



Austin Automation Center **Customer-Proven Provider of Federal IT Business Solutions**

The Austin Automation Center (AAC), located in Austin, Texas, is an award-winning federal data center providing a full complement of cost-efficient e-government services and enterprise “best practices” to VA and other Federal agency customers. Today’s fast-changing technology landscape requires organizations to have access to the latest information technology (IT) to manage, process, distribute, and store data.

Providing Technical Services

Our expertise includes the following technical services to best meet customers’ varied IT needs:

- **Platform-hosting activities** include a variety of high-, mid-, and small-range platforms.
- **Application management services** include the administration of Enterprise Resource Planning software packages and other applications software.
- **Total information assurance** is a top priority. Data and applications are stored on servers in a secure environment using the latest intrusion detection systems and other security safeguards.
- **Customer business continuity** plans are in place to ensure human resources are available to support ongoing operations during a disaster.
- **Configuration management**, a certified methodology utilized at our center, provides planning and implementation within the life cycle of a software project.
- **Data conversion and data interfacing** from legacy systems to new applications, migrating application processing from other processing centers to ours, and consolidating the processing

of applications on to larger servers are among our core competencies.

Implementing Innovative Solutions

Implementing Web-enabled technology is a major driver of e-government. The development of business applications that can share knowledge bases across parent agencies and between other Federal agencies can dramatically improve both operations and service. We have been recognized with awards and in nationally published articles highlighting achievements in these areas.

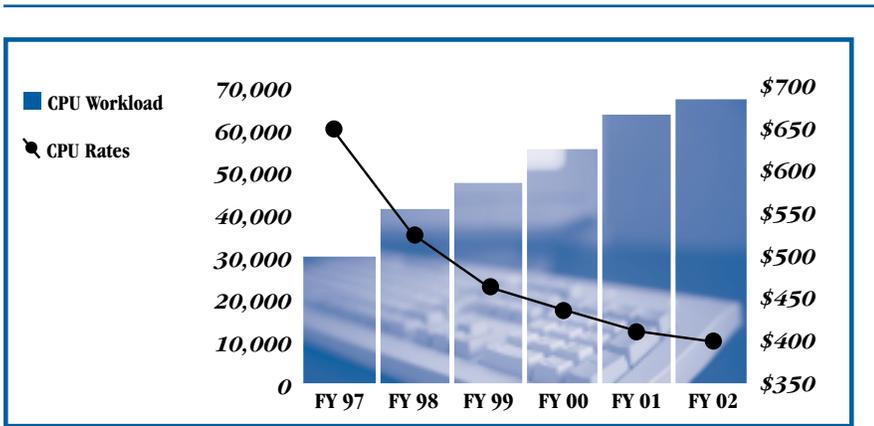
A case study entitled, “**National Archives and Records Administration (NARA) and VA Austin Automation Center**” was published in the March 2001 issue of I-Big Blue Professionals’ Monthly Newsletter. The study highlighted our successful effort to Web-enable NARA’s **Centers Information Processing System (CIPS)** application. By Web-enabling CIPS, Federal agencies can use the Internet to request archived paper documents stored at NARA regional records centers.

Working with VHA, the Financial Services Center (FSC), and the Bank of America, we

also Web-enabled the **Consolidated Co-payment Processing Center (CCPC)-Lockbox**. As a result of implementing this lockbox component, VA is making substantial progress in the collection of first party (patient) medical debts. By eliminating the need to perform a wide range of manual tasks at individual VA medical centers, the CCPC-Lockbox will save VHA approximately \$11 million annually. In FY 2001, this initiative was selected among 400 nominations for the **E-Gov Pioneer Award**, which recognizes e-government best practice applications.

Faced with aging technology, the Veterans Benefits Administration (VBA) made a business-based, best value decision to migrate their corporate applications to our Sun platform in early FY 2001. By allowing us to manage their platform environment, VBA is able to concentrate on other areas critical to the success of their mission.

We were selected as the **national development and beta test site for the core Financial and Logistics System**, the planned replacement of VA’s financial management system. We provide access to open systems processing platforms, direct



Austin Automation Center Central Processing Unit (CPU) Trends



access storage devices (DASD), ad hoc and professional services, and systems and database administration for the platforms in support of the development effort. KPMG Consulting conducted an Application Infrastructure Provider Assessment of our center in June 2001. KPMG reported, “the AAC’s understanding of the Service Provider business model has positioned them to be a **leader in the federal applications management market.**”

Commitment to Customers

An independent contractor, GartnerMeasurement, a division of Gartner, conducted an Information Technology Customer Satisfaction (ITCS) survey. We scored in the **top 10 percent** of Gartner’s ITCS database, achieving a “best-in-class” rating.

As a result of nominations by our customers, we were honored with two **VA Chief Financial Officer Entrepreneurial Excellence Awards**. One award was for migrating all of the Federal Highway Administration’s processing to our data center in just 10 weeks, with an estimated savings of \$15 million over 3 years. The other award was for the outstanding customer service provided to the U.S. Army Medical Command, in support of the Workers’ Compensation/Occupational Safety and Health Management Information System—the AAC-developed system which automates the tracking of workers’ compensation injury claims.

Emphasizing Enterprise Best Practices

We are committed to a program of enterprise best practice initiatives with our vendor partners. These initiatives demonstrate our available, reliable, and secure processing environment. We worked directly with the EMC Corporation to continually enhance storage architecture with the focus on storage management, backup, and protection of mission-critical systems within this environment. This resulted in our designation as an EMC Proven Provider—the first government entity to achieve the **EMC Proven Certification**. In addition, we established a heterogeneous storage environment so that our DASD infrastructure can support a variety of platform operating systems. We offer local and remote data replication and very high reliability guarantees for critical customer data.

We also achieved **Sun Microsystems’ Suntone Certification**, a program that ensures production applications running on the Sun platforms meet industry-developed and recognized standards for reliability, availability, scalability, and security. Again, we were the first government entity to accomplish this achievement.

Our employees are working to attain **Cisco Career Certification** and **Oracle Certified Partner Certification**. Cisco Career Certification is the leading industry-recognized networking certification and

ensures maximum network security using the latest fundamentals and applications of Cisco technology. Only employees who have met stringent standards of competence on Oracle technology and have proven their skills are eligible to earn Oracle Certified Partner Certification. One-third of our help desk personnel are **Certified Help Desk Professionals**. By the end of FY 2002, we expect nearly 100 percent of our help desk personnel will be certified.

Maximizing Investments in Technology

In FY 2001, our IBM S/390 Enterprise Server was upgraded with additional processing capacity in order to implement planned data processing initiatives and meet customer service level agreements. The upgrade increased the millions of instructions per second to a total of 1,004. In addition, we successfully implemented a **Virtual Tape System**, which eliminated the use of approximately 30,000 tape media cartridges and freed up sufficient cartridge slots in the silos to provide tape backup of open systems disk files.

In August 2001, we awarded a contract for the **Austin Automation Center Enterprise System Program** to Northrop Grumman Information Technology. The partnership will enable both parties to provide innovative and effective IT solutions to VA and other Federal agencies.



Debt Management Center **Leading the Way to Effective and Efficient Debt Collections**

The Debt Management Center (DMC), located in St. Paul, Minnesota, provides a full array of debt collection services. As a leader in the federal debt management community and a complete accounts receivable resource, we negotiate repayment plans, administer automated recovery programs, make cold calls to debtors, oversee the entire collection process and employ every collection tool available to Federal agencies (referrals to locator services, private collection agencies, and computer matching). Our experienced collection team focuses on the customers' bottom line, offers sound advice, and follows efficient and logical procedures to streamline and facilitate the collection process.

Reducing Delinquent Debt Portfolio

We are responsible for a portfolio of delinquent veteran benefit debts for VBA, including foreclosed home loans and overpayments of compensation, pension and education allowances. The VHA looks to us for matching and offsetting delinquent medical debts from active medical patients and providing a mechanism to refer delinquent debts to the Department of the Treasury for participation in the **Treasury Offset Program (TOP)**.

As of September 30, 2001, VBA's delinquent debt portfolio (principal only) was valued at \$831 million. That amount was divided among Education, Loan Guaranty as well as Compensation and Pension. The goal of debt management continues to be to reduce the delinquent debt portfolio using an integrated approach of prevention and collection. Through continual enhancements to our automated data pro-

Benefit Program	Debt Portfolio
Education	\$57 million
Loan Guaranty	\$193 million
Compensation and Pension	\$581 million

cessing capabilities, we are reducing costs and increasing the efficiency of collection operations. We are automating our debt collection operations to give maximum flexibility to management in disposing of the portfolio.

Revamping Refund Process

We must sometimes refund collections where debts may have been waived, compromised or over-collected. Previously, refunds took 3-4 weeks to reach veterans and their beneficiaries. We revamped our refund process, and now, through the use of electronic transactions, refunds are received within 7-10 days.

Converting Chapter 30 Montgomery GI Bill

Our entire Chapter 30 education debt portfolio was converted from a PC program into the **Centralized Accounts Receivable System**. The conversion affected 51,149 accounts valued at \$34 million, and completes the planned centralization of benefit debts under our jurisdiction. This move ensures that debts will be exposed to all available collection tools, and streamlines and standardizes the collection process for VA.

Conducting First-Party Medical Debt Collection Tests

Three VHA Veterans Integrated Service Networks (VISNs) participated in a pilot collection test on first-party (patient) medical debts over 90 days delinquent. The VISNs were selected based on the size of their delinquent portfolios, which averaged 36,000 accounts per month, with a value of \$10 million. As a result of the pilot, \$105 million in delinquent debt was referred to TOP and \$23 million was collected.

Cross Servicing Programs

We ended FY 2001 with the referral of 83,663 accounts valued at \$303 million for collection by the Department of the Treasury and its private collection agencies. Collections from cross servicing efforts totaled \$7.8 million. The Department of the Treasury recognized us with a **Certificate of Appreciation** for our efforts in developing an automated process for referring and updating accounts for cross servicing.

Increase in Collections

We increased collections/offsets by 3 percent over the last fiscal year. Collections/offsets increased from \$302 million in FY 2000 to \$312 million in FY 2001 despite a



Total Delinquent Debt Eligible and Referred to TOP and Cross Servicing As of September 30, 2001		
Eligible for Referral to TOP	Referred to TOP	% of Compliance*
\$260,735,107	\$238,706,686	92%
Eligible for Cross Servicing	Referred for Cross Servicing	% of Compliance
\$246,419,769	\$242,839,245	99%

* Since TOP has due process requirements that must be met before referrals can occur, we will never have 100 percent compliance with the referral requirement at any given time; nevertheless, we come within 92-99 percent.

decrease of 19 percent in new debt establishment—from \$506 million in FY 2000 to \$426 million in FY 2001. Operating expenses were reduced from \$6.1 million in FY 2000 to \$6 million in FY 2001.

Treasury Referrals (TOP and Cross Servicing)

Delinquent federal debts can be offset from the majority of federal payments to which an individual may be entitled. These could include salary, retirement, social security, and tax refunds.

Computer Matching with Other Federal Agencies

The Department of Defense (DoD) provides matching services under the **Federal Salary Offset** program. Their matching file includes all civilian employees of DoD, active and retired military members and the majority of all other active civilian employees in the government with the exception of United States Postal Service (USPS) employees. The Office of Personnel Management provides its enrollment file to DoD for matching purposes. The matching program identifies debtors who receive federal salaries, and we notify them of their

hearing rights prior to offset of their salaries. In FY 2001, \$4.1 million in collections was attributed to this matching program. The **USPS** program is conducted similarly, but is restricted to active USPS employees. Collections attributable to this matching program (\$162,000 in FY 2001) have not been significant in recent years, but the low cost of administering the program justifies continued matching.

Taxpayer addresses are acquired from the Internal Revenue Service on a monthly basis under the **Taxpayer Address Request (TAR)** program. Each year we collect approximately \$1 million from debtors whose address of record was obtained under the TAR program.

Reaching Out and Touching Someone

We provide toll-free telephone service to all of our customers in an effort to improve collection rates and simplify the collection process for debtors. This year we responded to over 260,675 calls, with a lost call rate of 2.2 percent.

Expanding Our Horizons

Our expansion efforts include the addition of our administrative services product line. Our management relationship with the Minnesota Cooperative Administrative Support Unit (CASU) offers us a variety of opportunities for expanding CASU's product lines which include copy services, training, and sales of discount coupons for computer training. The CASU provides an excellent way to reduce operating costs, eliminate duplication, and improve operational efficiency through immediate servicing. In addition, we provide the Department of Agriculture, Drug Enforcement Administration, Federal Bureau of Investigation (FBI) and Immigration and Naturalization Service (INS), a low-cost means of meeting their due process requirements by coordinating salary offset hearings.



Financial Services Center

Financial Solutions for Your Future

*The **Financial Services Center (FSC)**, located in Austin, Texas, delivers customer-focused financial solutions to VA and other Federal agencies. We have achieved unmatched efficiencies and economies of scale for processing payments, payroll, purchase card transactions, travel documents and other financial services. We put our expertise and advanced technology to work for all of our customers.*

Purchase Card Services

Our **Credit Card System** was the first system in the Federal Government to execute a daily electronic business cycle with a credit card vendor. On the morning of each business day, we receive an electronic file of purchase card transactions. Before the end of the day, we make electronic payments to vendors for the transactions. In addition, this information passes to VA's core accounting system through an electronic interface. By using the same daily electronic business cycle for pharmaceutical purchases, we ensure VA, Immigrant Health Services, and Indian Health Services receive the absolute best prices for a wide range of pharmaceutical goods and services. In FY 2001, we processed 2.6 million purchase card transactions for more than 34,000 cardholders, resulting in over \$15.2 million in rebates.

Electronic Commerce Services

A variety of VA programs have been streamlined by moving operations from a paper-based/check payment system to electronic data interchange (EDI)/electronic funds transfer (EFT). Of the total payments made to vendors in FY 2001, 1.3 million (46 percent) were processed by EFT. By

using our EDI capabilities, VA's Denver Distribution Center can now process electronic invoices without manual intervention. VBA also took advantage of our EDI resources to implement an **e-Loan Guaranty Certificate**. Loan service providers use this new capability to process their applications in 2 days instead of the 30 days required by the manual process.

Financial and Accounting Consulting Services

We also provide financial reports and oversight services, including the preparation, submission and reconciliation of VA's SF-224 Statement of Transactions, and the Financial Agencies Consolidated Trial Balance (FACTS II) for VA and the Office of Federal Housing Enterprise Oversight (OFHEO). We enhanced the SF-224 Reconciliation Reports to reduce the number of line items field stations must reconcile each month, and purchased **CheckFree**, a reconciliation software, to eliminate manual processes.

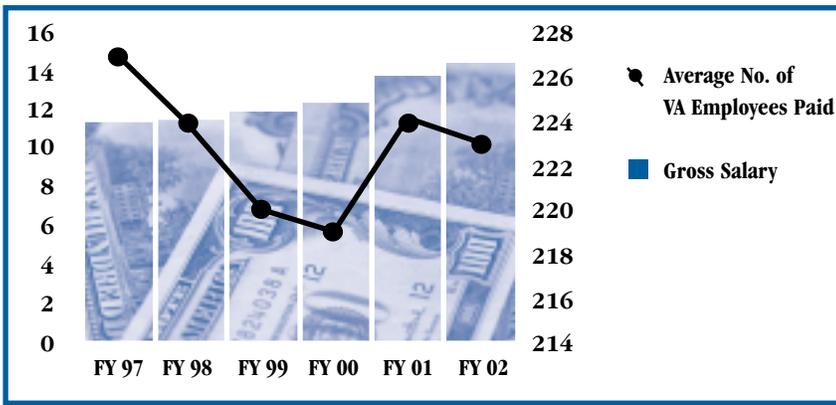
As the focal point for all VA external audit engagements, we worked closely with auditors of both the Department's financial statements (Deloitte & Touche) and

VA Enterprise Centers' financial statements (Grant Thornton). In FY 2001, both audits yielded unqualified "clean" opinions.

Travel Services

We have in-depth knowledge of travel regulations and General Services Administration (GSA) decisions that allow us to solve many unique moving problems. We establish, process and amend Permanent Change of Station (PCS) travel authorities for the U.S. Naval Home, OFHEO, Department of the Interior, and Office of the Inspector General, and serve as VA's Household Goods Field Representative. In FY 2001, we processed over 30,000 PCS transactions and facilitated over 800 PCS moves.

This past year, we successfully implemented and trained the Employee Education Service on the **GELCO Travel Manager System**. This system reduces the paper and labor-intensive processing required in a manual environment. In addition, we audit temporary duty travel vouchers for compliance with travel regulations, GSA decisions and issuance of prompt reimbursements to travelers.



VA Payroll Data (Dollars in Billions)

We participated on the VA E-Travel team, which received the **Government Executive Magazine’s Best Travel Manager of the Year Award** for developing a One VA solution to standardize and automate the entire travel process.

Payment Services

Our automated systems make the payment process virtually paperless—reducing and sometimes eliminating manual intervention—ultimately saving customers money.

Documents can be scanned from any form into our **Document Management System (DMS)**: hardcopy receipts, faxed documents and electronic documents. Once scanned, the documents are placed in a predefined workflow, which directs the documents through the work process to their final destination. In addition, access to the DMS can be accomplished from any work site, and a work process can be initiated remotely as well. Because the documents are stored on optical platters (with off-site redundancy), security is ensured.

A phased-in effort to centralize all VBA Mortgage Loan Accounting Center (MLAC) payments was undertaken this past year. The successful conversion of regional offices in Los Angeles, Oakland, and San Diego, CA and Phoenix, AZ completed this effort. We agreed to process all payments

within 15 days of receipt; however, we exceeded this agreement by routinely processing the payments within 2 workdays.

The **Computer Assisted Payments Processing System (CAPPS)** automatically matches invoices and receiving reports. In FY 2001, 92 percent of the invoices matched automatically. In addition to payment services, we audit and process invoices and receiving reports that do not match automatically in CAPPS. Customers are contacted to resolve discrepancies, and written explanations are provided to vendors and customers when adjustments are made.

During FY 2001, we implemented the **On-line Invoice Certification System**. Vendors send their invoices directly to us and the invoices are scanned into DMS within 48 hours. Approving officials use the system to authorize us to make payments. In 2001, we processed certified invoices for the Southern California Health Care System (VISN 22) using our On-line Invoice Certification System. As a result, VISN 22 reduced interest payments by 50 percent.

Our new Interactive Voice Response system allows vendors to query the **Vendor Inquiry System (VIS)** for payment status on pending invoices and payment history on paid invoices. The VIS is also available via the Internet for registered vendors.

Payroll Services

We have processed VA’s nationwide payroll for over 30 years. Payroll processing typically includes receiving time and attendance data, processing payroll runs, and producing required reports. The staff also coordinates with taxing authorities at the federal, state and local levels to pay, report, and reconcile payroll taxes. Payroll processing also includes producing W-2 statements for all persons employed by VA during the course of the year. In FY 2001, we paid approximately 224,000 employees per pay period, resulting in gross salary payments of over \$13.6 billion.

Quality Review & Audit Recovery

We issued and made collections for the recovery of assets this year totaling over \$2 million. Over \$1.1 million in unapplied credits and \$1.6 million in duplicate payments were identified, and \$388,000 in collections resulted.

In February 2001, the General Accounting Office (GAO) visited us concerning our audit recovery work “best payment practices.” GAO considered our practices to be effective in reducing improper payments. The FSC and other private and public organizations were highlighted in the May 2001 GAO Exposure Draft entitled, **“Strategies to Manage Improper Payments: Learning From Public and Private Sector Organizations.”**



Law Enforcement Training Center ***Paving the Way for a Non-Traditional Training Approach***

The Law Enforcement Training Center (LETC) has placed a premium on training the law enforcement community. Located in picturesque and historic Fort Roots, North Little Rock, Arkansas, the LETC is a national leader and sole-source provider of law enforcement training focusing specifically on assaultive-patient situations. This training is suitable for health care facilities, parks, museums, and other federal special mission or limited jurisdiction settings.

Non-Traditional Training Approach

Our non-traditional training approach sets us apart from the competition. Our core residential basic law enforcement training course affords practical and classroom instruction on the importance of ensuring the safety of all patients, customers, and staff, and maintaining order in a federal institution. Students are taught to resolve incidents in a humane, respectful manner and to utilize law enforcement as a last resort.

Our **comprehensive curriculum** of instructor-led courses includes the basics of criminal law, search and seizure training, patrolling techniques, federal arrest authority and health care facility law enforcement. Several **specialized and advanced courses** (baton instructor, detective, semi-automatic pistol, firearms instructor, administrative investigation and armorer) complement our core training course. Individuals other than law enforcement personnel are also attracted to our seminars on self-protection and violence in the workplace. Additionally, we customize our curriculum to design a program to meet our customers' unique classroom requirements.

An article entitled, "***Veterans Affairs Police and Security Service Safeguarding America's Military Heritage***" was published in the June 2001 issue of FBI Law Enforcement Bulletin highlighting the mission and role of VA's police and security services.

Providing Personalized and Focused Instruction

Personalized, focused instruction is key to a thorough training program. Our students learn from practicing professionals in an environment similar to the one in which they work. Classes have no more than 30-45 students, maximizing the students' learning potential and effectiveness of the curriculum. Students leave our program with a detailed understanding of how to diffuse a potentially volatile situation. In FY 2001, 98 percent of the enrolled students graduated from our training program.

Utilizing Our Services

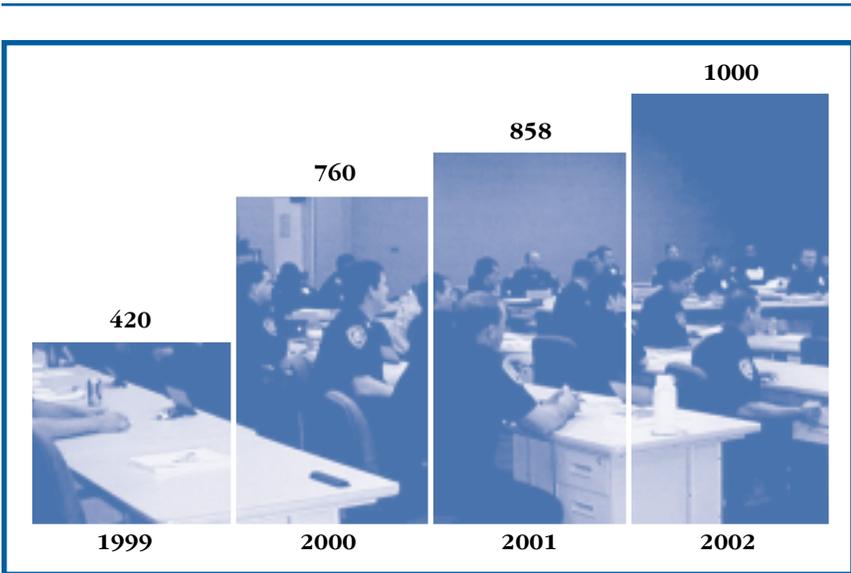
Working in a health care environment constitutes one of the most unique challenges of a police officer's job. The law enforcement communities of VHA, the Indian Health Service and the Walter Reed Army Medical Center utilize our services

and are trained how to place emphasis on customer/patient service in all interactions and to use aggressive action only as a last resort. While we primarily train the federal health care law enforcement community, our training courses are also applicable to many other facilities and organizations including parks and museums. Some other customers include the National Guard, the National Museum of Art and the Washington Navy Yard.

Meeting the Challenges of Training

Meeting the challenges of a potentially hostile work environment means giving your law enforcement professionals the proper training. All of VA's police officers are expected to complete the 160-hour core residential basic police officer training course during the first 90 days of employment.

Training no longer occurs just in the classroom. For example, the students are required to complete approximately 2 weeks of preparatory training using our CD-based entry training program before they attend the core training course. This self-taught instructional program introduces the basic concepts and unique



Number of Students Trained As of September 30

aspects of policing in a health care environment. The CD-based program was primarily designed to enable students to enter our residential training program at a post-preparatory level.

Training does not stop there; we recognize that continuing professional education makes an effective police operation. Each VA police officer is required to take training annually. Mandatory subjects include baton recertification, legal issues, and other safety and awareness training programs.

Heightened Security Awareness

Due to heightened security awareness, the number of students who attended our basic training course doubled over the past 2 years, from 420 students in FY 1999 to 858 in FY 2001. We anticipate enrollment of about 1,000 in FY 2002. New material was also incorporated into our curriculum to increase the officer's ability to react in emergency situations.

This year, we successfully completed and implemented a firearms training program in 32 VA medical centers. Our training roll-out plan includes 30 VA sites each year until all identified VA sites are armed. As a

result of the aggressive training program, participation in our firearms training course nearly doubled. In FY 2001, we projected about 250 of VA's police officers required training; however, due to a recent mandate to provide training at all identified VA sites, enrollment rose to 430. We anticipate enrollment in this course will reach over 500 in FY 2002.

Breaking New Ground

We underwent extensive construction in FY 2001 to make room for a new facility that will house a state-of-the-art indoor firing range with 15 firing positions, an armory, weapons cleaning area and classrooms. The facility is expected to be completed by July 2002. Having an indoor firing range will make logistics for training much easier.



VA Records Center and Vault

It's Not Just Storage - It's About Service

The VA Records Center and Vault (VA RC&V), located in the Midwest, has for many years operated a secure, subterranean climate-controlled facility staffed by experienced archive technicians with security clearances. Our operations (records storage, protection, and retrieval services) have been expanded to offer customized records storage solutions to other Federal agencies. As a value-added provider for records storage, we offer benefits and services that many agencies need, including expedited responses for retrievals or research.

Keeping Records Secure

Our approach to records storage is simple – keep records secure and readily available. Storage is provided for vital records, general records, classified records, “frozen” records, and system backups. The facility has been approved to store classified material on open shelving. Personalized storage services are provided for the administration of vital records, records “frozen” in litigation, unscheduled records, financial system backups, cyclic backups, and contingency plan backups and tests.

Our success can be attributed to being responsive to a wide variety of customers. We customize services to meet our customers’ unique security and access needs.

Protecting the Records

Our facility is protected by a sophisticated security system connected directly to the police dispatch center and operated 24 hours a day. Access to the storage area is restricted to VA employees, authorized customers, escorted contractors and maintenance personnel. All access control

systems, fire systems, communication systems, and alarm systems are served by a redundant power supply generator system.

Certified Federal Storage Facility

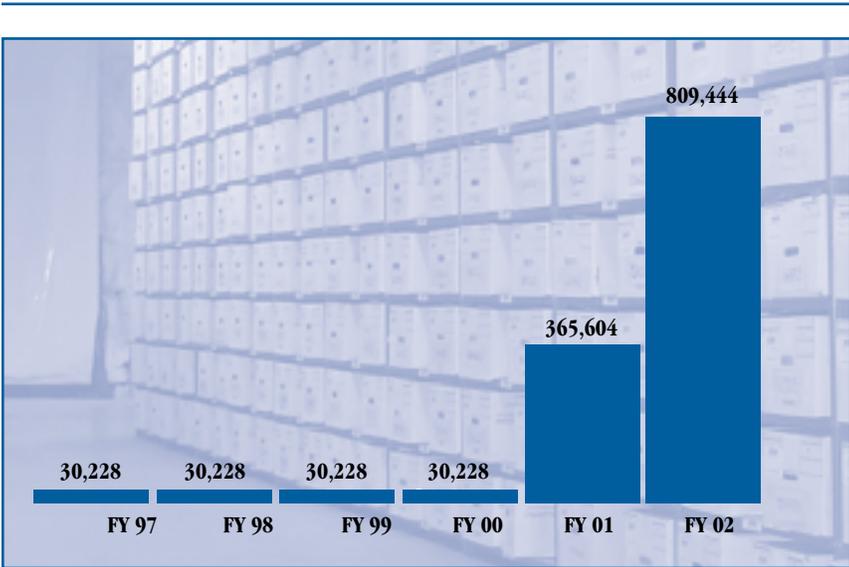
NARA certified the VA RC&V as compliant with its newly issued regulations. All facilities that store federal records are required to meet these standards within 10 years. We are the **first facility in the public and private sectors** to be compliant with the new NARA regulations.

In addition, our facility has been approved by the **Defense Logistics Agency** to store classified material, and certified by the **Department of Energy** to store restricted records.

Expedited Response Service

Our services are available to our customers when they need it:

- Recall requests for individual records or boxes received during business hours are available via fax or are prepared for shipping within one business day (for overnight delivery,



VA Records Center and Vault Capacity in Cubic Feet

if requested); recalls of multiple records or boxes were processed by the next business day 98 percent of the time in FY 2001.

- Emergency and contingency test recall requests for individual records received during business hours were made available via fax or delivered to the shipping point within 4 hours 100 percent of time in FY 2001; and
- Recall of multiple records may take a full day. Requests received during non-business hours are processed on the next business day.

Excellent Service Delivery Record

We provide quality service in a timely fashion. Our high level of performance has been maintained, despite a 200 percent increase in recalls over the past 12 months. Our performance record over the past few years has consistently met or exceeded established performance measurement goals for timely records recall service.

No Restrictions on the Type of Records Storage

There are no restrictions on the type of records stored, the length of time they can be stored, or shipping volumes. We can store them in bulk on pallets or in boxes.

Successful Expansion of the Records Storage Facility

We successfully completed the expansion of our facility to accommodate 809,444 cubic feet of records in FY 2002. With nearly a million square feet of space remaining for future expansion, we have the capability to accommodate new customer business.

As more and more Federal agencies realize the great benefits of storing their records and files at our facility, we can expect to meet the growing demand.



Security and Investigations Center

Ensuring a Secure Workplace

The Security and Investigations Center (SIC), located in Washington, DC, focuses its goals around safety, security and customer service. Building security and employee background investigations have become critical elements in ensuring a safe work environment. Today, with heightened security awareness in the federal workplace, the ability to properly screen persons prior to employment and entry into Federal agencies has become paramount.

Conducting Background Investigations

The critical elements of ensuring a secure work environment have increased the number of government employees and contractors subject to background investigations and clearances. Despite the dramatic increase in the volume of background investigations, the closure time of investigations has been reduced from 87 days to 62 days.

The recent Presidential election brought several new employees to the Department, many of whom were political appointees. Our clearance requirements call for employees in high-level positions to hold a national security clearance because of the likelihood of their attendance at high-level classified national information security meetings at access-controlled facilities. As a result, 753 investigations were performed.

We worked very closely with the LETC to ensure that police officers at VA medical centers received the proper background

investigations; 286 such investigations were performed. The GAO conducted a review and determined that all system administrators needed to be designated no lower than “high risk.” As a result, 358 investigations were performed.

Fingerprint Processing

In FY 2001, no fingerprint cards were returned as unclassifiable from the Export/Import Bank (EXIM) and VA. As a result, there were no delays and the investigative cases were closed out at a faster rate.

State-of-the-Art Video Imaging System

Our state-of-the-art video imaging system produces identification badges and access cards for the EXIM, OFHEO, Occupational Safety and Health Review Commission, National Council on Disability, and VA. They are produced in less than 10 minutes and give our customers an electronic means to control employees entering and exiting their buildings.

Enterprise Fund Office

Supporting the VA Enterprise Centers

*The **Enterprise Fund Office (EFO)**, located in Washington, DC, provides support to the VA Enterprise Centers by directing, reviewing and analyzing budget formulations, managing overall financial and business planning, and ensuring the Centers are kept informed of current trends, policies, and legislation impacting their operations.*



Financial Management Support

We manage the overall financial aspects of the VA Enterprise Centers, including working with them to plan their capital acquisitions, and to present funding recommendations to the Franchise Fund Board of Directors for approval. Our staff also directs the formulation of the VA Enterprise Centers' budgets, reviews and analyzes budget submissions and consolidates them for inclusion in VA's annual submission to the Office of Management and Budget (OMB), and monitors budget execution, including preparation of apportionments, monthly SF-133s, and other related reports.

Often called upon to respond to OMB and Congress, we keep abreast of current trends and ensure the VA Enterprise Centers are kept informed of policies, political climate, and legislation impacting their operations.

Marketing Support

We coordinate marketing efforts by publishing a calendar of trade shows and

conferences. In addition, we maintain a Web site (www.va.gov/fund) to educate others about the services offered by the individual Enterprise Centers.

Business Plan Support

Each year, we manage the process associated with the update of the VA Enterprise Centers' business plans. In addition to presenting strategic and tactical actions, these plans propose price revisions for the upcoming fiscal year. The Franchise Fund Board of Directors must review and approve the business plans, and they depend on us to ensure new prices are explained and justified.

Annual Reporting

We arrange for an annual independent audit of the VA Enterprise Centers' financial statements. In addition, we ensure an annual report is published that prominently conveys the VA Enterprise Centers' accomplishments, lessons learned and important strategies and plans.



VA Enterprise Centers

Lessons Learned

In order for us to survive in this new “entrepreneurial environment,” we must continually grow and prosper by expanding our business within VA and other Federal agencies. As a full-service provider, we are challenged to create a more customer-focused environment where business planning, performance measures, financial integrity, competition, and customer retention are motivators of our performance.

Business Planning

Prior to becoming a fee-for-service organization, we were not required to develop business plans. Now, our business plans serve as our blueprint for financial management and establish priorities for short-term and long-term decisions involving capital acquisitions and mission-related initiatives. Business planning also affords us a tool to identify trends and new opportunities. Each year, we look for new ways to improve our business planning to address current and future needs of our customers.

Performance Measures

Performance measures play a key role in the management of the VA Enterprise Centers. From a financial perspective, the success or failure of each Enterprise Center can be clearly gauged by its revenue and expense metrics. In the past, we have done extremely well by most financial measures. Now, the focus has turned to program and internal management performance. These measures will position the Enterprise Centers to better compete in the future.

Financial Integrity and Sound Stewardship

We engage a private sector accounting firm (Grant Thornton) to audit our financial statements. Our financial statements have received unqualified “clean” opinions in each of the past 4 years.

Competition

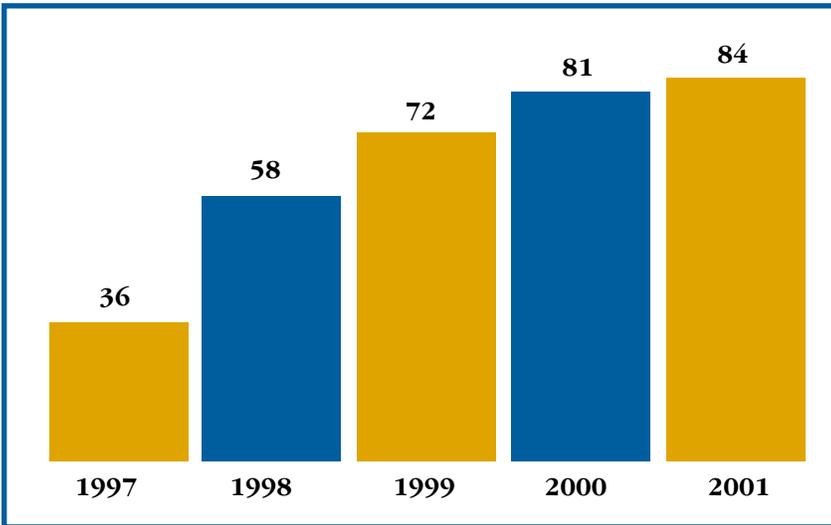
An underlying tenet of entrepreneurial government is competition. Competition spurs efficiency and encourages market participants to provide the best-value products and services to meet customer needs. As a franchise fund entity, we are not a mandatory source offeror; therefore, we must compete in the federal marketplace in the best interests of the taxpayer. Since Federal agencies are seeking the most economical, best-valued source to support their programs, we must have a clear sense of where we are now and where we hope to go, especially in relation to our competitors, if we are to successfully compete. Franchising has placed added competitive pressure on us to increase efficiency, improve performance, and enhance value to keep our existing customers and attract future ones.

Customer Retention

With the growing number of fee-for-service government organizations, federal customers can exercise choice about what, how much, and where to buy services. Because services are no longer “free,” customers are becoming more fiscally aware and are demanding quality services. While our customer base has grown considerably since 1997, we maintain our commitment to customer satisfaction.

Our goal is to become a strategic partner with our customers. Quality, security, reliability, flexibility, and human contact are the keys to our service and success in delivering comprehensive business solutions for today’s government.

We continually look for new ways to enhance the quality of our customer support. In striving to be with our customers every step of the way, we instituted Customer Relationship Managers (CRMs), also commonly referred to as Account Executives (AEs). CRMs/AEs act as customer advocates and sources of information, advice and counsel to ensure our customers receive the level of attention they deserve.



Number of Customers As of September 30



Expansion of Customer and Revenue Bases

While our customers are staying and buying more, we must expand our customer base from our current internal and external sources. Most of our customers come from within VA—which accounts for 94.5 percent of our FY 2001 revenue. As we acquire new business from our existing VA customers, we will push hard for more sales to other VA organizations.

Penetrating a large piece of the federal market has been a challenge for us since 1997. The VA Enterprise Centers have encountered varied success in their ability to attract outside business. Of the six, the AAC has been the most successful in obtaining outside customers. By obtaining other federal customers, we leverage our buying power to achieve better pricing and improved services for all participants. This year, 5.5 percent of our revenue came from cross servicing arrangements with external sources.

Partnerships with the Private Sector

Approximately 50 percent of our expenses are passed through to the private sector. Collectively, our in-house expertise and partners’ access to technology compliment each another. Our committed partnerships will enable us to provide innovative and effective business solutions to our customers. Partnerships draw on the knowledge, expertise, and resources of all participants.

Corporate Marketing Presence

As an entrepreneurial federal operation, we quickly learned that all the specialization in the world would not help if no one knows we are in business. Since promotion and public relations were not our normal province, we had to develop the necessary skills to effectively market to other Federal agencies. In our earlier days, each Enterprise Center had its own marketing materials (corporate brochures and Web sites) and, other than our logo, there was no real connection among the six Enterprise Centers. We have used the last 2 years to hone our marketing skills and have replaced our previous marketing materials

with a single corporate portfolio that has visual appeal to vividly convey our products and services in a cohesive and seamless fashion.

Significant enhancements were made to the VA Enterprise Centers Web sites and corporate brochures. They were reorganized to offer a reader-friendly, yet powerful message to get the word out about our product offerings.



VA Enterprise Centers

Outlook for FY 2002

We anticipate the new year will bring many new challenges and opportunities for us. As we strive to provide excellent customer service to maintain our current customers and attract future ones, we hope to strengthen our recognition as a preferred provider and the most economical, best-value source for common administrative services throughout the Federal Government.

Increased Acquisition Services

Acquisition services will be added to the AAC's service portfolio. In conjunction with VA's Office of Acquisition and Materiel Management, the AAC has an acquisition staff who specialize in IT contracting. The contracting officers and technical staff within both organizations have had tremendous success in developing flexible, value-added contracts for hardware, software, and services.

IT Employee Development and Retention

Vital to the AAC's success is the ability to recruit and retain a highly skilled and competent staff to best support customers' immediate and future requirements. The AAC is involved in a workforce planning initiative to promote professional employee growth, retain skilled employees and provide incentives to recruit skilled employees.

First-Party Medical Debt Collection Test

The DMC will begin a test in early 2002 for a 6-month period to determine if they can effectively collect these types of debts. If the tests show significant increases in collection activity, the DMC hopes to expand this service throughout VHA. Due to the volume of

accounts involved, the DMC plans to modify their collection system to add these accounts so collection notices can be automatically generated and account activity monitored. Arrangements are also underway to modify payment-processing equipment so payments can be processed and monitored for test purposes. First-party collections will be enhanced before referral to TOP by escalating demands for payment through the issuance of collection notices and telephone contacts.

Web-based Customer Satisfaction Survey

The FSC purchased **Surveypro.com** (a Web-based application) to refine and improve its customer survey quality. Surveypro.com is used by Novell, General Motors, IBM, and Proctor & Gamble. Surveys will begin in February 2002, and continue through the summer. Customers will be able to critique and offer feedback on FSC products and services. Results will be used to enhance product offerings and customer interactions.

CheckFree Fund Xpedite Software Solution Series

The FSC has purchased and installed the CheckFree Corporation's commercial off-the-shelf software reconciliation package. The

FSC will use this software to reconcile and produce VA's SF-224 report. **CheckFree's Fund Xpedite Software Solution Series** will significantly streamline the reconciliation process. Full implementation is expected to be completed by September 2002.

Reduced Late Payments and Rejects

By encouraging customers to use the Web site for "Helpful Tips," the FSC is hoping to reduce interest paid to vendors for late payments. In addition, use of these tips is expected to reduce reject errors by 70 percent.

New Law Enforcement Training Facility

The LETC's new facility will house a state-of-the-art indoor firing range with 15 firing positions, an armory, weapons cleaning area, and classrooms. It is expected to be completed by July 2002. This facility will greatly enhance our law enforcement training program.

New Home for VHA's Records

The VA RC&V's secure, climate-controlled facility will be the new home of VHA's records. With nearly a million square feet available for future expansion, the VA RC&V is ready to accommodate new business.