel

We have expanded our training program to include firearms training; however, our focus remains on defusing or deescalating situations before they become violent. Firearms will be used as a tool of last resort.

Administrative Support to the Minnesota Cooperative Administrative Support Unit (CASU)

The Debt Management Center assists and manages the Minnesota CASU by providing a wide range of administrative support including billing, check processing, and overall financial management of their operations.

Other Accomplishments

Year 2000 Compliant

Successfully completed Year 2000 readiness for VA corporate systems well ahead of schedule, resulting in an uneventful Year 2000 rollover.

12th Annual Information Technology Conference (ITC)

This annual conference was hosted by the Austin Automation Center, and co-sponsored by the Office of Information and Technology (OI&T), the Veterans Health Administration (VHA), and the Veterans Benefits Administration (VBA). Record-breaking crowds traveled to Austin, Texas, from all over the United States, and as far away as Australia. Attendees were encouraged to utilize innovations in technology to deliver top-quality service to our Nation's veterans.

Attendees had a wide choice of training sessions. Several sessions were broadcast via satellite to VA offices across the Nation. More than 30 employees participated in the Equal Access Program for visually-impaired employees, including attendees from five other Federal agencies. One of the conference highlights was the EXPO (the exhibit area). It included 174 booths staffed by both private sector vendors and VA organizations. Exhibitors displayed a full range of cutting-edge products and services related to information technology.



Dennis Kordyak,
Acting Deputy
Assistant Secretary
for Finance

"Although we have been operating for only 4 years, our accomplishments clearly show we are working better and costing less. We are proud of the progress our Enterprise Centers have made since 1997 and we continue to refine our business practices to better serve our customers."



Our years of experience, sound reputation, and strong leadership are at your service. We have award-winning solutions to provide the level of service customers want and need.

Contact us today for more information on how VA's Enterprise Centers can help your organization or program.

Department of Veterans Affairs
ATTN: Enterprise Fund Office
810 Vermont Avenue, NW; (047F)
Washington, DC 20420

<http://www.va.gov/fund>
vafund@mail.va.gov

Full Service Provider

Whether you want to process payroll or payments, acquire information technology solutions, train law enforcement personnel, manage debt collections, conduct background investigations, obtain ID badges, or store vital records, you have come to the right place because we have one-stop shopping for most common administrative needs.

Award-Winning Solutions

Our efforts have been recognized by the National Partnership for Reinventing Government (Hammer Award), VA (Scissors Award and Robert Carey Quality Award), the Society of Government Travel Professionals (Best Government Travel Management Program Award), and the Virtual Government 2000 Conference (IT Best Practice Award).

Customer-Focused

Our customers are the focus of everything we do. Today's customers have high, but reasonable expectations (high-quality products and services; human contact; security; flexibility; and current technology). We strive to exceed our customers' expectations.

Experience

We have a unique blend of knowledgeable and experienced professionals who are dedicated to technical excellence, responsiveness, and superior performance. Our respective Enterprise Centers have been in business for over 25 years and have worked hard to keep abreast of current technology and the changing work environment. We have the level of efficiency and service you need!

Leader in the Franchise Pilot

We have emerged as a leader in the Franchise pilot, and a model to be followed by other Federal agencies striving to become more entrepreneurial. We are an integral part of the Federal evolution of working better and costing less.

Clean Audit Opinion

The international accounting firm of Grant Thornton conducted the audits of our financial statements for Fiscal Years 1998, 1999, and 2000. Our financial integrity is strongly supported by the unqualified (clean) opinions we received each year.

Training

Meeting the challenges of the new millennium means giving your key people the training they need. We offer a full range of financial management, law enforcement, and debt management training.

Customization

Our staff of highly trained professionals is here to serve you and to support your unique administrative needs.

Austin Automation Center

Experienced with high-volume database and data center operations.

Established technology infrastructure.

Experienced in supporting enterprise, mid-range and client server/Web server platforms.

Rate reductions (1993-Present) in key processing services.

Eleven years of experience operating under service level agreements.

Debt Management Center

Experienced leader (over 25 years) in the federal debt management community.

Skilled provider of the full array of debt collection services mandated by the Debt Collection Improvement Act of 1996, including referrals to locator services (Internal Revenue Service), private collection agencies, and the Department of the Treasury.

Financial Services Center

Experienced source of comprehensive financial management services to VA, the largest civilian agency in government.

Developed the Federal government's first automated, fully electronic system to process credit card payments.

Thirty plus years of experience processing VA's biweekly payroll for over 225,000 employees, never having a late payroll.

Skilled provider of financial management training.

Law Enforcement Training Center

Experienced provider of law enforcement training in a healthcare setting.

Only federal agency in full compliance with Title 38 U.S.C. (specialized training for dealing with assaultive patients and policing in a healthcare environment).

Skilled in providing customized training courses covering a broad spectrum of subjects related to law enforcement.

Accepted for continuing professional education purposes and for college credits.

Personalized, focused instruction from practicing professionals.

Records Center and Vault

Secure storage in full compliance with Department of Defense and Department of Energy security regulations and NARA storage and facility regulations and standards.

Competitive pricing.

Expedited response to recalls.

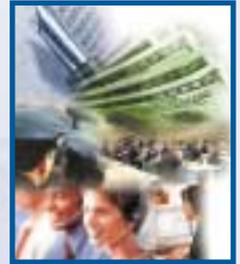
Climate-controlled environment suitable for proper maintenance of all types of records.

Security and Investigations Center

Customized high-tech/low-cost ID badges and fingerprint processing.

Experienced in administering government personnel and physical security programs.

Volume discounts on investigations.



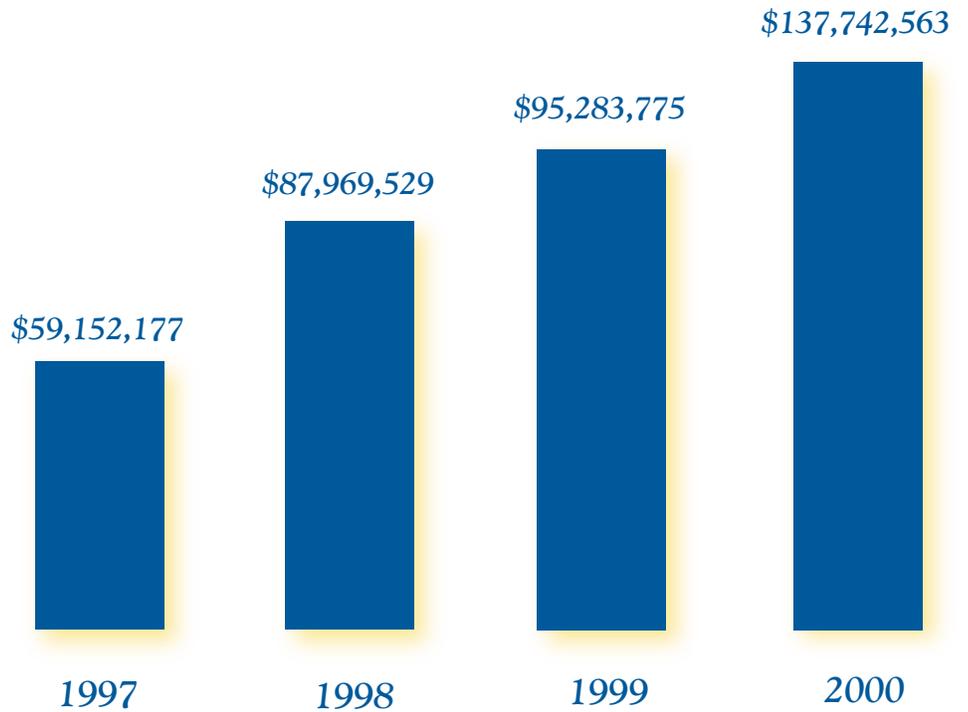
Today's environment calls for unprecedented levels of efficiency and service. We will continue to leverage technology to enhance our products.



Eileen T. Powell,
Associate Deputy
Assistant Secretary
for Financial
Operations and
Franchise Fund
Operations Officer

*"We are listening
to our customers
to ensure we
continue to
provide services
to meet their
individual needs."*

Our revenues are increasing.



Our customer base is growing.

