



Management Discussion and Analysis

Entrepreneurial Network At-A-Glance

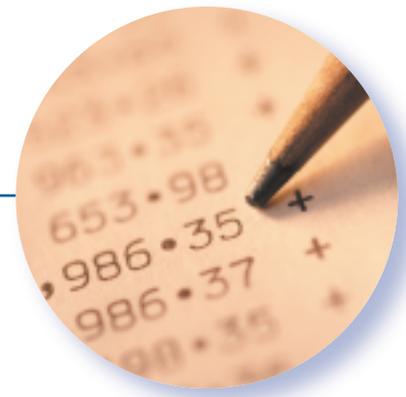
We are one of the leading fee-for-service operations in government, employing over 700 people nationwide and performing hundreds of services for our 84 federal customers. Our entrepreneurial network includes six Enterprise Centers, which are described below, and one administrative organization (Enterprise Fund Office).

VA Enterprise Centers	Brief Description	Products/Services	Location
Austin Automation Center	Recognized award-winning data center, providing a full complement of cost-efficient information technology services and enterprise “best practices” to customers. In addition, it supports over 100 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, medical records, eligibility benefits, and supply functions.	<ul style="list-style-type: none"> • Platform Hosting • Application Management • Total Information Assurance • Customer Business Continuity • Data Conversion and Data Interfacing • Configuration Management 	Austin, TX
Debt Management Center	Leader in the federal debt community—oversees the entire collection process: making initial cold calls to debtors, negotiating repayment plans and administering automated recovery programs. It employs every collection tool available to Federal agencies, including referrals to locator services, private collection agencies, and computer matching.	<ul style="list-style-type: none"> • Account Maintenance • Administrative Offset • Administrative Services • Predictive Dialer (Telephone Solicitation) 	St. Paul, MN
Financial Services Center	Customer-focused federal financial solutions and service provider of a complete suite of financial management services.	<ul style="list-style-type: none"> • Invoice and Payment Processing • Payroll Services • Financial Accounting/Reporting • Audit Recovery Services • Financial Consulting Services • Credit Card Processing • Travel Services • Document Management • Electronic Commerce/Electronic Data Interchange • Training 	Austin, TX

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The Enterprise Fund Office provides support to the 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.



VA Enterprise Centers	Brief Description	Products/Services	Location
Law Enforcement Training Center	Sole provider of a unique federal law enforcement training program that offers an alternative approach emphasizing nonviolent techniques to ensure the safety of patients, customers, and staff and maintain order in federal institutions. Its program is geared toward how to resolve incidents in a humane, respectful manner and to utilize law enforcement as a last resort.	<ul style="list-style-type: none"> • Basic Police Officer Training • Baton Instructor Training • Detective Training • Semi-Automatic Pistol Training • Administrative Investigations Training • Supervisory Officer Training • Self Protection Training • Violence in the Workplace Training • Armorer Training 	Little Rock, AR
Security and Investigations Center	Provider of background investigations/adjudications, fingerprint processing and identification badge and access card design and production.	<ul style="list-style-type: none"> • Investigations/Adjudications • Fingerprint Processing • Identification Badge & Access Card Design and Production 	Washington, DC
VA Records Center and Vault	Provider of a highly secure, climate-controlled certified storage facility that houses short-term and long-term records and files.	<ul style="list-style-type: none"> • Records Storage Services 	Midwest



Management Discussion and Analysis

Performance Measures Summary Table

The VA Enterprise Centers are planting seeds for the future. Our performance measures reflect a cohesive, cross-enterprise vision of what we hope to accomplish. Having a clear sense of where you are and where you want to be is a crucial element to any viable business. We monitor and assess our performance continually to enhance our competitive position.

Performance Measure	Actual 1999	Actual 2000	Actual 2001	Projected 2002	Projected 2003	Strategic Target
Austin Automation Center						
Customer Satisfaction rating on a scale of 1-5	N/A	3.91	3.95	3.5	3.5	3.5
Online systems availability rate	99%	99%	99%	99%	99%	99%
Output timeliness rate	99%	99%	99%	99%	99%	99%
Output accuracy rate	99%	99%	99%	99%	99%	99%
Percent of Help Desk First-Contact Resolution (Tier 1) rate	N/A	N/A	58%	66%	68%	70%
Debt Management Center						
Percent of lost call rate on toll-free telephone system	3%	3%	2.2%	≤ 3%	≤ 3%	≤ 3%
Timeliness rate in response to debtor's written inquiries	N/A	N/A	100%	100%	100%	100%
Financial Services Center						
Percentage of W-2 release dates met	100%	100%	100%	100%	100%	100%
Update accounting systems with credit card transactions daily	N/A	N/A	100%	100%	100%	100%
Payment processing accuracy rate	93%	95%	95%	96%	95%	95%
Travel payment processing accuracy rate	N/A	N/A	N/A	95%	95%	95%
Overall customer satisfaction rating on a scale of 1-5	N/A	3.5	N/A	TBD ¹	TBD ¹	TBD ¹

¹. To Be Determined (TBD).

Management Discussion and Analysis

Performance Measures Summary Table



Performance Measure	Actual 1999	Actual 2000	Actual 2001	Projected 2002	Projected 2003	Strategic Target
<i>VA Records Center and Vault</i>						
Timeliness rate of recall requests for individual and multiple records	100%	99%	98%	97%	97%	97%
Timeliness rate of emergency/contingency test recall requests for individual and multiple records	100%	98%	100%	97%	97%	97%
Timeliness rate of rights and interests records that are available after a period of approximately 20 days in the event of a major national disaster	N/A	N/A	N/A	97%	97%	97%
<i>Enterprise Fund Office</i>						
Operating Reserves Target ²	N/A	N/A	70%	70%	75%	100%
Number of audit qualifications for the VA Enterprise Centers	0	0	0	0	0	0

² Maintain a positive cash balance at all times by accumulating an operating reserve equivalent to 3 months of operating expenses based on current fiscal year estimates.



Management Discussion and Analysis

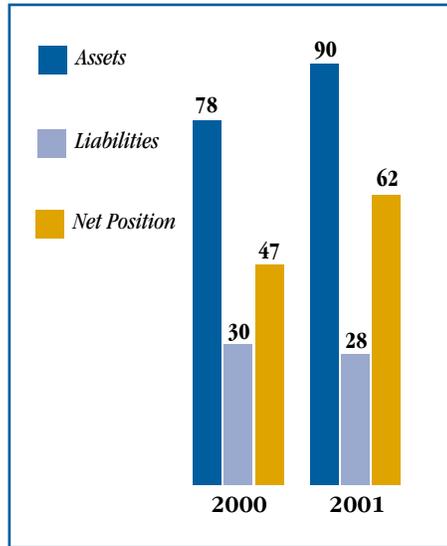
Limitations to the Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b).

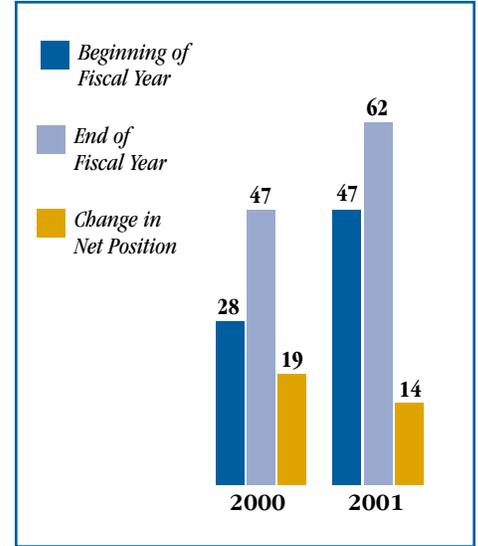
(Dollars in Millions)

While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

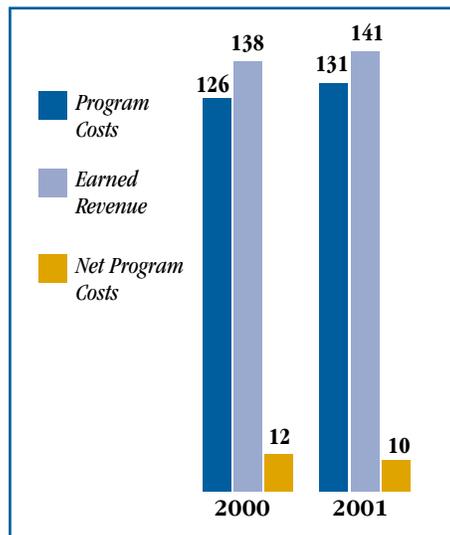
The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.



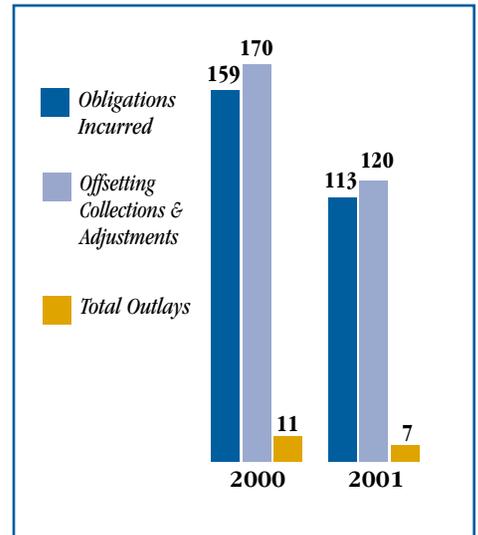
Balance Sheet As of September 30



Changes in Net Position for the Fiscal Years Ended September 30



Net Costs for the Fiscal Years Ended September 30



Budgetary Resources for the Fiscal Years Ended September 30

Financial Statements

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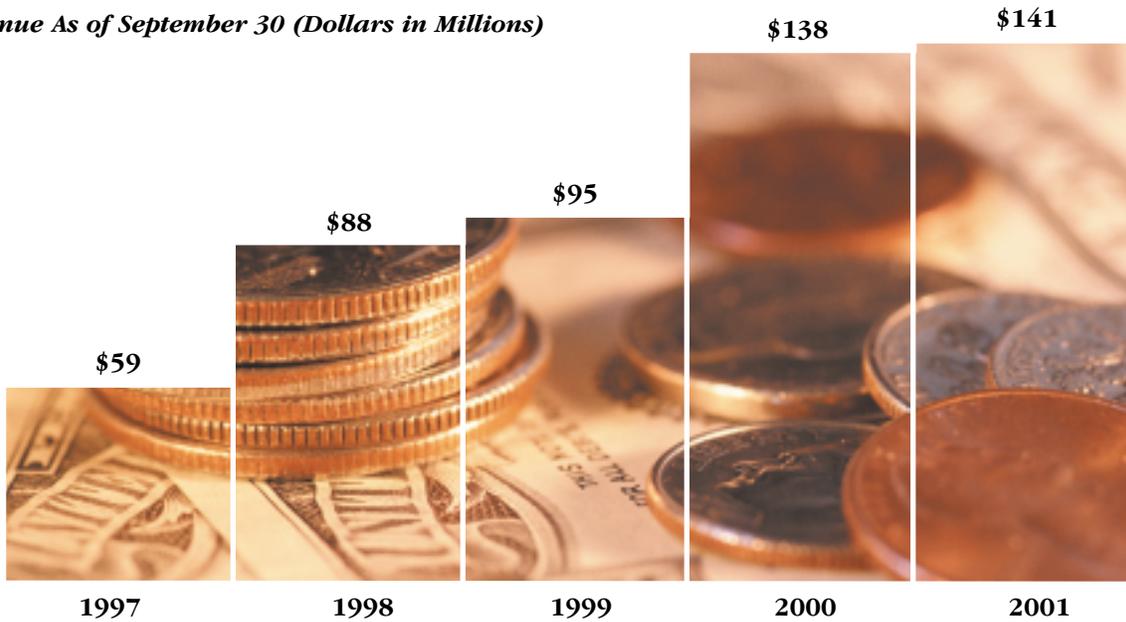
Highlights

Revenue/Customer Highlights

Our customers are staying and buying more. Because of this, a significant part of our business results from repeat business and referrals from satisfied customers.



Total Revenue As of September 30 (Dollars in Millions)



Number of Customers As of September 30

