FY 2023

FRANCHISE FUND

Annual Report

DELIVERING REMARKABLE VALUE AND EXCEPTIONAL SERVICES TO OUR FEDERAL CUSTOMERS

VA

U.S. Department of Veterans Affairs

TABLE OF CONTENTS

Contributors

- Center for Enterprise Human Resources Information Services
- Debt Management Center
- Financial Services Center
- Franchise Fund Oversight Office
- Human Capital Services Center
- Information Technology Infrastructure Operations
- Internal Controls Support Center
- Law Enforcement Training Center
- Personnel Security Adjudication Center

DEPARTMENT OF VETERANS AFFAIRS MISSION

To fulfill President Lincoln's promise to care for those who have served in our nation's military and for their families, caregivers, and survivors.

VA Franchise Fund's Mission

To deliver best-in-class services and capabilities to the VA's Administrations and Staff Offices so that they can focus on delivering world-class benefits and services to Veterans and eligible beneficiaries.

VA Franchise Fund's Vision

To transform enterprise transactional services and capabilities to best-in-class levels, enabling the VA to focus on improving the Veterans' experience and empower VA employees.

VA Franchise Fund's Values

To guide us in fulfilling our mission, our employees strive to uphold core values that are consistent and closely aligned with those of the VA. These values include integrity, commitment, advocacy, respect and excellence.

INTEGRITY

Act with high moral principle. Adhere to the highest professional standards. Maintain the trust and confidence of all with whom I engage.

COMMITMENT

Work diligently to serve Veterans and other beneficiaries. Be driven by an earnest belief in the VA's mission. Fulfill my individual responsibilities and organizational responsibilities.

ADVOCACY

Be truly Veteran-centric by identifying, fully considering and appropriately advancing the interests of Veterans and other beneficiaries.

RESPECT

Treat all those I serve and with whom I work with dignity and respect. Show respect to earn it.

EXCELLENT

Strive for the highest quality and continuous improvement. Be thoughtful and decisive in leadership, accountable for my actions, willing to admit mistakes and rigorous in correcting them.

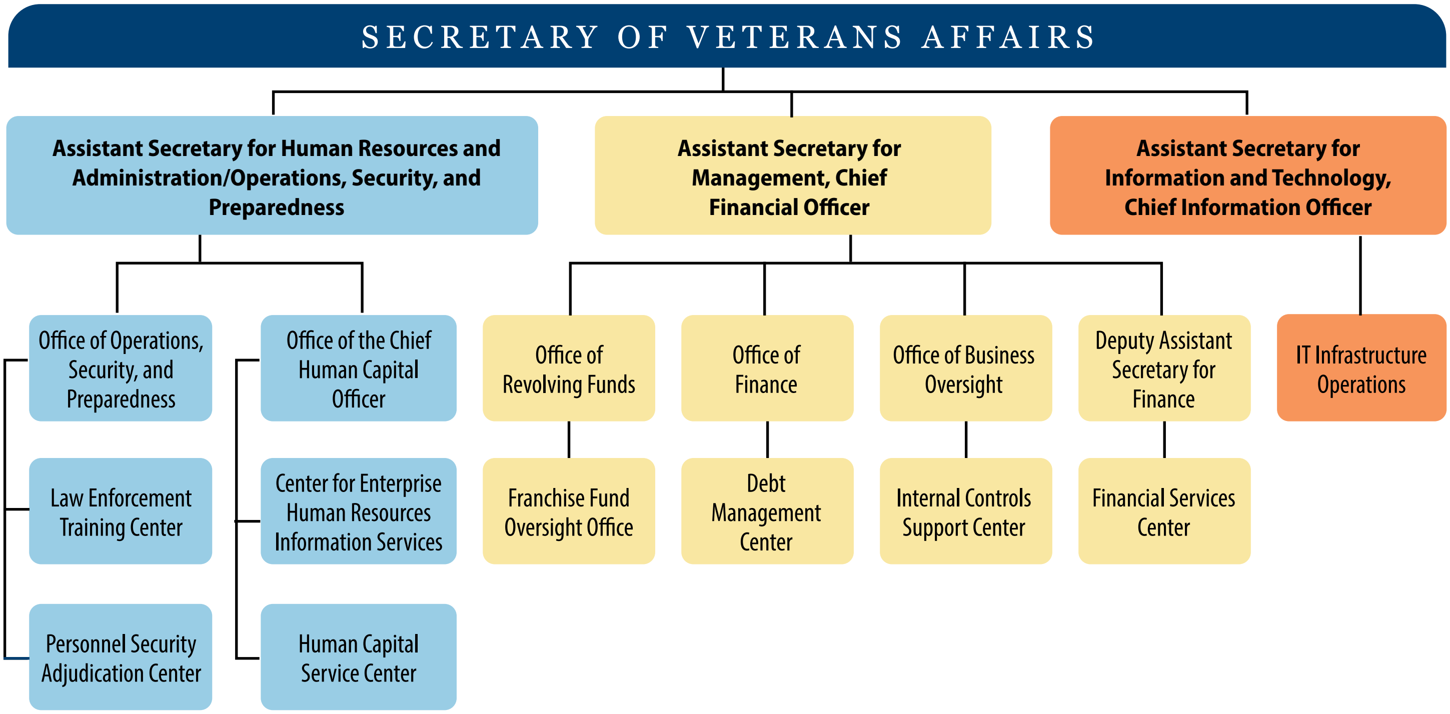
MEMBERS OF THE VA FRANCHISE FUND NETWORK

Origin of the VA Franchise 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. The VA was selected by the Office of Management and Budget (OMB) in 1996 as one of six Executive branch agencies to establish a franchise fund pilot program created as a revolving fund, the VA Franchise Fund began providing common administrative support services to the VA and other government agencies (OGA) in 1997 on a fee-for-service basis. In 2006, under the Military Quality of Life and Veterans Affairs Appropriations Act, Public Law 109-114, permanent status was conferred upon the VA Franchise Fund.

Organizational Structure

The VA Franchise Fund consists of an administrative office (Franchise Fund Oversight Office) and eight self-supporting lines of business (Enterprise Centers). The Revolving Funds Executive Director along with 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 their annual business plans. The Revolving Fund Board of Directors is composed of the Office of Management (OM); Office of Human Resources and Administration/Operations, Security, and Preparedness (HRA/OSP); Office of Acquisition, Logistics, and Construction (OALC); Office of Information and Technology (OIT); Veterans Health Administration (VHA); Veterans Benefits Administration (VBA); National Cemetery Administration (NCA); and pertinent VA Staff Offices.



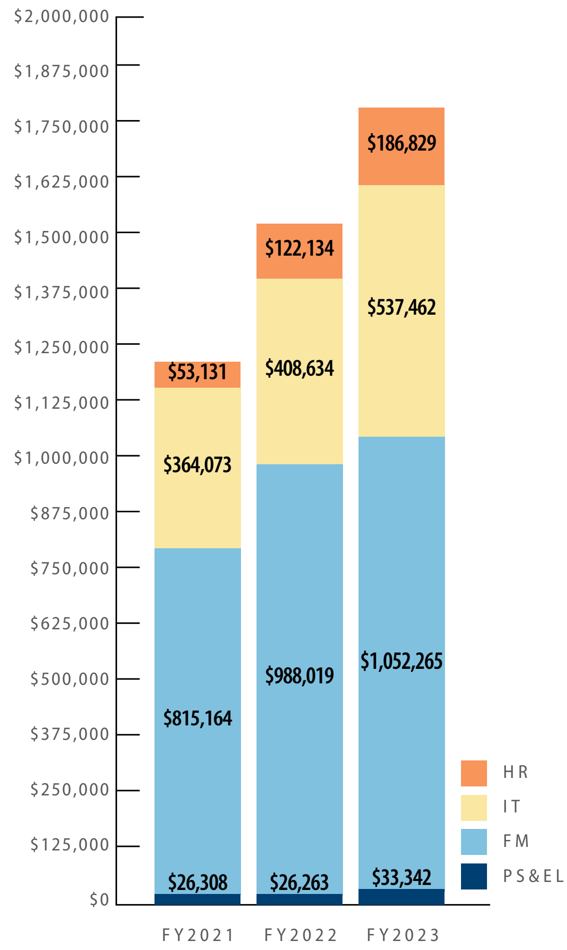
Entrepreneurial Network: Providing Efficient Government Services

As a premier fee-for-service organization within the public sector, our operations span the nation, with dedicated personnel executing our day-to-day activities. We specialize in delivering services that not only optimize resource allocation but also empower our clients to focus on their core mission-critical functions. We have strategically positioned ourselves to cater to the diverse needs of Federal agencies while offering competitive pricing.

Our Business Segments

The VA Franchise Fund comprises four major segments: Information Technology (IT), Financial Management (FM), Personnel Security and Law Enforcement (PS&LE), and Human Resources (HR). To illustrate the financial performance among our segments, we offer a comparison of revenue data from FY 2021 through FY 2023.

VA FRANCHISE FUND
REVENUE TREND BY MAJOR SEGMENTS
(DOLLARS IN THOUSANDS)



Information Technology (IT):

In FY 2023, the IT segment exhibited remarkable growth by generating $537 million in revenue, a significant increase from the $409 million in FY 2022. This upsurge can be attributed to substantial business expansion from the Veteran Health Administration (VHA), although there was a slight decline in business from the Office of Information Technology (OIT) and the Veterans Benefits Administration (VBA).

Financial Management (FM):

The FM segment also demonstrated substantial growth, with FY 2023 revenue totaling $1.05 billion, a notable increase from the $988 million reported in FY 2022. This significant expansion was primarily driven by enhanced collaboration between the Financial Services Center (FSC) and multiple VA clients, including OIT, VHA, and VBA. It is worth noting that, despite this growth, there was a minor reduction in business with Other Government Agency (OGA) customers.

Personnel Security and Law Enforcement (PS&LE):

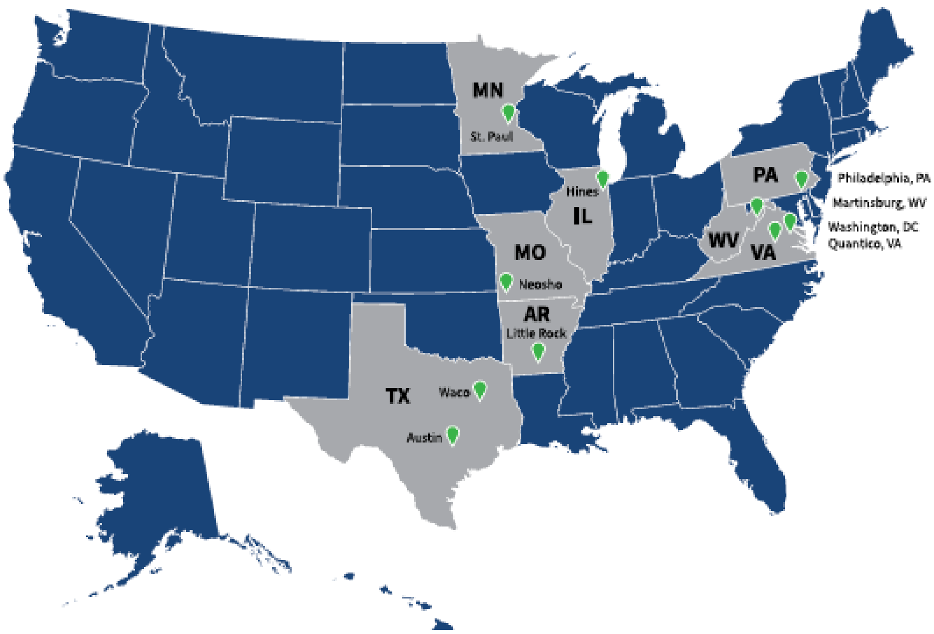
The PS&LE segment reported $33 million in revenue at the close of FY 2023, marking a notable increase from the $26 million in revenue recorded at the end of FY 2022. This surge in revenue was predominantly due to increased business engagements with VHA and OGA customers, such as the United States Air Force.

Human Resources (HR):

The HR segment concluded FY 2023 with $187 million in revenue, representing a substantial increase from the $122 million in revenue reported for FY 2022. This surge in revenue can be chiefly attributed to the presence of the latest enterprise center, the Center for Enterprise Human Resources Information Services (CEHRIS), which secured $145 million in revenue, a significant uptick from the $88 million reported in FY 2022.

Our commitment to delivering efficient and cost-effective services is exemplified by the performance of our business segments. We continue to adapt and evolve to better serve the needs of our diverse clientele, contributing to the success of our partners within the Federal government.

MEMBERS OF THE VA FRANCHISE FUND NETWORK



Financial Management (FM)

Debt Management Center (St. Paul, MN)

- Account Maintenance
- Administrative Offset/Expanded Tools
- Enhancement of VHA Debt
- Management Services
- Expanded VHA Debt Management Tools
- Business Process Optimization
- Employee Salary Offset Hearings
- Grant Waivers

Financial Management (FM)

Internal Controls Support Center (Austin, TX; Washington, DC)

- A-123 Process Documentation and Testing
- Financial and Operational Fitness Assessment
- Technology Transfer Program Review

Financial Management (FM)

Financial Services Center (Austin, TX; Neosho, MO; Washington DC) Financial Reports and Accounting

- Construction Accounting
- Credit Card Payments
- Vendor File Maintenance
- Customer Care Center
- Rejects and Adjustments
- Prime Vendor Subsistence
- Electronic Commerce/Electronic Data Interchange
- Payroll Support Services
- Travel Services
- Common Administrative Services
- Financial Systems Oversight
- Financial Management System Service Requests
- Audit Services
- Purchased Care Claims Services
- Combo II Services
- Healthcare Claims Services
- Financial Management Business Transformation (FMBT) Services

Franchise Fund Oversight Office (FFO)

(Washington, DC)

- Administrative Support to the Enterprise Centers Budget Formulation and Execution Analysis
- Financial and Business Planning Oversight
- Audit of Consolidated Financial Statements
- Annual Report Coordination
- Marketing Strategies
- Customer Relationship Management
- Process Improvement and Cost Reduction

Personnel Security and Law Enforcement (PS&LE)

Personnel Security Adjudication Center (Little Rock, AR)

- National Security Background Investigations and Adjudications
- Public Trust Background Investigations and Adjudications
- Low Risk Background Investigations and Adjudications
- Reciprocation of a Prior Adjudication from Other Federal Agencies
- Security Check for Candidate Requiring Approval of the Secretary
- Special Agreement Check (Fingerprint) Adjudication
- Fingerprint Submission
- Reissuance/Copy of Certificate of Investigation/ Eligibility

Personnel Security and Law Enforcement (PS&LE)

Law Enforcement Training Center (North Little Rock, AR)

- VA Police Officer Standardized Training
- Department of Air Force Law Enforcement Academy
- Fact Finding Course
- Administrative Investigation Board Course
- Firearms Instructor
- Ground Defense and Recovery Instructor
- Long Gun Instructor
- Instructor Development Course
- Introduction to Police Supervision
- K-9 Recalibration Course
- Physical Security Course
- Verbal Defense in Healthcare

Information Technology (IT)

IT Infrastructure Operations (Austin, TX; Martinsburg, WV; Hines, IL; Philadelphia, PA; Quantico, VA)

- Application Hosting Services
- Backup and Storage
- Cloud Services
- Data Center Services
- Platform Management
- Servers and Data
- Web Hosting and Support
- Information Security

Human Resources (HR)

Human Capital Services Center (Washington, DC)

- Career Development Programs
- Consolidated Internship Programs
- VA Talent Management System Administration
- Learning Management Systems Training
- Electronic Course Content Management
- Emergency Alerting and Accountability System

Human Resources (HR)

Center for Enterprise Human Resources Information Services (Washington, DC)

- Personnel Management
- Employee Records
- Position Management
- Manager Self Service
- Employee Self Service
- Manpower Management
- Compensation and Benefits

MEMBERS OF THE VA FRANCHISE FUND NETWORK

Joshua Blockburger
Director,
Personnel Security
Adjudication Center

Reginald Cummings
Executive Director,
IT Infrastructure Operations

Michael Byrd
Acting Executive Director,
Human Capital Services Center

Susie Dossie
Executive Director,
Office of Business Oversight and
Internal Controls Support Center

Melvin Phillips
Director,
Franchise Fund Oversight Office

Curt Rauhut
Executive Director,
Financial Services Center

Joe Schmitt
Executive Director,
Debt Management Center

Madhavi Nookala
Acting Director,
Center for Enterprise Human
Resources Information Services

Conrad Hamp
Director,
Law Enforcement Training
Center

Financial Management Segment

Franchise Fund Oversight Office (FFO)

Located in Washington, DC, the FFO functions as the business office for the VA Franchise Fund. As such, the FFO is responsible for providing administrative support to the Enterprise Centers by directing and analyzing budget formulation and execution processes, administering financial resources, overseeing business planning activities, managing the annual financial statement audit for the Fund, preparing the annual reports and strategic plans, coordinating marketing activities, and serving as the liaison between the Enterprise Centers, their customers and the Revolving Funds Board.

Debt Management Center (DMC)

Located in St Paul, Minnesota, the DMC is a centralized facility that provides direct collection of debt owed to the VA. The DMC provides high quality customer-responsive receivables management services. The DMC balances the charter to collect debts on behalf of the American taxpayers and the VA with a Veteran-centric, compassionate approach, helping Veterans and families understand their rights, meet their obligations and develop solutions to resolve their debts. The DMC provides a full spectrum of administrative services to properly handle their customers' accounts receivable needs, from establishment through disposition of the receivables. The DMC provides debt notification and debt counseling to Veterans, and payment options for amounts owed to VBA and VHA for compensation, pension, education benefits, home loan guarantees and co-payments. The DMC also manages the administrative offset process for both internal benefits offsets and those referred to the Department of the Treasury (Treasury) for offset under the Treasury Offset Program (TOP) and Cross Servicing (CS) Program.

Financial Services Center (FSC)

Located in Austin, Texas; Neosho, Missouri; and Washington DC, the FSC provides a full range of financial and accounting services. These services include financial reports and accounting, invoice payments, credit card payments, medical claims adjudication and payment processing, vendor file maintenance, discount subsistence purchases, payroll processing, and VA conference tracking and reporting. The FSC also provides customer support for payroll, travel and payment processing, electronic commerce/electronic data interchange, automated document management, audit recovery, permanent change of station and temporary duty travel pay processing, common administrative services, accounting training and consulting.

Internal Controls Support Center (ICSC)

Located in Austin, Texas and Washington DC, the ICSC provides the VA with technical assistance and oversight support for the establishment, operation and maintenance of internal controls to ensure internal and external organizations perform in accordance with their agreements. The ICSC accomplishes this with a highly skilled workforce augmented with specialized contractor support. The result is a cost-effective function within the VA to ensure resources have the maximum impact helping Veterans.

Personnel Security and Law Enforcement Segment

Law Enforcement Training Center (LETC)

The LETC, located in North Little Rock, Arkansas, provides special training for police officers working in a health care or service-oriented environment. Emphasizing training in health care or limited jurisdiction environments, the LETC is available to approximately 4,500 law enforcement personnel working at VA health care facilities and to law enforcement professionals at other Federal agencies.

Personnel Security Adjudication Center (PSAC)

Located in North Little Rock, Arkansas, the PSAC provides quality background investigations and timely adjudications for VA employees in national security and public trust positions as well as VA contractors nationwide. Additionally, the PSAC provides security checks for appointees and high level award recipients centralized to the Secretary of VA (SECVA), and supports the Personal Identification Verification process for employees, contractors and affiliates of the Department.

Human Resources Segment

Human Capital Services Center (HCSC)

Located in the HRA/OSP, Office of the Chief Human Capital Officer (OCHCO) VA Central Office in Washington, DC, the HCSC provides common human capital support services. These products and services include learning management programs, employee accountability services, internship programs and learning content curation for nearly 630,000 VA employees, contractors, volunteers and academic affiliates. HCSC products and services reduce costs, streamline processes and save VA employees time so they can focus on delivering the best care and service to our Veterans.

Center for Enterprise Human Resources Information Services (CEHRIS)

Located in the HRA/OSP, OCHCO VA Central Office in Washington, DC, the CEHRIS provides a standard and reliable suite of services supporting core HR business processes; manager and employee-facing HR processes, to include capturing and managing employee and HR information throughout the employee life cycle, ensuring the VA can properly execute recruiting, staffing, employee relations, labor relations, performance management, employee benefits, payroll, separations, record keeping, and data analysis and reporting.

Information Technology Segment

IT Infrastructure Operations (ITIO)

Composed of staff living and working across the United States, ITIO provides application hosting and technical support services for operations throughout the VA. ITIO manages the VA's core data centers in Austin, Texas; Martinsburg, West Virginia; Hines, Illinois; Philadelphia, Pennsylvania; and Quantico, Virginia. The organization also provides IT services in support of applications running in customer-owned facilities and non-VA facilities (such as public cloud). ITIO focuses on the customer experience to deliver IT services and solutions that foster modernization, reliability and simplicity. Key services include IT security, application hosting, storage, network infrastructure, operating systems, mainframe, database, middleware, web hosting services, and data center operations and logistics.

LETTER TO STAKEHOLDERS

Leroy Larkins
Executive Director,
Office of Revolving Funds

On behalf of the Franchise Fund, I invite you to examine our FY 2023 Annual Report, outlining the VA Enterprise Centers' accomplishments and plans for next year, and the Franchise Fund's audited financial statements.

This report documents the Franchise Fund's progress in the delivery of exceptional support services to VA and OGA. We ended FY 2023 with a total revenue of $1.8 billion, which is an increase from FY 2022 revenue of $1.5 billion.

THE FRANCHISE FUND'S PROGRESS RESULTED IN SOME NOTEWORTHY ACCOMPLISHMENTS. THEY INCLUDE:

» *Attaining an unmodified audit opinion of our financial statements for the 26th consecutive year.*

» *Embracing the VA Chief Information Officer's four priorities: Vision-driven Execution, Operational Excellence, Delightful End User Experience, and People Excellence was a key priority for ITIO during FY 2023. Initiatives like the Customer Success Office, Communication and Learning Center, IT Connect program, and Infrastructure Operations Wayfinders were launched to nurture a customer-focused culture. New feedback channels enabled ITIO to provide timely, proactive, service-oriented communication. (ITIO)*

» *Collaborating with VBA and VHA, DMC provided financial relief options to Veterans after resuming debt collections suspended during the pandemic. This positioned DMC to offer timely and compassionate support while handling 405,000 suspended accounts in FY 2023. (DMC)*

» *Managing two critical Financial Management Business Transformation (FMBT) waves, each with 90-day Hypercare support, were a milestone achievement for FSC during FY 2023. The OM+ wave saw 3,932 tickets (3,580 resolved), 168 ad hoc sessions, 79 self-help articles, and 93% user access during Hypercare. Integrated Financial and Acquisition Management Systems (iFAMS) Help Desk resolved 94.34% of 23,172 cases, earning 97% customer satisfaction. In the Consolidated Wave Stack (CWS) wave, 2,450 tickets (2,233 resolved), 12 ad hoc sessions, 99 self-help articles, and 77.23% of CWS users and 93.82% of transactional users accessed the system before Go-Live Customer Support period ended. (FSC)*

» *Achieving full operational capacity during FY 2023 was a significant achievement for LETC after three consecutive years of limited operational capacity. Despite the consistently changing environment, LETC displayed resilience and adaptability, allowing it to steadfastly pursue its mission of delivering law enforcement training to VA law enforcement professionals. (LETC)*

» *Advancing PSAC's low-code/no-code solutions during FY 2023 was achieved through VA-provisioned software, bolstered by "premium" features designed to enhance data security and accessibility. The central Structured Query Language Server-based data architecture, which is centrally managed within the VA Enterprise Data Warehouse, plays a vital role in this initiative. The acquisition of the "premium" license expands access to VA users, enabling them to utilize a suite of utilities and applications that model PSAC processes. (PSAC)*

- *Continuing to expand its relationships with existing customers while incorporating emerging grants programs into its portfolio, the ICSC broadened its coverage of VA's Grants program during FY 2023. (ICSC)*
- *Reaffirming its commitment to delivering world-class service to VA's invaluable workforce. Throughout FY 2023, HCSC remained dedicated to the ongoing enhancement of programs and services, ensuring equitable access to resources for VA employees from diverse career fields, generations, and backgrounds, empowering them to pursue learning opportunities. (HCSC)*
- *Providing HR business processing, record-keeping, and user-centric HR solutions, CEHRIS is dedicated to agility in meeting Human Capital Modernization (HCM) demands. Empowering VA HR professionals, managers, and employees amid evolving regulations, CEHRIS' focus aligns with the Cloud-based future of Federal HCM. CEHRIS collaborates with stakeholders to ensure uninterrupted VA HCM capabilities development, enhancing HR services. (CEHRIS)*

These successful endeavors are examples of the Franchise Fund delivering remarkable value and exceptional services to its Federal customers. The success of the Franchise Fund would not have been possible without the support of its customers. We thank all our customers for their continuing support.

I am pleased to submit the VA Franchise Fund FY 2023 Annual Report. As the Franchise Fund looks forward to this coming year, I am confident it will continue to demonstrate sound business practices under the current governance structure.

Leroy Larkins

OUR STAKEHOLDERS

Our ultimate stakeholders are Veterans and their families who directly benefit from the services the VA provides, and those who carefully monitor the delivery of these services, including OMB, Congressional authorization and appropriations committees and subcommittees, and Veterans Service Organizations (VSO).

As knowledgeable Government professionals, we provide our stakeholders with creative, cost-effective and practical solutions to help them accomplish their primary mission. Although Federal agencies have their own unique missions, our collective experience enables us to give expert advice from an insider's point of view, as we understand unique requirements and financial constraints. We realize that we must compete for business every day to retain our customers' trust and confidence.

External Stakeholders

- Veterans and their families
- Congressional authorization and appropriations committees and subcommittees
- Defense Finance and Accounting Service
- Department of Health and Human Services
- Department of Homeland Security
- Surface Transportation Board
- Department of the Army
- Department of the Air Force
- Veterans Service Organizations
- Private sector vendors

Internal Stakeholders

- Veterans Health Administration
- Veterans Benefits Administration
- National Cemetery Administration
- VA Staff Offices
- Board of Veterans' Appeals
- Franchise Fund Enterprise Centers
- Office of Acquisition and Logistics
- Office of Information and Technology
- Office of the Inspector General
- Office of Electronic Health Record Modernization

COMPARISON OF CUSTOMER REVENUE FROM FY 2021–2023

The VA Franchise Fund relies on a diverse customer base to sustain its revenue, with approximately 85 percent of its income originating from VA customers. Within VA, VHA and VA Staff Offices have been consistent contributors, generating the most significant revenue for the Enterprise Centers. The remaining 15 percent of revenue derives from various OGA customers.

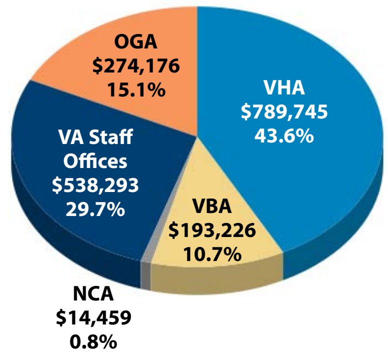
FY 2023 Performance: VA Customers

In FY 2023, revenue from VHA and VBA customers exhibited substantial growth, with an increase of $238 million and $96 million, respectively. This increase in VHA revenue can be attributed to expanded service agreements with ITIO, FSC, and CEHRIS. Meanwhile, VBA revenue surged due to a significant uptick in service agreements with ITIO, along with contributions from the newly incorporated enterprise center, CEHRIS. However, it's noteworthy that revenue from VA Staff Offices experienced a $75 million decline in FY 2023. This reduction can be traced back to decreased service agreements with ITIO, FSC, and PSAC.

OGA Revenue and Overall Performance

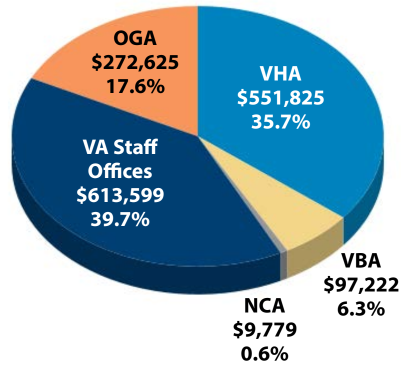
Revenue from OGA customers remained consistent between FY 2022 and FY 2023, resulting in an overall Franchise Fund revenue of $274 million for FY 2023, a slight increase from the $273 million reported in FY 2022. However, it's worth mentioning that there was a minor decline in OGA revenue from FSC, amounting to $3.5 million. This dip was offset by a corresponding $3.5 million increase in OGA revenue from the LETC. This notable increase can be primarily attributed to expanded business engagements between LETC and the United States Air Force.

The VA Franchise Fund's dynamic revenue composition reflects its ability to serve a wide range of VA and OGA customers, demonstrating adaptability and sustainable growth over the years.



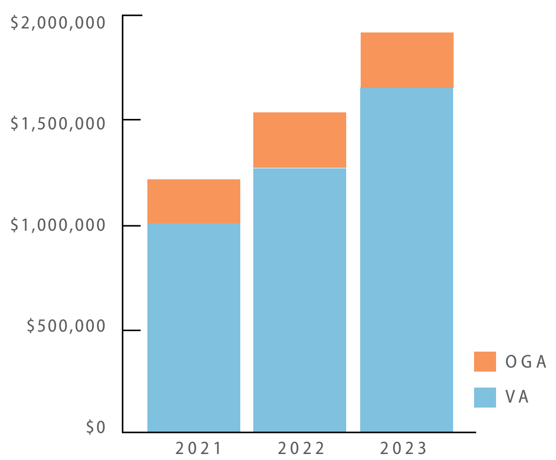
VA FRANCHISE FUND REVENUE BY CUSTOMER AS OF SEPT. 30, 2023

(DOLLARS IN THOUSANDS)



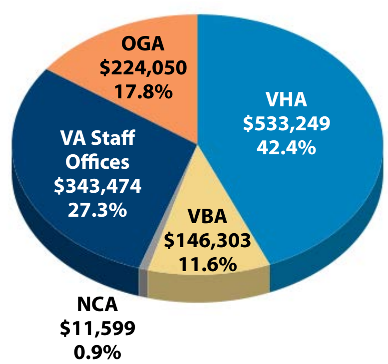
VA FRANCHISE FUND REVENUE BY CUSTOMER AS OF SEPT. 30, 2022

(DOLLARS IN THOUSANDS)



VA FRANCHISE FUND REVENUE SOURCE VA VS. OGA

(DOLLARS IN THOUSANDS)



VA FRANCHISE FUND REVENUE BY CUSTOMER AS OF SEPT. 30, 2021

(DOLLARS IN THOUSANDS)

MEETING VA FRANCHISE FUND OBJECTIVES

Information Technology Segment – ITIO

VA Enterprise Cloud (VAEC)

In FY 2023, ITIO successfully migrated 369 VA applications to the VA Enterprise Cloud (VAEC), incorporating 135 Veterans Health Information Systems and Technology Architecture (VistA) sites from legacy locations. This accomplishment exceeded the VA's goal of migrating 350 systems/applications across 9 available cloud service provider (CSP) regions by the end of FY 2024.

Customer Success

ITIO's Customer Success program has thrived as the organization consistently delivers world-class IT infrastructure solutions. ITIO facilitated and supported the VA Secretary's personal pronoun initiative, migrated multiple applications to new hardware, reduced technical debt, initiated site onboarding for Enterprise Cloud Fax (ECFax) operation, introduced new platforms and services to diverse customers, and ensured the adequacy and availability of VA's extensive IT infrastructure. In a bid to provide proactive and timely communication, our organization established the ITIO Communications Center and ITIO Learning Center to keep stakeholders informed, engaged, and connected. Furthermore, ITIO introduced an Idea Portal, enabling the submission of ideas, suggestions, and feedback. ITIO also developed and launched an executive dashboard featuring current metrics related to incidents, critical/bedrock systems, weather, staffing, data center management, service management, cloud operations, and other areas to enhance infrastructure and customer management.

Data Center Consolidation

In FY 2023, ITIO's National Data Center Operations and Logistics (NDCOL) played a pivotal role in ensuring VA's compliance with the Federal Information Technology Acquisition Reform Act (FITARA) and meeting the targets outlined in the Data Center Optimization Initiative (DCOI) policy. It's worth noting that DCOI was sunset at the end of FY 2022. NDCOL spearheaded numerous projects aimed at closing VA data centers by efficiently migrating IT systems, both physical and virtual servers, and applications from VA on-premises data centers to the VAEC, as well as Regional Data Centers (RDC) and Information Technology Centers (ITC). These efforts were in alignment with the goals established in the DCOI Strategic Plan. Additionally, NDCOL successfully implemented an advanced power and environmental monitoring system, enhancing operational awareness and response times for all ITCs and RDCs.

Financial Management Segment – FSC

Invoice Payment Processing System (IPPS)

In FY 2023, FSC's IPPS achieved a success rate of over 99% in terms of payment timeliness and accuracy. FSC successfully processed 1.2 million invoices, totaling $27.6 billion, while capturing $4.8 million in discounts. The interest paid per million payments processed was $10. FSC also handled 3,900 payments for construction invoices amounting to $1.47 billion. In an effort to minimize improper payments, FSC prevented 4,261 erroneous invoices totaling $88.8 million.

Travel Services

In FY 2023, FSC's Permanent Change of Station Division efficiently processed 362 employee relocations amounting to $46.1 million. They also adjudicated 2,580 employee claims and vendor invoices totaling $14.8 million within seven business days, achieving a 95% on-time rate. This division provided centralized oversight and management for the VA's entire foreign travel program, ensuring the smooth processing of government passports, VISAs, and eCountry Clearance requests vital for mission-critical travel in compliance with VA Financial Policy, Volume XIV-Chapter 6, and Federal Travel Regulations.

Claims Processing and Services

In FY 2023, the Financial Healthcare Service (FHS) achieved a significant milestone by processing approximately 4.7 million claims, amounting to $3.2 billion in disbursements across all product lines. A noteworthy highlight of the fiscal year was the successful deployment of the Electronic Claims Administration and Management System (eCAMS) Provider Portal (PP) to eligible National Dialysis Service Contract (NDSC) providers, aligning with the Federal Data Center Optimization Initiative. FHS proactively engaged NDSC providers with over 5,800 enrollment letters and registration packets, resulting in an impressive 2,215 NDSC providers actively utilizing eCAMS-PP, including 611 unique tax identifications and 1,199 unique national provider identifiers. Impressively, eCAMS-PP saw a significant 119% increase in user enrollments during FY 2023 compared to FY 2022, with approximately 50% of this growth attributed to NDSC provider enrollments.

Elimination of Improper Payments

In FY 2023, FSC conducted reviews of more than 5 million pre-payment transactions, amounting to $45.6 billion, with a focus on identifying potential improper payments. As a result, improper payments totaling $13.8 billion were successfully prevented. Furthermore, FSC examined over 140,000 post-payment transactions through the Audit Recovery Portal, totaling $201 million, and found that the improper payment rate was less than 0.1%. In terms of recovery efforts, FSC managed to recover over 63,000 transactions, amounting to more than $52.6 million during FY 2023, utilizing the Bills for Collection (BFC) Portal.

Payroll Processing

In FY 2023, FSC's Financial Payroll Service (FPS) achieved a significant transition, incorporating 78 stations and adding 50,800 employees. This marked a 38% increase from FY 2022, resulting in FPS now serving over 186,000 employees and overseeing an annual payroll and benefits processing of approximately $23.9 billion. FPS's Customer Support Teams demonstrated remarkable performance, responding to 485,000 customer engagements, including answering 151,000 phone calls and addressing 334,000 self-service portal tickets. Additionally, the Payroll Contingency Operations Team effectively provided temporary payroll support, offering virtual payroll services to ten stations and 32,000 employees. This ensured uninterrupted payroll processing for stations facing staffing issues, natural disasters, or awaiting their transition to the FSC.

Financial Technology Service - Cloud Migration

In FY 2023, the FSC successfully migrated 12 applications to the cloud. Notable among these was the Community Care Non-Network Provider Portal, a significant accomplishment that directly supports the work of 6,000 medical providers delivering essential care to our Veterans across the United States. This cloud migration has not only enhanced security, accountability, and flexibility but also resulted in cost savings of approximately $1.7 million by reducing spending on information technology hardware.

Financial Management Segment – DMC

Debt Collection Programs

During FY 2023, DMC collected $1.66 billion, marking a 7% increase from FY 2022 and a 24% increase from FY 2021. In FY 2022, DMC's total collections exceeded $1.58 billion, representing a 19% increase from FY 2021. This achievement is substantial, especially in light of ongoing debt relief efforts, showcasing DMC's ability to compassionately support Veterans while maintaining fiscal responsibility in collecting funds returned to VBA and VHA for future Veteran benefits and services. In FY 2023, DMC's cost to customers stood at $51.1 million, equivalent to 3% of collections, underscoring DMC's focus on lean financial practices and optimizing operations to meet the needs of Veterans and customers. Additionally, in FY 2022, DMC implemented a minimum threshold for delinquent debt reporting, resulting in a 99.9% reduction in debt referrals to credit reporting agencies. This action received recognition from the Vice President of the United States during a White House event that acknowledged VA's initiatives in supporting the financial well-being of Veterans.

Financial Management Business Transformation

In FY 2023, DMC actively engaged with Veterans and pertinent stakeholders to develop clear and concise communications. Through 52 completed engagement activities, DMC met the requirements for Employee Engagement (EE), Employee Experience (EX), and Inclusion, Diversity, Equity, Access (IDEA). These outreach efforts were significantly extended via VSO executives' network, facilitating DMC's participation in numerous national, state, and local conventions and conferences. This enabled effective dissemination of information regarding DMC's compassionate debt relief program and debt portal features to over 12 million stakeholders. By August 31, 2023, DMC had met with 80% of the identified stakeholder groups. DMC played a pivotal role in the early development and launch of the Streamlined Waiver on the VA Debt Portal, simplifying Veterans' access to financial relief and aligning with SecVA's goal of enhancing services for millions of Veterans. Additionally, DMC made significant enhancements to the VA Debt Portal within VA.gov, including additional email notifications to Veterans, improvements to the VA Financial Status Report (FSR), and streamlined waiver submission through the VHA Electronic FSR, enabling millions of Veterans to electronically resolve their debts. Finally, DMC diligently collected post-call contact center survey data to enhance Customer Experience (CX) and improve the Veteran experience across various areas. This data was systematically collected, analyzed, and applied to enhance presentations, shape more effective VA messaging, and establish best practices that have been widely adopted throughout VA.

Financial Debt Management System Innovation

In FY 2023, DMC successfully completed multiple phases of the Veterans Account Management System (VAMS) development, further enhancing the DMC Salesforce application's capabilities. DMC's ongoing efforts involve identifying legacy processes from both the Centralized Accounts Receivable Online System (CAROLS) and stand-alone DMC applications for migration into Salesforce. This migration significantly reduces employee processing time and streamlines the number of disparate systems required to perform functions. The most recent phase introduced improvements to existing VAMS processes, including the capability for refund processing of unapplied deposits, which, in turn, allowed for the decommissioning of a legacy application and the migration of historical debt information, eliminating 2 additional DMC-built applications. Additionally, DMC initiated the process to modernize the mainframe CARS application and laid the foundation for restructuring and accessing Centralized Accounts Receivable System (CARS) data.

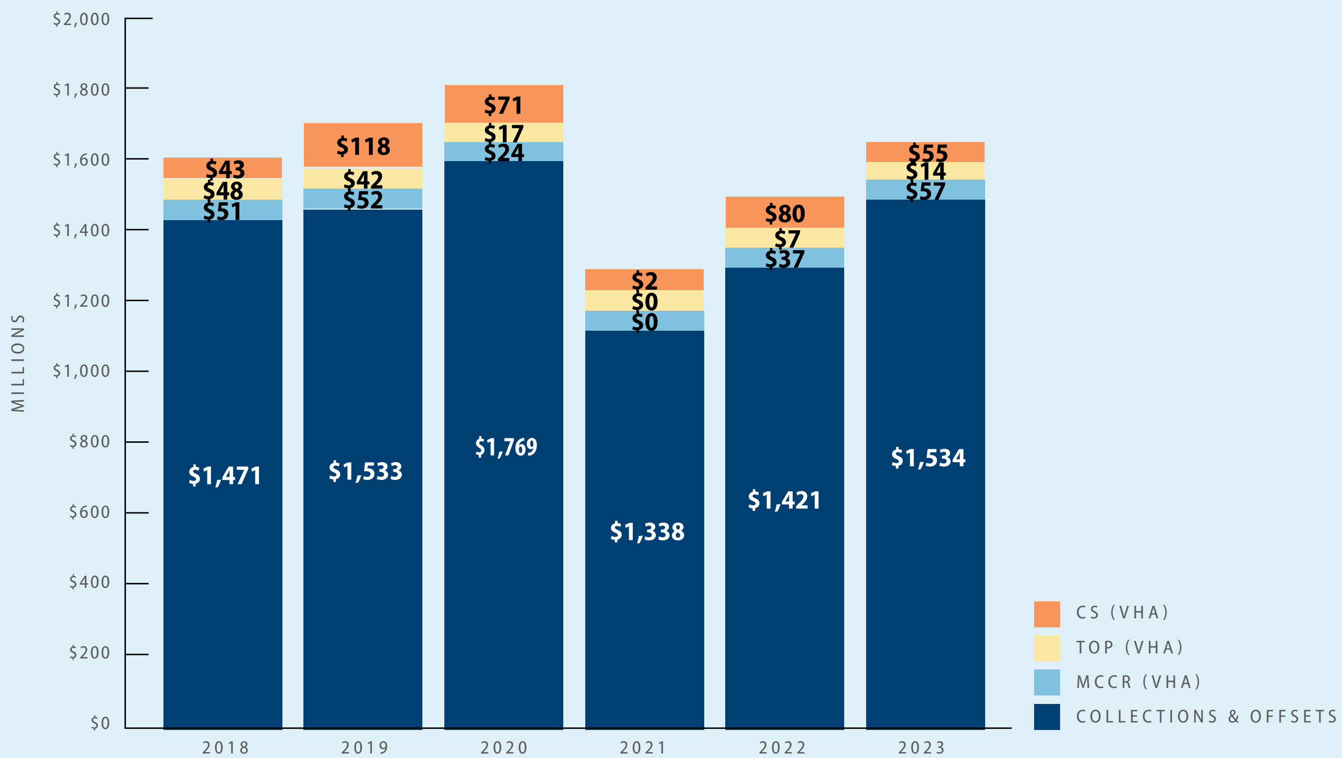
DMC Cultural Enhancement Experience

In FY 2023, a study was initiated to enhance the workforce experience and organizational culture. An expert contractor was engaged to assess key areas of strength and opportunity. From these identified areas, detailed plans and training materials were developed, including the creation of a supervisor and DMC All Culture workshop. These initiatives aimed to generate enthusiasm and engagement towards positive cultural change and a new vision for the organization's culture.

DMC's Senior Executive Leadership Team (SELT) identified more than 35 opportunities for DMC staff to enhance communication, engagement, and relationships with both colleagues and DMC leadership in the virtual environment. New opportunities introduced included "We're Not Really Strangers," a 25-minute monthly DMC-wide gathering where participants answered 3 questions to foster connections within small groups. Another monthly initiative was the SELT roundtable discussion, focusing on creating a culture of consistent feedback, compassionate care, and direct challenges.

To support this, a leadership development initiative was launched, involving the management team in the reading and discussion of 'Radical Candor,' which provides guidance on offering feedback for leaders. The DMC continued its tradition of annual team building events, such as the screening of the documentary, "Invisible Warriors: African American Women in World War II." This documentary shed light on the often-overlooked experiences of "Black 'Rosie the Riveters,'" who were a vital part of the sisterhood of 20 million women contributing to America's 'arsenal of democracy.' These initiatives collectively aimed to foster a more inclusive and engaging workplace culture.

FY23 Total Collections for FF (DMC)						
	2018	2019	2020	2021	2022	2023
Collections & Offsets (VBA)	$1,470,812,000	$1,532,711,000	$1,768,547,989	$1,338,445,607	$1,421,077,044	$1,533,859,089
Medical Care Cost Recovery (VHA)	$51,226,698	$51,765,500	$24,931,053	$889	$36,539,284	$57,446,525
Treasury Offset Program (VHA)	$48,444,409	$42,135,698	$16,589,792	$118	$7,054,909	$14,473,654
Cross Servicing (VHA)	$43,284,122	$118,228,400	$70,708,466	$2,006,826	$80,495,270	$54,647,944
Total Collections	**$1,613,767,229**	**$1,744,840,598**	**$1,880,777,300**	**$1,340,453,440**	**$1,545,166,507**	**$1,660,427,212**



Financial Management Segment – ICSC

OMB Circular A-123 Internal Controls Program

In FY 2023, ICSC, under the leadership on OBO conducted OMB Circular A-123, Appendix A assessments for 12 business processes, which included Compensation, Pension, Education, Loan Management, Payment Management, Property, Plant and Equipment, Revenue and Receivables, Budget Execution, Grants Management, Fund Balance with Treasury Management, Insurance Management, and HR and Payroll Management. ICSC successfully completed the final set of baseline assessments, enabling the implementation of a continuous monitoring strategy. This strategy will focus on financial internal controls with the greatest impact and highest risk, or those that changed due to alterations in law, regulation, policy, process, or system. This approach positions VA to receive more timely feedback on control effectiveness and to address any issues before they become significant findings from external parties such as the Office of Inspector General (OIG) or Government Accountability Office (GAO).

ICSC Support of VA's Homeless Provider Programs

In FY 2023, ICSC achieved successful completion of 113 reviews for the Supportive Services for Veterans Families (SSVF) program, validating nearly $366.9 million in grantee funding. These reviews led to 657 recommendations for enhancing the financial and operational practices of the grantees. Additionally, ICSC's staff conducted 76 reviews at Grants Per Diem (GPD) grantees, encompassing $256.8 million in VA grant funding, which resulted in 274 specific recommendations to the grantees. Through ICSC's diligent efforts, both the SSVF and GPD program offices now have confidence in their grantees' compliance with applicable laws, rules, and guidance. Most importantly, ICSC is assured that its grantees are making a positive impact on the well-being of homeless Veterans.

Technology Transfer Program (TTP)

In FY 2023, ICSC auditors, overseen by VA's TTP office, successfully conducted 8 reviews of VA's trading partners, which manage 1,205 inventions, 206 invention licenses, and nearly $1.3 million in revenue, expenses, and royalties. These reviews revealed 63 inventions that had not been previously disclosed to VA. Furthermore, the audits uncovered 65 patents that had inaccurately excluded VA.

NCA Compliance Review

In FY 2023, ICSC conducted 17 reviews of cemeteries operated by State and Tribal governments on behalf of NCA. These reviews led to recommendations for enhancing cemetery operations and aligning them with NCA directives. Through close collaboration between ICSC and VA's NCA office, VA now possesses assurance that State and Tribal Government cemeteries are operating at a level consistent with VA NCA standards.

Staff Sergeant Gordon Fox Suicide Prevention Grants Program (SSG Fox SPGP) Compliance Review

In FY 2023, ICSC established a partnership with one of VA's latest Grants Programs, SSG Fox SPGP. ICSC collaborated closely with the program office to create, test, and implement a review process, ensuring that the SSG Fox SPGP is confident in their grantees' appropriate use of VA funds. During this year, ICSC conducted 8 reviews, encompassing $5.5 million in funding. Over the next 3 years, ICSC is tasked with reviewing all 80 SSG Fox SPGP grantees.

National Veterans Sports Program and Special Events (NVSPSE) Compliance Review

ICSC expanded its review portfolio to include NVSPSE. During FY 2023, ICSC conducted reviews of 7 NVSPSE grantees, which involved $1.6 million in funding. ICSC offered support in invoicing, verified Veteran eligibility, and contributed to the development of policies to assist grantee operations.

AmeriCorps Compliance Reviews

In FY 2023, ICSC extended its services to its first non-VA customer, AmeriCorps, the Federal agency overseeing national service and volunteerism. AmeriCorps distributes funds to local organizations, and they enlisted ICSC's assistance in evaluating the financial practices of these organizations. ICSC collaborated with AmeriCorps to create and implement a verification process, which was tested at 6 sites. AmeriCorps intends to broaden the scope of these reviews to encompass their highest risk partners in the upcoming years.

Personnel Security and Law Enforcement Segment – PSAC

Trusted Workforce 2.0

VA PSAC continues to spearhead the department's efforts in Trusted Workforce (TW) Continuous Evaluation (CE). The PSAC has achieved the successful enrollment of 11,275 VA employees and contractors in DCSA TW/CE program. Furthermore, the PSAC oversees the enrollment of all VA TW/CE participants into DCSA's Rap Back program to meet the Federal government's TW 1.5 mandate. These achievements received recognition from the VA's Assistant Secretary for HRA/OSP, as well as the Chief Security Officer.

Team Development

In FY 2023, the PSAC furthered its collaborative efforts with various departments within the VA, including VHA, VBA, and NCA, VA Central Office security offices, and others. The PSAC's operations team set a notable benchmark by successfully transitioning from DCSA's Electronic Questionnaires for Investigations Processing (e-QIP) system to DCSA's new Electronic Application (eAPP) system ahead of schedule. Operational supervisors from the PSAC played an integral role as members of the Veterans Affairs – Centralized Adjudication Background Investigation System (VA-CABS) 2.0 development team, making substantial contributions to ensure that future enhancements would enhance the efficiency of processing background investigations throughout the department.

National Security Adjudication Timelines

The PSAC has significantly surpassed the Office of Director of National Intelligence (ODNI) Security Clearance Process Timeliness goals this fiscal year. The ODNI requirement for the initiation of Security Clearance Background Investigations is 14 days from the receipt of a correctly completed request packet. The following are the PSAC reports results from ODNI:

» ***Tier 3 Secret – 2 Day***
» ***Tier 5 Top Secret – 2 Days***

The ODNI requirement for the adjudication of Security Clearance Background Investigations is 20 Days from the receipt of the closed case file from DCSA. The following are the PSAC reports results from ODNI:

» ***Tier 3 Secret – 2 Days***
» ***Tier 5 Top Secret – 6 Days***

The ODNI requirement for the combined process of initiation and adjudication of Security Clearance Background Investigations is 34 Days. The following are the PSAC reports results from ODNI:

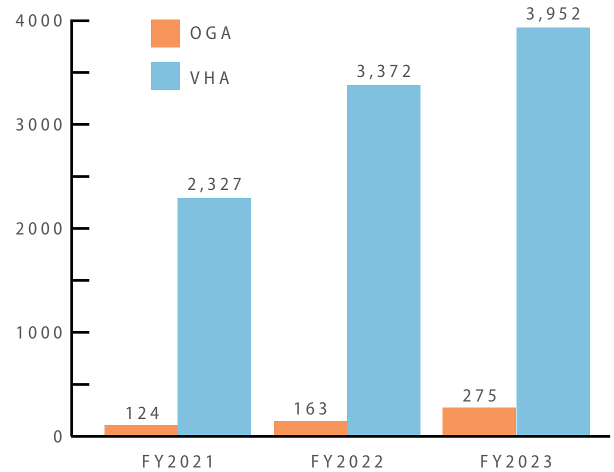
» ***Tier 3 Secret – 4 Days***
» ***Tier 5 Top Secret – 8 Days***

The PSAC's performance in the realm of Security Clearances allowed VA employees with this requirement to efficiently fulfill their duties in a significantly reduced timeframe.

Personnel Security and Law Enforcement Segment – LETC

VA Police Officer Training

In FY 2023, the number of VA police officers trained reached 3,952, marking a significant 17.2% increase from the 3,372 VA police officers trained in FY 2022. Additionally, the number of OGA personnel trained stood at 275, reflecting a substantial 68.7% increase from the 163 OGAs trained in FY 2022.



NUMBER OF POLICE OFFICERS TRAINED

LETC maintained its dedication to consulting with customers regarding new course offerings and platforms, including online virtual options. The organization also continued its collaborative efforts with multiple OGAs to plan for potential future training opportunities. Notably, in partnership with its Department of Air Force (DAF) customer, LETC successfully negotiated a new 5-year agreement. This agreement resulted in increased student throughput and the development of new in-person and online virtual courses, to be implemented in FY 2023 and FY 2024. Importantly, this new agreement boosted LETC's business by an impressive 241%.

Expanded Course Offering

In FY 2023, LETC continued its efforts to modernize and expand its service catalog, aiming to enhance quality and availability. This included the revision of curriculum and courses, the development of new curriculum and courses, and an expansion of its virtual online course offerings to better serve its customers. LETC remains committed to incorporating innovative methods for modernizing police training in alignment with the modernization initiative outlined by OSP.

PHOTO OF VETERANS AFFAIRS DEPUTY SECRETARY DONALD M. REMY VISITING THE VA'S LAW ENFORCEMENT TRAINING CENTER IN LITTLE ROCK, ARKANSAS ON AUGUST 9, 2022.

LETC has not only revised existing courses but also introduced several new courses into virtual platforms, catering to both VA and OGA course offerings. These virtual training platforms will be an ongoing feature into FY 2024 and beyond. Notably, the VA Police Officer Standardized Training Recertification Course (VA POST-R) has been revamped and launched as a new self-paced online course scheduled to commence in FY 2024. These virtual platforms offer a cost-saving advantage by reducing travel expenses associated with sending multiple attendees to in-person courses at LETC training facilities.

Furthermore, LETC is in close collaboration with VHA and contracting to identify alternative training locations. Anticipating significant growth in student throughput and the introduction of new course offerings, LETC is actively preparing to accommodate this increased demand by identifying new locations, expanding personnel, and securing the necessary resources to effectively support operations of this magnitude.

Human Resources Segment – CEHRIS

CEHRIS HR Product Lines

During FY 2023, CEHRIS was committed to adapting and delivering services to meet growing and evolving customer demands, along with incorporating emerging industry solutions using agile business methodologies to continuously develop and refine existing systems.

Core HR: This program responded to the Promise to Address Comprehensive Toxics (PACT) Act Legislation by implementing HR system changes to support various aspects, including PACT Act Toxic Exposure Hiring, Critical Pay, Special Salary Rates (SSR), Recruitment, Relocation & Retention Incentives, Critical Skills Incentives, and Special Contribution Awards. The HR Smart platform delivered Location Redesign, Security Redesign, Salary Automation, and Drug Testing notification functionality, enhancing automation and substantially reducing manual processes.

The program also successfully delivered an enhanced self-service that fully integrated the platform's automation and intelligent workflows, creating more efficient and effective end-to-end employee lifecycle processes. This transformation ultimately improved the overall employee experience, which is now referred to as The Talent Experience Platform (TXP). It was formerly known as MyHR before its enterprise-wide delivery.

» ***Compensation and Benefits: This program delivered the Employee Benefits Self Service (EBSS) solution to the enterprise, a one-stop-shop module where employees can easily manage their benefit elections and "Life events" in HR·Smart.***

» ***Performance Management: This program continued to expand its user base to 367,000 enterprise-wide system users, providing Single Sign-On (SSO) capability, and integration with electronic official personnel folder (eOPF), and successfully completed critical User Acceptance Testing (UAT) for ePerformance v4.8 updates.***

» ***CEHRIS Governance: This oversight program, sponsored by the Assistant Secretary (AS) HRA/OSP, enables strategic decision-making for all enterprise product lines and provides stakeholder feedback avenues to improve customer satisfaction. In FY 2023, CEHRIS:***

» ***Conducted 12 monthly Program Steering Committee (PSC) events for cross-collaboration and communication with HR IT stakeholders.***

» ***Conducted 4 quarterly Executive Governance Council (EGC) events to elicit strategic direction and governance for all HRA/OSP capabilities.***

» ***Conducted 2 CEHRIS Roadshows (VISN 21 and NCA) to empower end users to provide system feedback and share improvement ideas; discuss resolution of actions/issues; detail forthcoming system changes; and learn how we can better serve our customers and their needs.***

Planned for the HCM Strategy Summit, kicking off stakeholder engagement around VA's HCM Program and impending acquisition effort, with expected participation from 130+ senior VA stakeholders.

Partnered with the General Services Administration (GSA) to develop a plan to build the HCM Capabilities Roadmap, as well as a Proof of Concept. The Capabilities Roadmap will analyze current HCM systems across the VA to determine how they align to the Human Capital Business Reference Model (HCBRM). The roadmap will also provide a notional plan for modernization of these systems and how to address any gaps identified.

Human Resources Segment –HCSC

Career Development Programs

Throughout FY 2023, HCSC played a pivotal role in preparing our workforce, a cornerstone of VA's strategic plan to achieve our shared mission. HCSC is committed to cultivating lifelong learners who are well-prepared, adaptable, and ready for the future. HCSC significantly increased VA's capacity to nurture early-career employees by successfully graduating 798 participants from the inaugural cohort of the Virtual Aspiring Supervisor Program (vASP). Impressively, the program received 13,814 applications, signifying considerable interest. This heightened participation translated to a revenue increase of $210,379. Furthermore, HCSC bolstered VA's internal talent pool for Senior Leadership roles, graduating 24 candidates from VA's 2023 Senior Executive Service Candidate Development Program (SESCDP). This marked a notable 26% increase compared to the previous graduating class. The 2024 SESCDP cohort, currently underway, boasts 28 participants.

In FY 2023, two Leadership VA (LVA) cohorts completed their programs, the first with 49 participants and the second with 96. Remarkably, over 51% of the participants in the first cohort received promotions or increased responsibilities in their roles. Expanded marketing support and application portal enhancements resulted in a 21% increase in applicants compared to the previous fiscal year. HCSC, in its management of the first session of the Strategic Leadership Course II, witnessed 24 Senior Executives graduate. HCSC effectively handled the acquisition package to award a new contract that aligns with the Department's needs.

HCSC continued to support leadership development through the administration of the President's Management Council Interagency Rotation Program (PMC-IRP) and the Chief Executive Officer's (CXO) Fellowship Program. VA hosted 11 PMC-IRP fellows from other agencies, while 15 VA employees successfully completed PMC-IRP rotations outside VA. Furthermore, 5 VA employees were chosen for the FY 2024 CXO cohort. These programs are instrumental in broadening VA employees' horizons and enhancing their leadership skills.

In FY 2023, HCSC introduced Supervisor University (SuperU), encompassing redesigned training for supervisors, such as SuperU for New Supervisors (SUNS) and Supervisor and Manager Refresher Training (SMR). The curriculum development incorporated feedback from over 100 pilot participants and insights from subject matter experts across the Department to ensure program relevance for new, existing, and future VA supervisors. Efforts to foster a learning culture within VA expanded. During the year, 7,851 VA employees attended webinars hosted by the Supervisor Community of Practice (SCoOP). The VA Coaching Program (VACP) delivered over 9,000 hours of coaching to more than 600 VA employees, underlining HCSC's unwavering commitment to VA employees and supervisors. This relationship plays a pivotal role in VA staff succession.

Lastly, in FY 2023, HCSC extended its support for the Consolidated Internship Programs, which the President's Management Agenda deems essential for achieving the goals outlined in the Workforce Priority. HCSC organized VA's inaugural Internship and Fellowship Recognition Week in July 2023, celebrating interns' and fellows' contributions to VA's mission. The event featured information sessions for VA employees interested in hiring through HCSC's internship and fellowship programs. Notably, 45 VA employees served as Workforce Recruitment Program recruiters, providing support to individuals with disabilities interested in applying to VA roles.

The Presidential Management Fellowship (PMF) Program executed a comprehensive marketing strategy for the 2023 PMF Class Year. This included presentations, information sessions, briefings, and hiring fairs, reaching over 3,000 VA hiring managers, HR professionals, and PMF Finalists. VA advertised 31 full-time employee positions for PMF Fellows and successfully hired 7 members of the 2023 cohort. The PMF Program Office is dedicated to ensuring Fellows meet program requirements and experience a balance between work and life. They achieve this by conducting quarterly 1:1 meetings with Fellows, hosting bi-monthly cohort meetings, and offering additional leadership development opportunities, including group and 1:1 coaching.

The National Diversity Internship Program (NDIP) experienced heightened interest, with a 28% increase in Fall FY 2023 applicants compared to Fall FY 2022. Survey results reflected positively on NDIP interns' experiences, with 60% expressing interest in working for VA, 20% applying for VA positions, and 90% indicating they would recommend the program to others.

Talent Development Services (TDS)

Technology is reshaping the way VA employees work, learn, collaborate, and lead. HCSC continues to provide world-class support and administration for the Talent Management System (TMS 2.0), VA's learning and development system of record.

During FY 2023, TMS 2.0 recorded over 18.7 million learning completions, surpassing the previous year's record by nearly 10%. The system supported 657,000 active users, marking an increase of 47,000 compared to FY 2022. HCSC also conducted a cleanup, eliminating 30,000 non-employee, self-registered TMS 2.0 user profiles that lacked validation by a VA employee and had no learning recorded for over one year.

HCSC delivered virtual instructor-led and web-based training to 1,916 TMS 2.0 administrators throughout VA, accompanied by 231 technical support coaching sessions, offering direct mentoring and technical guidance. In support of end users, HCSC provided web-based training to 723 VA supervisors and managers across the VA on topics related to performing TMS 2.0 learning and employee development tasks within the solution. HCSC accomplished a significant milestone by obtaining VA Authority to Operate and Federal Risk and Authorization Management Program (FedRAMP)-Authorization for VA's Learning Content Management System (LCMS).

The TMS 2.0 Tier 2 Help Desk team made a seamless transition from an OIT contract vehicle to HCSC. This transition is expected to save VA $1.25 million annually, while simultaneously enhancing the services provided and maintaining service volume and customer satisfaction rates.

In FY 2023, HCSC improved data reporting and analytics capabilities for customers by updating an integration between TMS 2.0 and HR Smart. This integration addressed pressing business requirements identified by VHA and the OIT, enabling all customers to utilize development data for broader workforce analytics.

HCSC aligned with our customers' priorities by updating mandatory and required training content offerings in TMS 2.0 and engaging in collaborative efforts on the following key initiatives:

- ***Delivered the annual update to Privacy and Information Security Awareness and Rules of Behavior training in coordination with OIT.***
- ***Delivered an update to OIG training for all employees.***
- ***Collaborated with FSC to update the Travel Policy Services: Accountable Officials training which had been inaccessible for a year.***
- ***Processed regular updates to the assignment of FSC Travel Card, Purchase Card, and Fleet Card training impacting over 1,000 VA employees.***
- ***Created a custom Standard Form (SF)-182 process in TMS 2.0 for three facilities/organizations supporting over 3,000 employees.***
- ***Launched FY 2024 task-based and competency-based assessments for the OIT workforce in collaboration with OIT's Information Technology Workforce Development (ITWD) team.***
- ***Launched TMS 2.0 360 Multi-rater competency assessments to 17 NCA Cemetery Director Development Program interns.***
- ***Implemented TMS 2.0 FY 2023 competency assessment, Career Worksheet, and My Development Plan to 121 VHA Office of Health Informatics (OHI) employees.***
- ***Prepared the implementation of TMS 2.0 FY 2024 competency assessment, Career Worksheet, and My Development Plan to over 700 VHA OHI employees.***
- ***Collaborated with OIT ITWD to launch to FY 2024 competency-based assessments for VBA's human resources workforce.***
- ***Processed 862 requests for external web-content hosting on the HCSC iContent platform, publishing 379 courses, 61 of which were in support of the Office of Electronic Healthcare Record Modernization.***

Personnel Accountability and Notifications

In FY 2023, HCSC successfully negotiated a new contract for the Emergency Alerting and Accountability System (EAAS), resulting in substantial cost savings of $700,000 for its customers. This newly awarded contract also introduced enhanced features that were specifically requested by emergency managers. Users can now opt in for alerts while traveling, utilize geofencing/geolocation, benefit from caller Identification (ID) enhancements, ensure trusted internet connections, and receive alerts on their pagers.

Furthermore, HCSC executed a seamless deployment of an upgrade to the EAAS desktop alerting application across the entire Department, reaching more than 575,000 employee workstations. This upgrade significantly reduced the time it takes to deliver alerts to desktops, ensuring that alerts now arrive within 3 minutes. The effectiveness of this improvement was validated during Hurricane Idalia, where the alert response rate reached an impressive 92% on August 31, 2023.

Throughout the year, we responded diligently to local emergencies occurring nationwide. HCSC team members went above and beyond their regular duty hours to provide unwavering support to emergency managers and other EAAS administrators in delivering critical emergency notifications to VA employees during events like Hurricane Idalia, Hawaii's wildfires, and other catastrophic incidents.

The transition of Tier 2 Help Desk support for EAAS to the recently established HCSC Help Desk, managed by Talent Development Services (TDS), has led to improved response and resolution times for Tier 2 incidents. This change has also allowed HCSC staff to focus on process improvements that enable quicker resolution of Tier 3 incidents.

Lastly, it's noteworthy that EAAS has maintained a registration rate of 95% or higher across VA, underlining the system's effectiveness and user engagement.

PERFORMANCE HIGHLIGHTS FY 2023

In FY 2023, ITIO successfully concluded the initial testing phase of its new faxing modernization program, known as ECFax. Several sites have already begun utilizing this service, resulting in a total of over 3.68 million inbound and outbound faxed pages since April 19, 2023. The service is slated for implementation in an additional 53 sites in FY 2024. (ITIO)

In FY 2023, the FSC launched a significant electronic funds transfer (EFT) enrollment campaign to align with the United States Treasury mandate outlined in 31 CFR Part 208, aimed at reducing the issuance of around 960,000 Treasury checks annually. These checks, previously approved by VA, were disbursed to approximately 125,000 Civilian Health and Medical Program of VA (CHAMPVA) providers and individuals. Initially targeting 7,500 CHAMPVA participants for EFT enrollment, the FSC exceeded expectations, achieving a remarkable 240% increase by enrolling 18,000 CHAMPVA providers and individuals into EFT by September 2023. This initiative saved $113,500 and enhanced payment security, reducing the risk of Treasury check forgeries due to mail misrouting. By the end of FY 2023, total Treasury check payments decreased by $287,000, a 9.4% decline compared to FY 2022, with CHAMPVA payments notably reduced by $170,000, marking an 18% decrease from FY 2022. (FSC)

In FY 2023, DMC's international call center achieved an average speed to answer (ASA) of under 1.5 minutes by August 31, 2023. Remarkably, for 85% of the average month, ASA was maintained under 15 seconds, surpassing industry standards. These represent the shortest call times in DMC's history and one of the most efficient Veteran-facing ASAs in the VA. DMC shared these best practices and lessons learned with various VA administrations and OGA at the 2023 CX Symposium in Washington DC, where government leaders collaborated on implementing best-in-class practices. DMC's successful implementation of email debt notifications resulted in over 2.5 million VHA email notifications sent as of June 2023, revolutionizing the way Veterans can interact with their overpayments and submit electronic requests for action. Additionally, we upgraded our legacy case management system, leading to the successful replacement of CAROLS. DMC's new and improved intuitive case management solution, VAMS, offers a more efficient user-interface, eliminating the need to switch between multiple systems. (DMC)

During FY 2023, ICSC made significant contributions to enhance VA's grant and State-run cemetery operations. ICSC played a key role in producing the congressionally mandated report for VA's Homeless Provider programs regarding the utilization and expenditures of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan (ARP). Beyond reviews, ICSC actively contributed to the overall effectiveness of the Department's Grants management, benefiting Veterans. ICSC conducted in-person training sessions for 150 SSVF Program Managers, focusing on the tools, resources, and training materials available to facilitate program operations. Furthermore, ICSC presented at the Federal Laboratory Consortium for Technology Transfer National Meeting, highlighting how VA's Technology Transfer Program leverages ICSC to audit agreements between VA and its academic affiliate partners. (ICSC)

In FY 2023, LETC achieved re-accreditation for its Instructor Development Course (IDC) and VA Police Officer Standardized Training Course (VA-POST) with acknowledgment of 2 best practices, one involving strategic placement of customized Federal Law Enforcement Training Accreditation (FLETA) banners across LETC facilities, and the other pertaining to detailed reports documenting the Curriculum Review Conference (CRC) processes and outcomes. These reports offer valuable insights for organizations conducting course and curriculum reviews. LETC also conducted a successful pilot of Personal

Safety and Awareness training for VA Homeless Program Office staff to reduce employee attrition rates due to safety concerns. Additionally, VA aligned Report Executive classifications with the National Incident-Based Reporting System (NIBRS) to meet statutory requirements, facilitating NIBRS training and support for VA users. (LETC)

In FY 2023, VA-PSAC commendably met all customer service level agreements and timeliness requirements for background investigations established by ODNI and DCSA. It played a crucial role in overseeing 11,275 VA employees and contractors in TW/CE program. VA-PSAC exceeded ODNI and DCSA requirements for case adjudications with impressive statistics: 98.6% of National security cases were adjudicated within ODNI's 20-day standard, averaging 9.29 days; 99.6% of Suitability/Fitness cases met DCSA's 90-day standard, averaging 6.59 days; and 99.5% of all cases adhered to standard timelines. Due to its timely adjudications, VA-PSAC assisted the Internal Revenue Service (IRS), resulting in $504,000 in revenue to offset VA costs in FY 2023, with a $700,000 agreement set for the following year. (PSAC)

During FY 2023, CEHRIS responded to the VA's hiring growth and increased HR technology demand by enhancing human capital management capabilities, which led to improved customer satisfaction. Following a memorandum from AS HRA/OSP, CEHRIS received sponsorship, allowing for an enhanced HR IT governance framework. This framework designates the HR IT EGC as the strategic governing body for HRA/OSP HCM capabilities, with CEHRIS as the secretariat. It's responsible for maintaining a capabilities-based HCM roadmap and ensuring HR IT governance aligns with customer needs. Moreover, the CIO and AS HRA/OSP expanded the HR IT governance framework's oversight from 5 to over 27 HCM systems across the VA enterprise. This multi-tiered framework facilitates strategic decision-making and stakeholder satisfaction. CEHRIS extended its change management strategy to all VA employees through the TXP and EBSS, requiring extensive collaboration for project success. (CEHRIS)

In FY 2023, HCSC's role as a shared service provider in VA facilitated effective communication with business customers, partners, and end users. Their commitment to frequent, timely, and transparent communications ensured VA employees were well-prepared for program engagement. HCSC's proactive strategy emphasized delivering timely and relevant information and offering advanced notifications for key activities, strengthening relationships with stakeholders. This approach allowed for direct updates, clarification, and feedback, supported by email templates and information-sharing tools. A data-driven approach through GovDelivery enhanced marketing efficiency and effectiveness, while website improvements expanded program accessibility beyond the VA network, reaching job seekers and employees seeking professional development options on personal devices. (HCSC)

	Actual			Plan	Were 2023 Goals Achieved or Exceed?	
Performance Measure	**2021**	**2022**	**2023**	**2023**	**Yes**	**No**
Percent of Veterans and/or beneficiaries who contacted the DMC without receiving a busy signal (DMC)	100.0%	100.00%	100.00%	100.00%	Yes	
Class graduation rate (LETC)	93.38%	94.83%	94.52%	>85%	Yes	
Percent of adjudications that are completed within the established time frames (PSAC)	94.45%	96.84%	98.60%	90.00%	Yes	
Payment processing accuracy rate (FSC - Financial Operations Service (FOS))	99.0%	99%	99.6%	95%	Yes	
Invoices paid in accordance with Prompt Payment Act (FSC - FOS)	99.0%	99%	95.1%	95%	Yes	
First call resolution (FSC - FOS)	99.5%	99.6%	99.3%	90%	Yes	
Average wait time until caller speaks to a live person (minutes: seconds) (FSC - FOS)	2 min 20 sec	3 min 42 sec	2 min 29 sec	5 min	Yes	
Percent of recalled records that are shipped securely and accurately to requesting facilities within established time frames (FSC - FOS)	99.9%	99.8%	99.9%	95%	Yes	
Number of audit qualifications for the VA Enterprise Centers (FF)	0	0	0	0	Yes	

FINANCIAL STATEMENT ANALYSIS

Limitation Statement

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

While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, 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.

Audit Opinion

For the 26th consecutive year (1998 - 2023), the VA Franchise Fund has received an unmodified "clean" audit opinion.

The consolidated financial statements present the Franchise Fund's financial position, cumulative results of operations, changes in net position, and information on budgetary resources for FY 2023 and FY 2022. Highlights of the information contained in the consolidated financial statements are summarized in this section.

Overview of Financial Position

Assets

The assets denote possessions owned by the Franchise Fund that are expected to yield economic advantages. As per the Consolidated Balance Sheets, the Fund's asset holdings stood at $1,194 million as of September 30, 2023. This marks a $206 million increase, equivalent to a 21% rise, compared to the preceding year's total assetst of $988 million.

The most substantial asset is the Fund Balance with Treasury (FBWT), amounting to $635 million. FBWT signifies the Franchise Fund's entitlement to draw funds from the Treasury for allowable expenses. The $115 million, or 22%, increase in FBWT resulted from several factors. These factors encompassed an overall rise in Intra-Governmental Payment and Collection (IPAC) disbursements to both VA and OGA. In FY 2023, the implementation of iFAMS introduced different processes than Financial Management Services (FMS), leading to increased collections for FY 2023 and the collection of prior-year dues in the current year. Moreover, there was an upsurge in services, notably for FSC's IT support, CEHRIS' HR SMART Enhancements and Sustainment, and ITIO's IT Server, Data Storage Systems and Software Licenses.

The second most substantial asset is Property, Plant, and Equipment (PP&E), amounting to $253 million, primarily consisting of Equipment, Leasehold Improvements, and internal-use software (IUS). The PP&E balance experienced a decrease of $12 million, approximately four percent, which was not a significant change from FY 2022.
The "Other" category encompasses Accounts Receivable and Other Assets. Accounts Receivable experienced an increase of $102 million or 52% compared to the prior year, significantly impacted by increased receivables for HCSC, ICSC, ITIO, and LETC. Additionally, Other Assets increased by $1.7 million, a 24% rise compared to the prior year, attributed to increased advances from United States Postal Service, Government Printing Office (GPO), and Office of Personnel Management (OPM), along with substantial credits received from GPO and U.S. Army Corps of Engineers.

Liabilities

Liabilities reflect potential future outflows or resource sacrifices resulting from past transactions or events. As of September 30, 2023, the Fund's total liabilities stood at $246 million, marking a $26 million increase from the previous year's total of $220 million. Notably, Accounts Payable and Accrued Payable for FY 2023 reached $164 million, rising by $44 million or 36%. This upturn in FY 2023 was attributed to additional billing adjustments made for Enterprise-wide agreements. The "Other" category, detailed in the table below, encompasses Advances and Other Liabilities totaling $82 million, demonstrating a decrease of $17 million or 17%. This decline was influenced by a higher amount of advances from OGAs during FY 2023.

The Fund's assets and liabilities presented in the Consolidated Balance Sheets are summarized in the following tables:

Consolidated Balance Sheets: Fund's Assets (Dollars in Thousands)	2023	2022
Fund Balance with Treasury	$635,112	$520,353
Property, Plant and Equipment, Net	$252,926	$265,269
Accounts Receivable, Net	$297,498	$195,495
Other Assets	$8,762	$7,055
Total Assets	**$1,194,298**	**$988,172**

Consolidated Balance Sheets: Fund's Liabilities (Dollars in Thousands)	2023	2022
Accounts and Accrued Payable	$164,418	$120,711
Advances from Others	$57,609	$78,622
Other Liabilities	$24,159	$20,373
Total Liabilities	**$246,186**	**$219,706**

Net Position

In FY 2023, the Fund observed a notable increase of $180 million in its net position, as reflected in both the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position. The Fund's net position stood at $948 million, marking a substantial 23% rise from the prior fiscal year's closing net position of $768 million. The net position signifies the cumulative Results of Operations and the unexpended funds at the end of the fiscal year.

Net Cost

The Net Cost of Operations is the cost incurred less any exchange earned revenue. In FY 2023, the Fund registered a net gain of $158 million in its net cost of operations, as indicated in the Consolidated Statement of Net Cost.

Budgetary Resources

The Statement of Budgetary Resources offers insight into the available budgetary resources designated for specific purposes during the fiscal year, along with the resulting status of the funding at year-end. Unlike receiving an annual appropriation from Congress, the Franchise Fund operates as a self-sustained entity, covering all costs through reimbursements for services rendered. The Fund now holds total budgetary resources of $2.5 billion, indicating a decrease of $69 million from the FY 2022.

The Fund's Budgetary Resources as presented in the Combined Statement of Budgetary Resources are summarized in the following table:

Combined Statement: Fund's Budgetary Resources (Dollars in Thousands)	2023	2022
Beginning Unobligated Balance	$1,022,563	$316,631
Spending Authority Earned and Collected	$1,429,635	$2,205,046
Total Budgetary Resources	**$2,452,198**	**$2,521,677**

https://www.va.gov/finance/docs/afr/2023VAafrSectionII.pdf

OLLIE GREEN & COMPANY

Certified Public Accountants And Management Consultants

Independent Auditor's Report

To the Director of

Department of Veterans Affairs Franchise Fund

In our audits of the fiscal years 2023 and 2022 financial statements of the Department of Veterans Affairs (VA) Franchise Fund we found:

- ***VA Franchise Fund's financial statements as of and for the fiscal years ended September 30, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;***
- ***no material weaknesses or significant deficiencies in internal control over financial reporting based on the limited procedures we performed; and***
- ***no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.***

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)included with the financial statements; (2) our report oninternalcontroloverfinancial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with Office of Management and Budget (OMB) Bulletin No. 22-01, we have audited VA Franchise Fund's financial statements. VA Franchise Fund's financial statements comprise the balance sheets as of September 30, 2023, and 2022; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended and the related notes to the financial statements.

In our opinion, VA Franchise Fund's financial statements present fairly, in all material respects, VA Franchise Fund's financial position as of September 30, 2023, and 2022, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VA Franchise Fund's and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

VA Franchise Fund's management is responsible for:

- *the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;*
- *preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;*
- *preparing and presenting other information included in VA Franchise Fund's Annual Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and*
- *designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.*

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VA Franchise Fund's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- E*xercise professional judgment and maintain professional skepticism throughout the audit.*
- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.*
- *Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for*

- ***the purpose of expressing an opinion on the effectiveness of VA Franchise Fund's internal control over financial reporting. Accordingly, no such opinion is expressed.***
- ***Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.***
- ***Perform other procedures we consider necessary in the circumstances.***
- ***Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VA Franchise Fund's ability to continue as a going concern for a reasonable period of time.***

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control over Financial Reporting

In connection with our audits of VA Franchise Fund's financial statements, we considered VA Franchise Fund's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of VA Franchise Fund's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our 2023 audit, we identified deficiencies in VA Franchise Fund's internal control over financial reporting that we do not consider to be material weaknesses. Nonetheless, these deficiencies warrant VA Franchise Fund's management's attention. We have communicated these matters to VA Franchise Fund's management and, where appropriate, will report on them separately.

The Department of Veterans Affairs (VA) Independent Audit of VA's Financial Statements for Fiscal Years 2023 and 2022, dated November 15, 2023 reported three material weaknesses. They include: (1) Controls Over Significant Accounting Estimates; (Repeat Condition), (2) Financial Systems and Reporting; (Repeat Condition), (3) Information Technology Security Controls; (Repeat Condition). VA also reported three significant deficiencies. They include (1) Obligations, Undelivered Orders and Accrued Expenses; (Repeat Condition), (2) Entity Level Controls; (Repeat Condition) and Loan Guarantee Liability. These material weaknesses and significant deficiencies could have a direct effect on the VA Franchise Fund's internal control over financial reporting.

In accordance with Government Auditing Standards, we are required to report findings of significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified no deficiencies in VA Franchise Fund's internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, we noted other internal control deficiencies that we have communicated to VA Franchise Fund in a management letter.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to VA Franchise Fund's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

VA Franchise Fund's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of VA Franchise Fund's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered VA Franchise Fund's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VA Franchise Fund's internal control over financial reporting. Accordingly, we do not express an opinion on VA Franchise Fund's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that

- ***transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and***
- ***transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.***

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of VA Franchise Fund's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of VA Franchise Fund's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of VA Franchise Fund's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for September 30, 2023 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to VA Franchise Fund. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

VA Franchise Fund's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to VA Franchise Fund.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to VA Franchise Fund that have a direct effect on the determination of material amounts and disclosures in VA Franchise Fund's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to VA Franchise Fund. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Louisville, KY December 08, 2023

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND

Consolidated Balance Sheet as of September 30, 2023 and 2022

DOLLARS IN THOUSANDS

	2023	2022
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$635,112	$520,353
Accounts Receivable Net (Note 3)	$296,793	$195,429
Advances and Prepayments	$8,760	$7,055
Total Intragovernmental	**$940,665**	**$722,837**
With the Public:		
Accounts Receivable Net (Note 3)	$705	$66
General Property, Plant and Equipment, Net (Note 4)	$252,926	$265,269
Advances and Prepayments	$2	$-
Total with the Public	**$253,633**	**$265,335**
Total Assets	**$1,194,298**	**$988,172**
Liabilities		
Intragovernmental:		
Accounts Payable	$18,431	$22,128
Accrued Payable	$-	$8
Advances from Others and Deferred Revenue	$57,609	$78,622
Other Liabilities (Note 6)	$1,379	$1,356
Total Intragovernmental	**$77,419**	**$102,114**
With the Public:		
Accounts Payable	$145,987	$98,575
Federal Employee and Veterans Benefits	$182	$-
Other Liabilities (Note 6)	$22,598	$19,017
Total with the Public	**$168,767**	**$117,592**
Total Liabilities	**$246,186**	**$219,706**
Commitments and Contingencies (Note 8)		
Net Position: Cumulative Results of Operations		
Funds from Dedicated Collections	$-	$-
Funds from other than Dedicated Collections	$948,112	$768,466
Total Net Position	**$948,112**	**$768,466**
Total Liabilities and Net Position	**$1,194,298**	**$988,172**

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND

Consolidated Statement of Net Cost for the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS

	2023	2022
Program Costs:		
Gross Costs Intragovernmental (Note 9)	$1,637,018	$1,447,974
Less: Earned Revenue-Intragovernmental	$(1,809,899)	$(1,545,050)
Net Program Costs - Intragovernmental	$(172,881)	$(97,076)
Gross Costs Indirect Administrative	$14,747	$12,574
Net Cost of Operations	**$(158,134)**	**$(84,502)**

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND

Consolidated Statement of Changes in Net Position for the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS

	2023	2022
Cumulative Results of Operations:		
Beginning Balance	$768,466	$670,346
Other Adjustments (+/-)	$-	$-
Beginning Balance, as Adjusted	**$768,466**	**$670,346**
Transfers In/Out Without Reimbursement	$21	$(33)
Imputed Financing (Note 5)	$21,491	$13,651
Net (Cost) of Operations (Note 9)	$158,134	$84,502
Net Change in Cumulative Results of Operations	**$179,646**	**$98,120**
Ending Cumulative Results Operations	**$948,112**	**$768,466**
Net Position	**$948,112**	**$768,466**

The accompanying notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS FRANCHISE FUND

Consolidated Statement Of Budgetary Resources for The Years Ended September 30, 2023 And 2022

DOLLARS IN THOUSANDS

	2023	2022
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (Note 10)	$1,022,563	$316,631
Spending Authority from Offsetting Collections	$1,429,635	$2,205,046
Total Budgetary Resources	**$2,452,198**	**$2,521,677**
Status of Budgetary Resources		
New Obligations and Upward Adjustments	$1,808,471	$1,595,497
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	$643,727	$437,547
Unapportioned, Unexpired Accounts	$-	$488,633
Unobligated Balance, End of Year (Total)	$643,727	$926,180
Total Status of Budgetary Resources	**$2,452,198**	**$2,521,677**
Outlays, Net		
Outlays, Net (Total)	$(114,759)	$(108,551)
Distributed Offsetting Receipts (-)	$-	$-
Outlays, Net (total)	**$(114,759)**	**$(108,551)**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Department of Veterans Affairs (VA) was selected by the Office of Management and Budget (OMB) in 1996 as one of six executive branch agencies to establish a franchise fund pilot program. In this program, entrepreneurial organizations or Enterprise Centers are authorized to sell common administrative support services to VA and other Government agencies and operate entirely on revenues earned from customers. Enterprise Centers receive no Federally appropriated funding. The VA Franchise Fund (VAFF) 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. In 2006, under Public Law 109-114, permanent status was conferred upon the VA Franchise Fund.

Created as a revolving fund, the VAFF began providing services to VA and other Government agencies on a fee-for-service basis in 1997. By law, the business lines within the Fund can only sell to Federal entities. This organization accounted for its funds in eight activity centers (VA Enterprise Centers) and one administrative organization: IT Infrastructure Operations, Debt Management Center, Financial Services Center, Law Enforcement Training Center, Personnel Security Adjudication Center, Human Capital Services Center, Internal Controls Support Center, Center for Enterprise Human Resources Information Services and the Franchise Fund Oversight Office. The consolidated financial statements include the eight individual activity centers of the Fund. All material intrafund transactions have been eliminated.

B. Basis of Presentation

The VAFF consolidated financial statements report all activities of VA Enterprise Centers. The consolidated financial statements differ from the financial reports used to monitor and control budgetary resources but are prepared from the same books and records. The statements should be read with the understanding that the VAFF is a component unit of the U.S. Government, which is a sovereign entity. VAFF interacts with, and is dependent upon, the financial activities of the Federal Government. Therefore, the results of all financial decisions reflected in these consolidated financial statements are not the sole decisions of VA or VAFF as a stand-alone entity. VAFF's fiscal year end is September 30.

VAFF's Consolidated Financial Statements and the Combined Statement of Budgetary Resources (SBR) report VAFF activities. VAFF components are fully described in the Management's Discussion and Analysis of Section I. The consolidated financial statements meet the requirements of the Chief Financial Officer (CFO) Act of 1990 and the Government Management Reform Act of 1994. The principal financial statements have been prepared to report the financial position and results of VAFF operations, pursuant to the requirements of 31 U.S.C. 3515(b).

The Statement of Federal Financial Accounting Standards (SFFAS) No. 47, Reporting Entity, requires information to be provided on related-party relationships. VA has relationships with many organizations from non-profits to special interest groups that provide support to VA and advocacy for Veterans. However, none of VAFF's relationship is of such significance as to warrant separate or individual disclosure as specified in SFFAS No. 47.

C. Basis of Accounting

The Franchise Fund's fiscal year (FY) 2023 and 2022 financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and the OMB's Circular A-136, Financial Reporting Requirements, as revised. The Statement of Federal Financial Accounting Standards (SFFAS) 34, The Hierarchy of GAAP, including the Application of Standards Issued by the Financial Accounting Standards Board, establishes a hierarchy of GAAP for Federal financial statements. The VAFF's's financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources. The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual method, revenues and other financing sources are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

D. Fund Balance with Treasury

The Department of the Treasury (Treasury) performs cash management activities for all Federal Government agencies. The Fund Balance with Treasury (FBWT) represents the right of the VAFF to draw funds from the Treasury for allowable expenditures. The FBWT are reported in Note 2.

E. Accounts Receivable

Accounts Receivable due from the public typically result from advances for Permanent Change of Station (PCS) travel or advances for Federal Employees Health Benefits (FEHB) when employees are on leave without pay and, their health benefits are paid to the health carriers. These receivables are considered fully collectible; therefore, no allowance for uncollectible accounts is necessary.

Intragovernmental Accounts Receivable is from other Federal entities and are considered fully collectible; therefore, no allowance for uncollectible accounts is necessary. Accounts Receivable are reported in Note 3.

F. General Property, Plant and Equipment

The majority of the general Property, Plant and Equipment (PP&E) consists of land, buildings, equipment, other structures, leasehold improvements, internal use software and construction work- in-process (WIP). Construction project costs are recorded in construction WIP accounts. The assets are transferred to either capitalized or noncapitalized PP&E, when placed in service. Construction projects completed in multiple phases are recorded as construction WIP until the project phase is placed in service. Personal property and equipment not meeting the capitalization criteria is expensed. Buildings, equipment, other structures, leasehold improvements and software projects are capitalized if the estimated useful life is 2 years or more, has been acquired or constructed with the intention of being used or being available for use by Franchise Fund, has met the minimum acquisition cost or Fair Market Value (FMV) threshold of $1million and is not intended for sale in the ordinary course of Franchise Fund operations. All capitalized property is depreciated on a straight-line basis and recorded at net book value as reported in Note 4.

Asset Category	Estimated Useful Life	Capitalization Threshold
Buildings	25 to 40 years	$1 million
Equipment	5 to 20 years	$1 million
Other Structures	2 to 40 years	$1 million
Leasehold Improvements	2 to 40 years	$1 million
Internal Use Software (IUS)	Varies	$1 million

IUS costs subject to capitalization are incurred during the software development phase. The capitalized costs are amortized in accordance with the planned lifecycle established during the software planning phase. The useful life of IUS is determined on a per-project basis, no less than two years, and consistent with the solution's longevity as limited by legal, regulatory and/or contractual provisions.

G. Advances and Prepayments

There are three types of advances handled by the Fund. The first is when Treasury processes charges from other agencies to the VAFF via the Intra-Governmental Payment and Collection System (IPAC). Charges are recorded as an advance until the applicable obligation is located and the charges can be transferred. These charges are for General Services Administration (GSA) rent, Government Printing Office (GPO) printing services, Federal Telecommunications Service, and motor pool.

The second type of advance is advances paid to employees for travel. This includes payment for both PCS and Temporary Duty (TDY) travel.

The third type of advance is set up when the purchase card payments are scheduled. Utilizing IPAC charges are then applied to the appropriate agency to offset the advances.

H. Accounts Payable

Accounts payable are amounts owed by the VAFF for goods and services received. When the VAFF accepts title to goods, whether the goods are delivered or in transit, or incurs costs for services received, VAFF recognizes a liability for the unpaid amount of the goods and services. If invoices for those goods and services are not available when the financial statements are prepared, the amounts owed are estimated. Intragovernmental Accounts Payable consists of amounts owed to other Federal Government agencies. The remaining Accounts Payable consist of amounts due to the public. Intragovernmental accounts payable consists of amounts owed to other Federal Government agencies, primarily to Department of Labor (DOL), OPM and Department of Justice (DOJ). Intragovernmental and Public Accounts Payable are covered by budgetary resources.

I. Other Liabilities

Other Liabilities are classified as either intragovernmental or public. Intragovernmental Liabilities arise from transactions between the VAFF and Federal entities, whereas Public Liabilities arise from transactions between the VAFF and non-Federal entities. Budgetary resources cover all other liabilities, both intragovernmental and public. All liabilities are current.

J. Revenues and Financing Sources

The VAFF receives an annual apportionment that allows it to incur obligations and to recognize revenue from its customers on a "fee-for-service" basis. Revenue is recognized when earned i.e., goods are delivered, or services are rendered. Expenses are recognized when incurred. All significant intra-entity balances and transactions have been eliminated in consolidation.

For financial reporting purposes under accrual accounting, operating expenses are recognized currently, while those for capital and other long-term assets are capitalized and depreciated and/or amortized over its useful life. Financing sources for these expenses, which derive from both current and prior year appropriations and operations, are also recognized this way.

K. Accounting for Intragovernmental Activities

In order to prepare reliable financial statements, transactions occurring among VA components must be eliminated. All significant intra-entity transactions were eliminated from the VAFF's consolidated financial statements.

L. Annual, Sick and Other Types of Leave

Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest pay rates for leave that has been earned but not taken. Sick and other types of nonvested leave are expensed as taken. Sick leave and other types of nonvested leave are not earned benefits. Accordingly, nonvested leave is expensed when used.

M. Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work- related occupational disease, and beneficiaries of employees whose deaths are attributable to job- related injuries or occupational diseases. Claims incurred for benefits for VAFF's employees under FECA are administered by the DOL and are ultimately paid by VAFF.

Workers' compensation comprises two components: (1) the accrued liability, which represents money owed by VAFF to DOL for claims paid by DOL on behalf of VAFF through the current fiscal year, and (2) the actuarial liability for compensation cases to be paid beyond the current year, as calculated by DOL.

Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases and for potential cases related to injuries incurred but not reported. The liability is determined by utilizing historical benefit payment patterns related to a period to estimate the ultimate payments related to that period.

N. Pension, Other Retirement Benefits, and Other Post-Employment Benefits

Each employing Federal agency is required to recognize its share of the cost and imputed financing of providing pension and postretirement health benefits and life insurance to its employees. Factors used in the calculation of these pensions and post-retirement health and life insurance benefit expenses are provided by the OPM to each agency.

The VAFF's employees are covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS); the VAFF makes contributions according to both plan's requirements. CSRS and FERS are multiemployer plans administered by OPM. VA does

not maintain or report information about the assets of the plans, nor does it report actuarial data for the accumulated plan benefits. That reporting is the responsibility of OPM.

O. Application of Critical Accounting Estimates

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

P. Commitments and Contingencies

VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VAFF management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims will not materially affect the financial position or results of VAFF operations other than as disclosed in Note 8, Commitments and Contingencies.

Q. Subsequent Events

Subsequent events have been evaluated through the auditors' report date which is the date the financial statements were available to be issued, and management determined that there are no other items to disclose.

R. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. For fiscal years 2023 and 2022, VAFF had no classified activities.

Note 2. Fund Balance with Treasury

The undisbursed account balance for the Fund is a revolving fund comprised of only entity assets. VAFF does not receive an appropriation from Congress. VAFF receives an annual apportionment that allows it to incur obligations and to recognize revenue from its customers on a "fee-for- service" basis.

Status of Funds Available as of September 30, DOLLARS IN THOUSANDS		
	2023	**2022**
Unobligated Apportionment		
Available	$643,727	$926,181
Obligated Balance not yet Disbursed	$(8,615)	$(405,828)
Fund Balance with Treasury	**$635,112**	**$520,353**

Note 3. Accounts Receivable

Intragovernmental accounts receivable consists of amounts due for reimbursable agreements for services from the VA and other Federal agencies. These amounts are considered fully collectible; therefore, no allowances for loss provision are required.

Public accounts receivable consists mainly of amounts due from VA employees. No allowance for losses is required, based on prior experience of collectibles.

As of September 30, DOLLARS IN THOUSANDS		
	2023	**2022**
Intragovernmental		
Accounts Receivable	$296,793	$195,429
Public		
Accounts Receivable	$705	$66
Total Accounts Receivable	$297,498	$195,495

Note 4. General Property, Plant and Equipment

As of September 30, DOLLARS IN THOUSANDS	Acquisition Cost	Accumulated Depreciation	Net Book Value
Furniture & ADP Equipment	$82,968	$(63,643)	$19,325
Capital Lease Equipment	$2,116	$(2,116)	$-
Software	$289,181	$(63,964)	$225,217
Software in Development	$7,749	$-	$7,749
Leasehold Improvements	$7,673	$(7,038)	$635
Total PP&E	**$389,687**	**$(136,761)**	**$252,926**

As of September 30, DOLLARS IN THOUSANDS	Acquisition Cost	Accumulated Depreciation	Net Book Value
Furniture & Equipment	$17,794	$(10,097)	$7,697
ADP Equipment	$65,174	$(46,902)	$18,272
Capital Lease Equipment	$2,116	$(2,116)	$-
Software	$277,110	$(47,886)	$229,224
Software in Development	$9,210	$-	$9,210
Leasehold Improvements	$7,673	$(6,807)	$866
Total PP&E	**$379,077**	**$(113,808)**	**$265,269**

Property, Plant and Equipment (DOLLARS IN THOUSANDS)	2023	2022
Balance as of October 1,	$265,269	$265,252
Capital acquisitions	12,071	34,187
Disposals	(1,461)	(19,006)
Depreciation expense	(22,953)	(15,164)
Balance as of September 30	**$252,926**	**$265,269**

Prior to FY 2022, VAFF's Furniture & Equipment and ADP Equipment were reported on a separate line. Beginning in FY 2023, Furniture & Equipment and ADP Equipment is reported together under Furniture & ADP Equipment in the above table.

Note 5. Federal Employee Benefits – Inter-Entity Cost

Imputed Expenses – Employee Benefits As of September 30, (DOLLARS IN THOUSANDS)		
	2023	2022
Civil Service Retirement System	$767	$808
Federal Employees Retirement System	$5,999	$109
Federal Employee Health Benefits	$14,682	$12,697
Federal Employee Group Life Insurance	$43	$37
Total Imputed Expenses - Employee Benefits	**$21,491**	**$13,651**

The VAFF generates costs related to employee retirement, health insurance and life insurance benefit plans using Benefits Administration Letter. OPM is responsible for the management and accounting of employee retirement, health insurance and life insurance benefit plans and passes the expense, or imputed cost on to the VAFF. The total VAFF's imputed financing cost is reported in the Statement of Changes in Net Position. The above table summarizes the imputed cost reported by the VAFF for its employees' benefit plans.

Note 6. Other Liabilities

Other Liabilities are liabilities not reported elsewhere in the Balance Sheet. They consist of funded and unfunded liabilities within the intragovernmental and public categories. Funded liabilities are generally considered to be current liabilities. Unfunded liabilities represent future financial commitments that are currently not funded and considered noncurrent.

As of September 30, (DOLLARS IN THOUSANDS)		
	2023	2022
Other Liabilities - Intragovernmental		
Accrued VA Contributions for Benefits	$1,378	$1,356
Other Liabilities	$1	$-
Total Other Liabilities - Intragovernmental	**$1,379**	**$1,356**
Other Liabilities - With the Public		
Accrued Salaries & Benefits	$4,579	$3,758
Accrued Funded Annual Leave	$18,016	$15,259
Capital Lease Liability	$3	$-
Total Other Liabilities - With the Public	**$22,598**	**$19,017**

Annual leave is accrued when earned and is adjusted at the end of each reporting period to reflect current pay rates of cumulative leave earned but not taken. Sick and other types of leave are expensed as taken.

Note 7. Leases

The VAFF's FY 2023 operating lease costs were $9.01 million for real property rentals and $0 for equipment rentals. The VAFF's FY 2022 operating lease costs were $8.46 million for real property rentals and $0 for equipment rentals. Operating leases consist of equipment and real property leases that are funded annually and expensed as incurred. Operating equipment leases generally consist of office equipment with terms of 5 years or less and level payments over the lease term. Operating real property leases generally consist of offices and administrative facilities that enable VAFF Enterprise Centers to fulfill its mission.

Leases are executed by GSA on behalf of VAFF. GSA charges rental rates for space that approximates commercial rental rates for similar properties. The terms of occupancy agreements (OAs) with GSA vary according to whether the underlying assets are owned directly by the Federal Government or rented by GSA from third-party commercial property owners.

Future commitments for real property and equipment operating leases are based on leases in effect as of September 30, 2023. VAFF normally occupies leased real property for the entire initial lease term without exercising cancellation and termination options. The following chart represents the VAFF's estimate for operating lease costs for the next 5 years.

Operating Leases

(DOLLARS IN THOUSANDS)

Fiscal Year	Percentage Increases	GSA OAs	Total Real Property
2024	4.4	$9,406	$9,406
2025	3.8	$9,764	$9,764
2026	3.7	$10,125	$10,125
2027	3.7	$10,500	$10,500
2028	3.7	$10,888	$10,888

Note 8. Commitments and Contingencies

The VAFF is involved in employment related legal actions (e.g. matters alleging discrimination and other claims before federal courts, the Equal Employment Opportunity Commission, and the Merit Systems Protection Board) for which an unfavorable outcome is remote.

Note 9. Intragovernmental Costs and Exchange Revenue

As of September 30, (DOLLARS IN THOUSANDS)	2023	2022
Intragovernmental Costs	$1,637,018	$1,447,974
Less: Earned Revenue - Intragovernmental	$(1,809,899)	$(1,545,050)
Net Intragovernmental Cost	$(172,881)	$(97,076)
Indirect Administrative Cost	$14,747	$12,574
Total Net Cost of Operations	**$(158,134)**	**$(84,502)**

Earned Revenue: Revenue earned by VAFF for fees charged for services for the period ended September 30, 2023 was $1,809,899. Revenue earned by VAFF for fees charged for services for the period ended September 30, 2022 was $1,545,050.

Costs: By law, the VAFF, as an entity of VA, provides centralized services to other VA entities and other Government agencies. However, in certain cases, other VA entities and Government agencies incur costs that are directly identifiable to VAFF operations. In accordance with SFFAS No. 4, Managerial Cost Accounting, VAFF recognizes identified costs paid for by other agencies as expenses to VAFF.

Note 10. Disclosures Related to the Statements of Budgetary Resources

Budgetary Resources

Total Budgetary Resources for the VAFF includes unobligated balance at the beginning of the period and transferred in or out during the period, spending authority from offsetting collections, recoveries of prior year obligations.

Total Budgetary Resources As of September 30, (DOLLARS IN THOUSANDS)	2023	2022
Unobligated balance from prior year	$1,022,563	$316,631
Spending Authority from offsetting collections	$1,429,635	$2,205,046
Total Budgetary Resources	**$2,452,198**	**$2,521,677**

New Obligations and Upward Adjustment

Category A, Direct/Reimbursable, consists of amounts requested to be apportioned by each calendar quarter in the fiscal year. Category B, Direct/Reimbursable, consists of amounts requested to be apportioned on a basis other than calendar quarters, such as activities, projects, objects, or a combination of these categories. The VAFF obligations are considered, apportioned by activity.

Reimbursable Obligations As of September 30, (DOLLARS IN THOUSANDS)		
	2023	**2022**
Category B, Reimbursable	$1,808,450	$1,595,483
Category B, COVID-19 OPM Emergency Leave	21	14
Total Reimbursable Obligations	**$1,808,471**	**$1,595,497**

Net Outlays

Outlays consist of disbursements net of offsetting collections. net outlays (gross outlays less offsetting collections and receipts).

Net Outlays: As of September 30,		
	2023	**2022**
Gross Outlays:		
Disbursements	$ -	$679,993
Disbursements attributable to prior year	$1,681,333	$737,303
Gross Outlays	$1,681,333	$1,417,296
Less: Offsetting Collections	$(1,796,092)	$(1,525,847)
Total Net Outlays	**$(114,759)**	**$(108,551)**

Undelivered Orders at the End of Period

Budgetary resources obligated for Undelivered Orders:

As of September 30, (DOLLARS IN THOUSANDS)		
	2023	**2022**
Paid Undelivered Orders Federal	$-	$7,056
Paid Undelivered Orders Non- Federal	8,762	$-
Total Paid Undelivered Orders	$8,762	$7,056
Unpaid Undelivered Orders Federal	$-	$22,262
Unpaid Undelivered Orders Non-Federal	$527,934	$435,558
Total Unpaid Undelivered Orders	**$527,934**	**$457,820**

Note 11. Adjustments to Budgetary Resources and Prior Year Recoveries

The VAFF reported approximately $96 million and $51 million recoveries of prior year unpaid and paid obligations (recoveries) for fiscal years ended September 30, 2023 and 2022, respectively.

Note 12. Budget and Accrual Reconciliation

Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the Federal deficit. Financial accounting is intended to provide a picture of the Government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

The BAR as of the period ending September 30, 2023: (DOLLARS IN THOUSANDS)			
	Intragovernmental	**With the Public**	**Total**
Net Cost of Operations (SNC)	**$(1,500,118)**	**$1,341,984**	**$(158,134)**
Components of Net Operating Cost Not Part of the Budget Outlays			
Property, Plant, and Equipment Depreciation Expense	$-	$(22,953)	$(22,953)
Property, Plant, and Equipment Disposal and Revaluation	$-	$(1,461)	$(1,461)
Increase/(Decrease) in Assets not Affecting Budget Outlays:			
Accounts Receivable	$101,364	$639	$102,003
Other Assets	$1,706	$-	$1,706
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	$(80,470)	$36,753	$(43,717)
Other Liabilities	$22,173	$(4,935)	$17,238
Other Financing Sources			
Imputed Cost	$(21,491)	$-	$(21,491)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$23,282**	**$8,043**	**$31,325**
Components of the Net Outlays That Are Not Part of Net Cost			
Effect of Prior Year Agencies Credit Reform Subsidy Re-Estimates			
Acquisition of Capital Assets	-	$12,071	$12,071
Acquisition of Other Assets			
Transfers Out (In) Without Reimbursement	$(21)		$(21)
Total Components of Net Outlays That are Not Part of Net Cost	**$-**	**$12,050**	**$12,050**
Other Temporary Timing Differences			
Net Outlays (Calculated Total)	**$(1,476,836)**	**$1,362,077**	**$(114,759)**
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net (total)			**$(114,759)**
Distributed Offsetting Receipts			
Outlays, Net			**$(114,759)**

The BAR as of the period ending September 30, 2022: (DOLLARS IN THOUSANDS)			
	Intragovernmental	**With the Public**	**Total**
Net Cost of Operations (SNC)	**$(1,274,672)**	**$1,190,170**	**$(84,502)**
Components of Net Operating Cost Not Part of the Budget Outlays			
Property, Plant, and Equipment Depreciation	$-	$(15,164)	$(15,164)
Property, Plant, and Equipment Disposal and Revaluation	$-	$(19,006)	$(19,006)
Increase/(Decrease) in Assets not Affecting Budget Outlays:			
Accounts Receivable	$80,623	$31	$80,654
Other Assets	$(13,056)	$-	$(13,056)
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	$(8,487)	$(30,650)	$(39,137)
Salaries and Benefits	$2,030	$5,491	$7,521
Other Liabilities	$(44,665)	$(1,765)	$(46,430)
Other Financing Sources			
Imputed Cost	$(13,651)	$-	$(13,651)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$2,794	$(61,063)	$(58,269)
Components of the Net Outlays That Are Not Part of Net Cost			
Effect of Prior Year Agencies Credit Reform Subsidy Re-Estimates			
Acquisition of Capital Assets		$34,187	$34,187
Acquisition of Other Assets			$-
Transfers Out (In) Without Reimbursement		$33	$33
Total Components of Net Outlays That are Not Part of Net Cost	$-	$34,220	$34,220
Other Temporary Timing Differences			
Net Outlays (Calculated Total)	$(1,271,878)	$1,163,327	$(108,551)
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net (total)			$(108,551)
Distributed Offsetting Receipts			
Outlays, Net			$(108,551)

Debt Management Center
P.O. Box 11930
St. Paul, MN 55111
Phone: 612-970-5747
Fax: 612-970-5687
e-mail: dmc.ops@va.gov
Internet: www.va.gov/debtman

IT Infrastructure Operations
1615 Woodward Street
Austin, TX 78772
Phone: 512-326-6005
Fax: 512-326-6922
e-mail: 00b@va.gov

Financial Services Center
Business Management Section (104)
1615 Woodward Street
Austin, TX 78772
Phone: 512-460-5121
Fax: 512-460-5507
e-mail: vafscbusinessservices@va.gov
Internet: www.fsc.va.gov

Law Enforcement Training Center
2200 Fort Roots Drive, Building 193
North Little Rock, AR 72114
Phone: 501-257-4160
Fax: 501-257-4145
e-mail: conrad.hamp@va.gov
Internet: http://www.osp.va.gov/Law_Enforcement_Training_Center_LETC.asp

Internal Controls Support Center
7600 Metropolis Drive
Austin, TX 78744
Phone: 512-663-2341
e-mail: charles.fiquett@va.gov

Personnel Security Adjudication Center
2200 Fort Roots Drive, Building 192
North Little Rock, AR 72114
Phone: 501-257-4469/4490
Fax: 501-257-4018
e-mail: vhalitbackgroundinvestigations@va.gov
Internet: https://www.va.gov/securityinvestigationscenter/Forms_and_Documents.asp

Human Capital Services Center
810 Vermont Ave NW
Washington DC 20420
Internet: http://www.va.gov/FUND/index.asp

Center for Enterprise Human Resources Information Services
810 Vermont Ave NW
Washington, DC 20420
Phone: 202-461-7803
Email: vacohritbu@va.gov

Department of Veterans Affairs
Franchise Fund Oversight Office
811 Vermont Ave NW Washington, DC 20420
vacoefo@va.gov

Contact the U.S. Department of Veterans Affairs for additional information on this report or download from the Web: www.va.gov/fund