Department of Veterans Affairs

Financial Policy

Volume II

Appropriations, Funds, and Related Information

Chapter 10B

Franchise Fund

Approved:

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1001 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies for VA's Franchise Fund which supports VA's mission and other federal agencies by providing common business services such as accounting, human resources, Information Technology (IT), and training. The Franchise Fund began providing common administrative support services to VA and Other Government Agencies (OGAs) in 1997 on a fee-for-service basis. In 2006, under the FY 2006 Military Quality of Life and Veterans Affairs Appropriations Act, P.L. 109-114, permanent status was conferred upon the Franchise Fund. It is comprised of an administrative office, known as the Franchise Fund Oversight Office (FFO), and self-supporting lines of business called enterprise centers (ECs).

Key points covered in this chapter:

- VA is required to recover its full costs (accrual-basis) on an annual basis. In addition to recovering its full costs, the Franchise Fund may also charge an amount to establish/increase operating and/or capital reserves.
- The Franchise Fund may only have federal customers. EC's cannot form teaming agreements (joint ventures) with the private sector, or State Governments, in providing services to federal agencies.
- ECs are required to prepare and submit a business plan to the Revolving Fund Board of Directors (RFBOD) for approval to be incorporated into the fund's annual consolidated business plan.
- A fully signed Service Level Agreement (SLA) must be in place before an EC can perform services for a VA or OGA customer.
- ECs must maintain a level of operating reserves as determined by RFBOD on an annual basis.
- All capital investment decisions for equipment and software must be approved by RFBOD before commitment of funds.
- Each EC must develop performance metrics that tie to the fund strategic plan. Metrics will track customer service performance, operational performance, financial performance, and progress on EC initiatives.

1002 Revisions

Section	Revision	Office	Reason for Change	Effective Date
1003	Added definitions for Nonseverable Service, Refund, and Severable Service	OFP (047)	Address frequently asked questions.	January 2022

100501	Added language to address the Purpose Statute, 31 U.S.C. § 1301(a)	OFP (047)	Address frequently asked questions.	January 2022
100501	Added policy addressing Nonseverable Service, Refund, and Severable Services	OFP (047)	Address frequently asked questions.	January 2022
100505	Added language clarifying the addition of services	OFP (047)	Address frequently asked questions.	January 2022
App B	Added Appendix B, Frequently Asked Questions	OFP (047)	Address frequently asked questions.	January 2022
Various	Removed admin procedures related to revolving fund and put them in new chapter	OFP (047)	Creation of new revolving fund chapter	September 2020
Various	Reformatted to new policy format and completed 5-year review	OFP (047)	Reorganized chapter format	September 2020
Various	Revised policy	OFP (047)	Policy was outdated and not reflective of current VA operations	September 2020

1003 Definitions

Anticipated Revenues – Amounts to be collected based upon executed or estimated Service Level Agreements (SLAs) reflected in individual EC business plans as well as summarized in the consolidated fund budget.

Apportionments – Distributions made by the Office of Management and Budget (OMB) of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, programs, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, allowances, and suballowances.

Business Plan – An annual plan that identifies the resource requirements, competition, marketing strategies, products, and anticipated revenues for the fund and each EC.

Capital Reserve – Capital Reserve is a component of the Franchise Fund's budgetary resources (Allotments-Realized Resources) and is used to fund the acquisition of capital equipment.

Franchise Fund – A type of intra-governmental revolving fund that operates as a self-supporting entrepreneurial entity to provide common administrative services benefiting federal entities. Franchise Funds are funded entirely from the fees charged for the services they provide consistent with their statutory authority. Franchise Funds do not receive an annual appropriation, but their expenditures must be authorized by law.

Fund Budget – Includes all anticipated revenues and expenses for all ECs within the fund.

Nonseverable Service - Represents a single undertaking that cannot feasibly be separated into components but will be performed as a single task to meet a need of the Government. If the services produce a single or unified outcome, product or report, the services are considered nonseverable (e.g., a consulting study conducted over several months culminating in a final report). The customer must obligate funds for nonseverable services upfront, i.e., in the fiscal year in which it enters into the agreement with the Franchise Fund.

Operating Reserve – Operating Reserve is a component of the Franchise Fund's budgetary resources (Allotments-Realized Resources)and is available for use at the discretion of the RFBOD.

Rate – The fees charged are based upon each type of service being provided, (e.g., one hour of consulting or piece of mail processed). Rates are based on a full cost methodology and include charges for capital and operating reserves.

Refund - A return of funds to the customer directly or via a credit to a customer's bill (for the same fiscal year as the original obligated funds) that was previously disbursed as a result of a specifically identifiable overpayment, return of an advance, adjustment, or recovery of erroneous disbursement.

Revolving Fund – A fund established by Congress to finance a cycle of business-like operations through fees charged for goods or services provided.

Service Level Agreements (SLA) – Formal annual agreements between ECs and their customers (both VA and other government agencies (OGAs)), which define the service, performance measures, and the cost of the service. Agreements can be revised/modified throughout the year upon mutual-agreement and approval by RFBOD.

Severable Services - Continuing and recurring in nature, such as lawn maintenance, janitorial services, or security services, and from which the agency realizes a benefit at the time services are provided even if the contract has not been performed to completion. Services are considered severable if they can be separated into components that independently provide value to meet an agency's needs. Severable services are considered a bona fide need of the time period in which the services are rendered and can only be contracted for to the extent they will be performed during the time period of availability of the appropriation to be obligated, unless authorized by statute. To comply with the bona fide needs rule, a Franchise Fund customer must obligate funds for severable services in each fiscal year in which the services are to be received.

1004 Roles and Responsibilities

Secretary of the Veterans Affairs (SECVA) approves all additions and deletions of ECs to the fund.

Revolving Funds Board of Directors (RFBOD) approves activities to be included in the fund, reviews and approves budgets, identifies, and approves actions to resolve problems in the fund’s operations, and reviews studies of costs and service quality.

Principal Deputy Assistant Secretary for Management and the **Deputy Executive Director, Office of Acquisition, Logistics, and Construction** are co-chairs of RFBOD, and oversee all financial management activities relating to the fund’s programs and operations.

Under Secretaries, Assistant Secretaries, CFOs, Fiscal Officers, Chief Accountants, and Other Key Officials are responsible for ensuring compliance with the policies and procedures outlined in this chapter.

Revolving Fund Executive Director (RFED) will be accountable to RFBOD for the overall financial operations of the fund. The Fund Director shall report to the Chairpersons of RFBOD. The Fund Director will be responsible for promoting the Franchise Fund at government and public- sector forums.
Fund Oversight Director (FOD) reports to the Revolving Fund Executive Director and is accountable for the overall financial operations of the fund.

Enterprise Center (EC) Directors are responsible for ensuring the orderly and business-like management of their activities within the framework of applicable laws and regulations, and for establishing and implementing such policies and procedures as may be necessary.

1005 Policies

100501 General Structure

A. The Franchise Fund is generally subject to the rules governing the use of appropriated funds (GAO-08-978SP).

B. The Franchise Fund will comply with the Government Accountability Office's (GAO) Business Operating Principles (e.g., the enterprise should only provide common administrative support services, the operation should be self-sustaining, and cost and performance benchmarks against other "competitors" are maintained and evaluated). For additional information see Appendix A.

C. The fund will recover its full costs (accrual-basis) on an annual basis. In addition to recovering its full costs, the fund may also charge an amount to establish/increase operating and/or capital reserves. See section 100511 and 100512 for more information on operating reserves and capital reserves.

D. When a Franchise Fund line of business provides services to its customers, it must charge its customers rates that "will return in full all expenses of operation," including an amount necessary to maintain a reasonable operating reserve. It is not permissible for the Franchise Fund to provide services to its customers free of charge, as that action would impermissibly augment the appropriation funding the VA or a federal customer and violate the Purpose Statute, 31 U.S.C. § 1301(a) (See Appendix B).

E. In rare instances an EC may close out the FY operating at a net loss due to unexpected expenses, or changes in demand. ECs must recover losses, within the timeframe determined by RFBOD. A net loss will result in the depletion of operating reserves.

F. The Franchise Fund can only have federal customers.

G. ECs cannot form teaming agreements (joint ventures) with State or local governments, or private sector entities, in order to provide services to federal agencies.

H. Only RFBOD approved common administrative services can be provided by ECs.

I. Notification shall be made to the Franchise Fund Oversight Office when providing a nonseverable service. In order to comply with the bona fide needs rule, a Franchise Fund customer must obligate funds for nonseverable services upfront, i.e., in the fiscal year in which it enters into the agreement with the Franchise Fund.

J. Instead of recording the collections in a Treasury general fund receipt account, Franchise Fund receipts are recorded in the collections and the outlays of revolving funds in the same account.

K. The Franchise Fund does not have the authority to lend money to customers.

L. The Franchise Fund must directly fund, from its capital reserve, all capital equipment acquisitions. VA defines capital equipment as individual items and software projects that meet VA's capitalization threshold, currently $1 million, with a useful life of 2 or more years. The Franchise Fund is to recover the amount spent for capital equipment (including capitalizable IT) through its customer rates. Personal property and equipment not meeting the capitalization criteria is expensed upon being placed in service and not to be funded from the capital reserve.

M. If a VA customer is buying an IT system from the Franchise Fund, then the development of the system needs to be funded by the VA Information Technology (IT) Systems account (even if the customer is then going to pay the Franchise Fund to operate and maintain the customer's new system).

N. The Franchise Fund and the IT Systems account may pool funds for an IT system, with each account paying its pro rata share in accordance with the estimated benefit to be received.

O. The Franchise Fund is authorized to recover startup costs via the rates billed to customers and the timing of that customer's payment depends upon whether the customer is purchasing severable or nonseverable services from the Franchise Fund. The customer cannot make advance payment for severable services in a fiscal year prior to the fiscal year in which the Franchise Fund begins to provide the services to the customer because the bona fide need rule generally requires the customer to obligate funds for severable services in each fiscal year in which the services are to be received. If the services are nonseverable, then the customer can make an advance payment for those services when it enters into an agreement with the Franchise Fund.

P. ECs are responsible for:

1. Tracking all expenses used in the performance of services it provides, including expenses paid by others, e.g., unfunded Office of Personnel Management (OPM) costs, or minor or major construction appropriations used to benefit the fund;

2. Providing the expenses to the Financial Services Center (FSC) to be recorded in the fund's general ledger every month; and

3. Ensuring that income statements/financial reports/customer rates include the costs paid by these other appropriations.

100502 RFED, FOD, and EC Director Duties and Responsibilities

A. The RFED shall:
- Promote the Franchise Fund at government and public-sector forums;
- Inform the Chairpersons of major events and plans affecting the Franchise Fund;
- Amend the Franchise Fund charter as directed by RFBOD;
- Approve and sign the annual financial statements; and
- Advise RFBOD on the fiscal implications of policies.

B. The FOD is responsible for:
- The day-to-day operations of the fund, including the fund's complete budget process;
- Management of the annual audit of the Franchise Fund by an independent certified public accountant;
- Preparation of the annual financial statements, and the Annual Report;
- Analysis and evaluation of business plans, budgets, and rates (prepared by ECs);
- Ensuring that ECs follow VA financial and government-wide policies and where necessary, establishes Franchise Fund specific policy;
- Assisting with marketing efforts for the fund and its ECs while also serving as a consultant to customers of the fund; and
- Preparing the fund business plan and reviewing operating reports to ensure that:
  - costs are recovered and revenue is properly accounted for;
  - fund reserves are properly recorded and applied;
  - bills were issued timely to customers;
  - plans are developed to ensure that audit findings are resolved; and
  - written guidance is in place to assist organizations upon entering the fund and in submitting annual budgets and rates.

C. EC Directors are responsible for:
- Keeping RFBOD advised of any problems affecting the financial stability of their EC;
- Providing any financial information requested to the FOD;
- Reviewing and approving their EC's annual budget before submission to RFBOD; and
- Ensuring that budget estimates are developed and documented, to support user charges and fees, and are submitted to the FOD promptly and that funds are spent only for the purposes approved.
- Executing the business plan as approved by the RFBOD.

100503 Franchise Fund Operations

A. Franchise Fund Oversight (FFO) Office costs will be allocated among all ECs. FFO's anticipated total costs will be agreed upon by all ECs and the FOD before the start of the next fiscal year. The FFO's total costs will be split into one quarter and three quarters. The first quarter of the total cost will be split equally among all ECs. The remaining three quarters of the total costs will be allocated based on the respective EC's number of full-time equivalent employees (FTEs) (regular FTEs plus contractor FTEs) from the previous fiscal year.

To reimburse anticipated total costs, the FFO will prepare an SLA with each EC. After the SLA is signed by the EC Director, an obligation will be established for the amount of the SLA. The obligation information will be conveyed to the fund accountant at the FSC who is responsible for collecting 1/12 of the annual SLA amount monthly from each EC.

B. Franchise Fund contractor background investigations (BIs)

1. Most VA contracts contain the following language: "All costs associated with obtaining clearances for contractor-provided personnel shall be the responsibility of the contractor."

2. It is the responsibility of the EC to review SLAs to ensure that the EC:
   - obtains the necessary data from the FSC fund accountant, e.g., invoiced contractor BI information;
   - promptly provides the accountant/financial person responsible for establishing EC accounts receivable bills of collection with this information, so that a receivable can be set up against that vendor. (Future payments to the vendor will be offset by this receivable(s)); and
   - provides the applicable contracting officer's representative (COR) with documentation showing the amount to invoice for the contractor BIs.

3. The COR must provide this documentation to the contractor, so that the contractor knows why its future payments from VA will be reduced. A bill of collection is the preferred method to bill contractors for these fees.

100504 New Enterprise Centers

A. The process for adding a new EC is as follows:

1. Administrations, ECs, and/or RFBOD may propose the addition of a new EC.

2. An analysis must be conducted to calculate the value that will be provided to future customers through an identified list of transactional activities, associated demand for proposed transactional activities, and projected estimates of full costs and revenues for two years. The proposal must detail the personnel and contracts that are required to support those specific activities.

3. Proposals must be forwarded to RFBOD for review and approval.

4. Upon approval of the proposal, the FOD will oversee the development of a business plan. The business plan must detail customer costs in the first FY (can be per FTE) and include:

    a. an organizational chart;

    b. a listing of targeted customers;

    c. services to be provided to customers;

    d. costs associated with services; and

    e. a return on investment (ROI).

5. The FOD will deliver the business plan to RFBOD for approval and a go/no-go decision.

6. The Revolving Fund's CFO must obtain SECVA or his designee's approval, provide Congressional and Union notification, or seek Congressional approval as required, and notify OMB of the proposed action to add new EC.

7. New ECs and/or new EC lines of business may be capitalized out of reserves consistent with fund reserve requirements but must outline the plan for payback. With Congressional approval, VA may provide initial capitalization out of appropriated funds, up until the time the EC is officially transferred into the fund, enough to enable operations until the provider can operate independently on a fee-for-service basis. Appropriated funding cannot be utilized after EC entry into the fund.

8. A new EC must have signed SLAs with its customers in order to fully authorize operations.

B. New ECs must be approved by SECVA. SECVA may choose to delegate this authority.

C. Establishment of a new EC occurs when RFBOD makes a recommendation to SECVA and SECVA approves the request.

D. When establishing an EC, P.L. 104-204, as amended by P.L. 109-114, allows that any inventories, equipment, or other assets pertaining to the services to be provided by the fund, either on hand, or on order, less the related liabilities or unpaid obligations, and any appropriations made hereafter for the purpose of providing capital, shall be used to capitalize the fund. 40 U.S.C. § 524(b) also gives all agencies the authority to reassign property to another activity within the agency when the property is no longer required for the purposes of the appropriation used to make the purchase.

100505 Adding Services

A. Common Administrative Services may be added to the fund:

1. If a particular function was formally assigned to one VA organization by statute or other authority (e.g., Executive Order, OMB directive) or by the Secretary, then that office does not have authority to seek reimbursement for its work and therefore it could not use a Franchise Fund enterprise to sell its services**.**

2. If a particular function has not been formally assigned to a VA organization and the VA organization has been providing the function to VA Staff Offices/Administrations under an Economy Act reimbursable Inter-agency Agreement (IAA), then the function can be moved to the Franchise Fund and funded by the same customer appropriations that funded the Economy Act IAA.

3. If a function that has not been formally assigned to a VA organization, but the organization has been performing the function in the past without reimbursement, then the organization could move the function to the Franchise Fund but must reimburse the Franchise Fund work with the organization's funds. In the next annual Budget Submission, VA would notify Congress of its desire to change the funding mechanism from that VA organization to the other appropriation account. If Congress does not object to the switch, then the switch could be implemented in the fiscal year covered by that Budget Submission.

B. Outside of the annual business plan update cycle, ECs may add new services as follows:

1. ECs must forward information on new services to RFBOD. ECs must do so through the FOD.

2. ECs must document customer demand/agreement through a signed SLA, e-mail, or memorandum, stating that the customer will purchase the new service if approved by RFBOD.

3. ECs must brief RFBOD about new service(s) at the next regularly scheduled meeting.

C. New business lines may be added to ECs at the discretion and approval of the RFBOD.

100506 Enterprise Center IT Expense/Reporting Requirements

A. OMB Circular No. A-11, Part 7 requires that all federal agencies and their components (including non-appropriated funds) prepare OMB Exhibit 300(s) and Exhibit 53 (s) on an annual basis for their actual and planned IT expenses.

B. Annually, before or on July 31, the Franchise Fund Oversight Office will contact each EC and request that IT system information be sent to the fund on or before August 30, so that the fund can review, consolidate, and report to OMB.

C. The information provided for each IT system (both operational and in development) must include the following regardless of materiality, the amount:
   - Spent during the prior fiscal year;
   - Spent as of July 31 and the amount planned to be spent during the remainder of the current fiscal year;
   - Planned to be spent during the next fiscal year; and
   - Planned to be spent the fiscal year subsequent to the next fiscal year.

D. Simultaneously to this EC request, the fund will ask Information Technology Infrastructure Operations (ITIO) to provide the fund with the above information for IT expenses incurred by ITIO for each EC.

100507 Business Plans

A. Business Plans

   1. ECs are required to prepare and submit a business plan to RFBOD for approval to be incorporated into the fund's annual consolidated business plan. Guidance for business plan preparation will be provided by the FOD. As part of this process, ECs must update their rate structures for the two upcoming fiscal years. This information must be shared with customers for review and comments. A Capital Reserve Analysis, and the amount designated for capital reserves, will be shown as an attachment on each EC's component of the fund annual business plan. See Appendix C for a business plan template.

   2. During the development of the annual Franchise Fund business plan, each EC should project operational needs five (5) years out based on new customer projections, technology improvements, and upgrades to support security compliance, and known upcoming legislative and regulatory requirements.

   3. On an annual basis, EC directors are required to make presentations to RFBOD on EC lines of business presented in the consolidated business plan.

4. RFBOD formally approves the business plan and rate structures at a to-be-determined RFBOD meeting.

5. Changes in business plans that represent a greater than 10% modification in expenses or revenues must be reviewed and approved by the RFBOD in advance.

B. Service Catalog

ECs are required to prepare and submit with their business plan a standardized service catalog of all fund services to be published and updated on an annual basis. The service catalog will include the following items at a minimum:

1. Service name and description;

2. Pricing for all associated services;

3. Proper unit of measure for services, if applicable; and

4. Standard levels of service that can be expected when using services and if applicable any relevant key performance indicators (KPI's).

A new EC must be able to fully transition to activity-based costing after its first year in the fund.

100508 Removal of Enterprise Centers

A. ECs may be removed from the fund if there is a question about the continued need for the services being provided.

B. ECs may be removed from the fund if the EC violates GAO's business operating principles.

C. Before an EC is removed from the fund, the following must occur:

1. The decision must be approved by RFBOD and the VA Secretary.

2. The Director of the exiting EC must conduct an analysis to determine whether any business lines will remain under the authority of the fund. Any business lines remaining under the authority of the fund must be discrete and separate from business lines being moved to appropriated funding (i.e., the same work cannot be performed by a revolving fund and appropriated fund, and operations funded

by a revolving fund cannot be managed by the same staff as operations funded by appropriations).

3. The Director from the exiting EC must determine and recommend to RFBOD the appropriate contracts and level of personnel required for business lines that will remain in the fund, as well as develop a transfer plan for any leases or infrastructure that will be moving out of the fund.

4. The Director from the exiting EC must develop and recommend to RFBOD a service catalog based on the business lines remaining under the authority of the fund.

5. Any remaining cash or reserves from the exiting EC are legally required to remain with the fund and may be leveraged as reserves for the rest of the fund consistent with statutory capital reserve limits or returned to the Treasury. RFBOD will approve any amount of remaining cash from exiting EC that is returned to Treasury.

D. Fund customers may elect to cease doing business with an EC and obtain services from an alternate source. This election must occur within a budget formulation cycle, so that the impact on both the remaining customers and EC personnel can be addressed. Timeframes required to terminate service will be dependent upon the size and amount of the SLA. Smaller customers will be able to withdraw quickly, while larger customer withdrawals may require substantial time for adjustments. These timeframes will be established on a case-by-case basis as a negotiated agreement between the customer, EC, and RFBOD.

100509 Customers

A. A fully signed SLA must be in place before an EC can perform services for a VA or OGA customer. SLAs will include the name of the customer, agreement number, agreement amount, and any obligation information. This information is used to populate the collection report for each EC, the Interagency Agreement (IAA), and the VA Repository Database.

B. An amendment to an SLA is required when estimates are changed from the original agreed amount. An amendment is also required for changes in major terms and conditions, such as changes in the period of service.

C. All SLAs and amendments will be signed by the Enterprise Center Director, the Undersecretary, Assistant Secretary, or office head of the customer entity, and funding officials; signatory authorities may be designated.

D. Signed SLAs and amendments must be provided to the FSC fund accountant.

E. SLAs must be reviewed by a contracting officer or a legal review if the agreement involves the purchase of information technology to provide a service.

F. OGA SLAs require the signature of a warranted contracting officer. In accordance with VA Acquisition Regulation (VAAR) 801.602-70, SLAs of $5,000 or more must be forwarded to VA's Office of General Counsel (OGC) for legal review.

G. All obligations made between Franchise Fund customers and an EC must comply with:

   1. Purpose (bona fide need of the specified term for which the customer's appropriation is made);
   2. Time (period of availability of the customer's appropriation); and
   3. Amount (reasonable estimate and money must be available in the customer's appropriation).

100510 Rates and Reports

A. Annually, the fund must submit to RFBOD a business plan to include a rate structure that identifies how, and over what time period, the fund will recover the full cost of operations. ECs must update their rate structures for the two upcoming fiscal years.
   - ECs are not allowed to price services below their full cost.
   - Outside of the annual Business Plan update cycle, fund entities may adjust unit rates.

B. If there is a unit rate adjustment (upward or downward) above 10% over the last agreed-upon rate, EC must:

   1. Notify the FOD in writing; and
   2. Receive approval by RFBOD before implementing any unit rate increases or decreases.

C. Monthly, each EC must review the collections report and the status of obligations report, produced by FSC.

   1. All collections from OGA's must be accomplished via the Intra-Governmental Payment and Collection (IPAC) system.
   2. All Franchise Fund transactions must be recorded as "federal" in VA standard general ledger (SGL) accounts when applicable SGL accounts exist.

D. ECs are required to contact their specific customers if obligations need to be increased and convey any additional obligation information to the FSC fund accountant.

100511 Operating Reserves

A. Operating reserves are a component of the Franchise Fund's budgetary resources (Allotments-Realized Resources, U.S. Standard General Ledger account 461000) and are available for use at the discretion of the RFBOD. All reserves accrued will be managed enterprise-wide by the FOD to ensure funds are leveraged in line with fund policy. Reserve level and usage will be approved by RFBOD through the Franchise Fund business plan process to ensure reserves are being used efficiently.

B. Earnings are generated whenever revenue exceeds expenses. Earnings are allocated to the below accounts in the following priority order:

    1. operating reserve; and

    2. capital reserve.

C. Operating reserves will not be used for regular business operations unless approved by the RFBOD. Examples of acceptable use of operating reserves are:

    1. Fluctuating workloads and unanticipated expenditures.

    2. Appropriation lapses of fund customers (periods when the fund must cease performing work for customers who have not been deemed excepted or exempted during a government shutdown due to appropriation lapses).

       In these circumstances, the fund must continue its operations and pay its employees even though the fund is not generating revenue from non- excepted or non-exempted customers.

    3. The operating reserves requirement (target reserve) must be approved by RFBOD.

D. Additional uses for operating reserves include:

    1. Surge capacity (planning for future customers) – The fund's governance process may elect to use operating reserves to add capacity to support new customers. For up to 5 years from the date of a production implementation, the migrating customer's rates will include an operating reserve surcharge in-order-to replenish the fund's operating reserves.

2. Anticipated future new starts (pilots and innovation) – reserves to support funding necessary to enter into a new line of business or offer additional services to current or future customers. This reserve may be used to fund activities necessary to provide additional information to potential customers and determine the customer fit with the provider (e.g., rough order of magnitude estimates and select IAAs).

3. Operating reserves may be used for non-capital investment related costs associated with the start-up of a new line of business (e.g. acquiring supplies, equipment, IT (not including capitalizable capital equipment), and training).

4. The fund must charge customers the full expenses of operations once it starts delivering services to its customers.

5. Reserves used for start-up must be paid back within the timeframe established by RFBOD.

E. RFBOD determines the operating reserve for each EC on an annual basis. ECs must maintain this level of operating reserves to account for:
- fluctuating workloads/surge capacity;
- unplanned expenses; and
- continued operations during a government shutdown.

Exceptions to the operating reserve amount must be approved by RFBOD.

F. Operating reserves are managed on a Franchise Fund wide basis. ECs must submit a proposal for operating reserve expenditures in their annual business plan for approval by RFBOD. ECs may only expend operating reserves up to the amount authorized in the approved annual business plan unless specifically authorized by the RFBOD. Requests to authorize additional operating reserves must include a justification.

G. Each EC will include an operating reserve analysis, and the designated operating reserve amount, as an attachment in its fund annual business plan.

100512 Capital Reserves

A. P.L. 104-204, as amended by P.L. 109-114, provides that an amount not to exceed four (4) percent of the total annual income to a fund may be retained in the fund for the fiscal year and each fiscal year thereafter, to remain available until expended, to be used for:
- acquisition of capital equipment; and
- improvement and implementation of IT Departmental financial management,

Automated Data Processing, and other support systems.

B. Capital Reserves are a component of the Franchise Fund’s budgetary resources (Allotments-Realized Resources, U.S. Standard General Ledger account 461000). Capital reserves will be managed on an enterprise-wide basis. ECs must submit a proposal for capital reserve expenditures in their annual business plan for approval by RFBOD. ECs may spend up to the amount approved by RFBOD. ECs may only spend the authorized capital reserve amount by the end of the FY for which they have been approved.

C. The capital reserve is used to fund RFBOD-approved capital acquisitions as stated within the individual EC’s component of the annual fund business plan.

D. EC must demonstrate the specific benefit of retaining operating reserves for an extended period, rather than generating new operating reserve amounts through future surcharges. Retention of capital reserves beyond a two-year planning horizon must be approved by RFBOD.

E. Reporting Capital Reserves. Each EC will include a capital reserve analysis, and the designated capital reserve amount, as an attachment in its fund annual business plan.

100513 Overpayment Return Process

A. Excess reserves can only be returned to customers if they qualify as “refunds” of specifically identifiable overpayments or mistaken payments.

B. Refunds must be credited to the original appropriation (for the proper fiscal year) from which the excess payments were made.

C. The fund cannot credit an overpayment consisting of a customer’s prior-year overpayment toward a current fiscal year bill unless overpayment was made using unexpired multi-year funds.

D. All overpayments to be returned will be approved by RFBOD.

100514 Property, Plant, and Equipment

A. The Franchise Fund follows the Department’s capitalization and lease policies as described in VA Financial Policy Volume V Chapter 9, General Property, Plant, and Equipment and VA Financial Policy Volume V Chapter 11, Real Property Leases.

B. All capital investment decisions for equipment and software must be approved by

RFBOD before funds are committed. EC's are not allowed to split acquisitions in order to stay under applicable thresholds. Capital investment decisions not related to equipment and software must follow the below thresholds:

1. If an EC's gross annual revenue is greater than $100 million, investment decisions exceeding $500,000 must be approved by RFBOD before commitment of funds.

2. If an EC's gross annual revenue is less than $100 million, investment decisions exceeding $250,000 must be approved by RFBOD before commitment of funds.

C. Before leasing, or otherwise obtaining, new or additional space, an EC must contact the FOD. The FOD and EC will work with the Office of Asset Enterprise Management to ensure compliance with federal and VA leasing policies and guidance.

D. The fund must not make expenditures for building construction or renovation, including leasehold improvements. Doing so violates 41 U.S.C § 6303, Certain contracts limited to appropriated amounts. Expenditures for construction and renovation, including leasehold improvements used by ECs, must be funded by either the Major or Minor Construction Projects appropriation accounts.

E. The fund has the legal authority (P.L. 103-356 and P.L. 104-204, as amended by P.L. 109-114) to pay for IT equipment and other IT expenses. In addition, the law allows the fund to solely procure a Department-wide IT system, if that IT system is an integral component of a fund business line.

F. VA Directive 6008, Acquisition and Management of VA Information Technology Assets, details when the fund will solely, jointly, or not at all fund an IT system or systems development, modification, or enhancement. ECs will only develop IT systems/software as an ancillary aspect of providing an EC service. ECs will not develop or sell IT systems or software, except as an ancillary aspect of a service offering. The fund must comply with OMB Circular No. A-11, Part 7's, IT reporting requirements.

100515 Metrics

A. Each EC must develop performance metrics that tie to the fund strategic plan. Metrics will track customer service performance, operational performance, financial performance, and progress on EC initiatives. The FOD will manage the collection and publication of performance metrics quarterly.

B. ECs will benchmark their activities against similar federal and/or private sector activities and they must be based on full cost.

C. Operational performance metrics will be compiled quarterly by ECs and reported to the FOD.

D. Customer service metrics will be compiled by ECs through a quarterly customer survey, as well as periodic customer interviews.

E. Financial metrics will be measured by the FOD monthly on behalf of ECs.

F. Progress on initiatives will be measured against project plans published in the annual business plan.

G. All metrics will be made available for customers to review and assess fund performance.

H. Metrics can be modified/added as necessary but require approval from the Fund Oversight Director.

1006 Authorities and References

31 U.S.C. Chapter 9 (Chief Financial Officers Act of 1990)

31 U.S.C. § 1301(a) (The Purpose Statute)

38 U.S.C. § 309 (Department of Veterans Affairs Chief Financial Officer)

40 U.S.C. § 524(b) (Duties of Executive Agencies)

41 U.S.C. § 6303 (Certain Contracts Limited to Appropriated Amounts)

GAO-08-978SP (Principles of Federal Appropriations Law, Third Edition, Volume III, Chapter 12)

OMB Circular No. A-11, Part 7 (Planning, Budgeting, and Acquisition of Capital Assets)

P.L. 103-62 (Government Performance and Results Act of 1993)

P.L. 103-355 (Federal Acquisition Streamlining Act of 1994)

P.L. 103-356, Section 403 (Government Management Reform Act of 1994)

P.L. 104-106 (National Defense Authorization Act for Fiscal Year 1996)

P.L. 104-204 (Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997)

P.L. 109-114 (Military Quality of Life and Veterans Affairs Appropriations Act, 2006)

VAAR 801.602-70 (General Review Requirements)

VA Directive 6008 Acquisition and Management of VA Information Technology Resources

1007 Rescissions

EFO Bulletin 99-01, dated April 14, 1999, “VA Franchise Fund Flexible Pricing”

EFO Bulletin 99-02, dated April 20, 1999, “Personal Property Capitalization and Depreciation”

EFO Bulletin 01-01, dated December 7, 2000, “Earnings and Reserves of the VA Franchise Fund”

EFO Bulletin 01-02, dated January 8, 2001, “Personal Property Capitalization and Depreciation”

EFO Bulletin 02-01, dated January 22, 2002, “VA Franchise Fund Research & Development”

EFO Bulletin 03-01, dated October 1, 2002, “Personal Property Capitalization and Depreciation”

EFO Bulletin 03-02, dated March 31, 2003, “Capital and Operating Leases”

EFO Bulletin 03-03, dated March 31, 2003, “VA Franchise Fund Borrowing or Lending of Funds”

EFO Bulletin 04.01, dated October 1, 2004, “Enterprise Fund Office Budget Allocation”

EFO Bulletin 05.02, dated January 31, 2005, “VA Franchise Fund Agreements with Customers”

EFO Bulletin 05.03, dated February 16, 2005, “Enterprise Fund Office Billing Holiday”

EFO Bulletin 05.01, dated October 1, 2006, "Enterprise Fund Office Budget Allocation"

EFO Bulletin 07.01, dated January 1, 2007, "Billing Holiday Procedures"

EFO Bulletin 07.02, dated February 2, 2007, "VA Franchise Fund Agreements with Customers"

FTO Bulletin 08.01, dated February 20, 2008, "Billing Holiday Procedures"

VA Financial Policy Volume I, Chapter A., No. 2, dated September 28, 2012, "Transfers of Assets to the Franchise Fund from Other Appropriated Fund Accounts"

VA Financial Policy Volume II, Chapter A., No. 1, "Reporting Requirements for Franchise Fund Investment Technology (IT) Assets", September 28, 2012

1008 Questions

Questions concerning these financial policies and procedures should be directed to the Franchise Fund Oversight Office mailbox - VA Enterprise Fund Office.

Appendix A: Business Operating Principles Operating Principle Description

1) Services	The enterprise should only provide common administrative support services.
2) Organization	The organization would have a clearly defined organizational structure including readily identifiable delineation of responsibilities and functions and separately identifiable units for the purpose of accumulating and reporting revenues and costs. The funds of the organization must be separate and identifiable and not commingled with another organization.
3) Competition	The provision of services should be on a fully competitive basis. The organization's operation should not be "sheltered" or be a monopoly.
4) Self-sustaining Full Cost Recovery	The operation should be self-sustaining. Fees will be established to recover "full cost," as defined by standards issued in accordance with FASAB (the Federal Accounting Standards Advisory Board).
5) Performance Measures	The organization must have a comprehensive set of performance measures to assess each service that is being offered.
6) Benchmarks	Cost and performance benchmarks against other "competitors" are maintained and evaluated.
7) Adjustments to Business Dynamics	The ability to adjust capacity and resources up or down as business rises or falls or as other conditions dictate, if necessary.
8) Surge Capacity	Resources to provide for "surge" capacity and peak business periods, capital investments and new starts should be available.

9) Cessation of Activity	The organization should specify that prior to curtailing or eliminating a service, the provider will give notice within a reasonable and mutually agreed time frame so the customer may obtain services elsewhere. Notice will also be given within a reasonable and mutually agreeable timeframe to the provider when the customer elects to obtain services elsewhere.
10) Voluntary Exit	Customers should be able to “exit” and go elsewhere for services after appropriate notification to the service provider and be permitted to choose other providers to obtain needed service.
11) FTE Accountability	Full Time Equivalents (FTEs) would be accounted for in a manner consistent with the Federal Workforce Restructuring Act and OMB requirements, such as Circular A-11.
12) Initial Capitalization	Capitalization of franchises, administrative service or other cross-servicing operations should include the appropriate FTE commensurate with the level of effort the operation has committed to perform.

Appendix B: Frequently Asked Questions (FAQs)

Franchise Fund Common Administrative Services

FAQ #1: What services can the Franchise Fund provide?

Answer: VA's Franchise Fund is authorized to provide common administrative support services (e.g., financial management, human resources, and information technology (IT) services) within VA and to other federal government agencies.

FAQ #2: Can VA common administrative functions be transferred to the Franchise Fund?

Answer: It depends

- No. If a particular function has formerly assigned to one VA organization by statute or other authority (e.g., Executive Order, OMB directive) or by the Secretary, then that office does not have authority to seek reimbursement for its work and therefore it could not use a Franchise Fund enterprise to sell its services.
- Yes. If a particular function has not been formerly assigned to a VA organization and the VA organization has been providing the function to VA Staff Offices/Administrations under Economy Act reimbursable Inter-agency Agreements (IAA), then the function can be moved to the Franchise Fund and funded by the same customer appropriations that funded the Economy Act IAA.
- Yes. If a function that has not been formally assigned to a VA organization, but the organization has been performing the function in the past without reimbursement, then the organization could move the function to the Franchise Fund but must reimburse the Franchise Fund work with the organization's funds. In the next annual Budget Submission, VA would notify Congress of its desire to change the funding mechanism from that VA organization to the other appropriation account. If Congress does not object to the switch, then the switch could be implemented in the fiscal year covered by that Budget Submission.

FAQ #3: Is the Franchise Fund allowed to provide both severable services and Nonseverable services?

Answer: Yes. Notification shall be made to the Franchise Fund Oversight Office when providing a Nonseverable service.

Severable services are continuing and recurring in nature, such as lawn maintenance, janitorial services, or security services, and from which the agency realizes a benefit at the time services are provided even if the contract has not been performed to completion. Services are considered severable if they can be separated into components that independently provide value to meet an agency's needs. Severable services are considered a bona fide need of the time period in which the services are rendered and can only be contracted for to the extent they will be performed during the time period of availability of the appropriation to be obligated, unless authorized by statute. To comply with the bona fide needs rule, a Franchise Fund customer must obligate funds for severable services in each fiscal year in which the services are to be received.

Nonseverable services represent a single undertaking that cannot feasibly be separated into components but will be performed as a single task to meet a need of the Government. If the services produce a single or unified outcome, product or report, the services are considered nonseverable (e.g., a consulting study conducted over several months culminating in a final report). The customer must obligate funds for nonseverable services upfront, i.e., in the fiscal year in which it enters into the agreement with the Franchise Fund.

FAQ #4: Is the Franchise Fund allowed to sell telephone services to customers that customers would purchase using their operating expenses appropriations?

Answer: No. All VA telecommunications costs must be funded out of the VA Information Technology (IT) Systems account per language contained in its annual appropriation act. A legislative change would be required to fund from another source. However, if such legislative change were enacted, Congress could choose to reduce funding to the appropriation account (in this case, IT Systems account) from which the expense is being moved.

Franchise Fund Reserves

FAQ #5: Is the Franchise Fund authorized to retain reserves, and if so, what do they represent and how are they calculated?

Answer: Yes. P.L. 104-204, as amended by P.L. 109-114, authorizes the Franchise Fund to retain a capital reserve and an operating reserve. The capital reserve and operating reserve are components of the Franchise Fund's budgetary resources (Allotments-Realized Resources, U.S. Standard General Ledger account 461000).

Capital reserve - An amount not to exceed 4 percent of the total annual income to the Franchise Fund may be retained in the Franchise Fund for fiscal year 1997 and each fiscal year thereafter, to remain available until expended, to be used for the acquisition of capital equipment and for the improvement and implementation of Departmental financial management, Automatic Data Processing (ADP), and other support systems. VA defines capital equipment as individual items and software projects that meet VA's capitalization threshold, currently $1 million, with a useful life of 2 or more years. The Franchise Fund is to recover the amount spent for capital equipment (including capitalizable IT) through its customer rates. Personal property and equipment not meeting the capitalization criteria is expensed upon being placed in service and not to be funded from the capital reserve.

Operating reserve -The Franchise Fund is authorized to maintain a reasonable operating reserve, as determined by the Secretary. The Revolving Fund Board of Directors determines authorized uses of the operating reserve.

Information Technology

FAQ #6: Must the Franchise Funds be used for IT expenses needed to operate and maintain the Franchise Fund?

Answer: Yes. The Franchise Fund must directly fund all IT expenses necessary for the maintenance and operation of the Franchise Fund's administrative services in lieu of using the IT Systems account. Public Law 104-204, as amended by Public Law 109-114, authorizes the VA Franchise Fund to fund all expenses and equipment necessary for the maintenance and operation of the Franchise Fund's administrative services, to include ADP software and systems. Because there is no clear indication in the current (or any prior) appropriations act that Congress intended to repeal, amend, or override the Franchise Fund authority and alter Franchise Fund operations with respect to ADP and other support systems, IT needed to operate and maintain the Franchise Fund should continue to be funded by the Franchise Fund in accordance with the Franchise Fund authorization statute (not the VA IT Systems account). This conclusion recognizes the statutory rule of construction that two statutes should be construed harmoniously to give effect to both however possible.

FAQ #7: Is the Franchise Fund permitted to bill its customers for IT systems startup costs, including indirect operational costs, such as IT infrastructure?

Answer: No. The Franchise Fund does not have the authority to bill in advance for "start-up costs" or any other costs incident to furnishing severable services in future fiscal years. The Franchise Fund must recover startup costs via the rates for the common administrative services billed to customers, not through advance payments.

FAQ #8: Can a Franchise Fund VA customer use its program funds to buy an IT system from the Franchise Fund?

Answer: No. If a VA customer is buying a system from the Franchise Fund, then the development of the system needs to be funded by the IT Systems account (even if the customer is then going to pay the Franchise Fund to operate and maintain the customer's new system). On the other hand, if the Franchise Fund needs to build its own system so that it can provide common administrative support services to customers, then the Franchise Fund should pay for the development of the system with its capital reserve. When the Franchise Fund sells the services to the customers, it adds fees to recover its costs (which is required by law), including the IT (or other) costs that were incurred using the Franchise Fund reserves to develop the infrastructure needed to provide services. The fees are collected over time at rates approved by the Revolving Fund Board of Directors.

FAQ #9: Can each Franchise Fund IT project be independently evaluated as to whether it should be funded from the IT Systems account or the Franchise Fund?

Answer: No. The Franchise Fund must use its own funds to provide Franchise Fund common administrative services. The IT Systems account must be used for IT expenses that are not necessary to provide Franchise Fund common administrative services.

FAQ #10: Can the Franchise Fund and the IT Systems account pool funds for an IT system?

Answer: Yes. The Franchise Fund and the IT Systems account may pool funds for an IT system, with each account paying its pro rata share in accordance with the estimated benefit to be received.

FAQ #11: Should planning and evaluation expenses associated with current or potential information technology systems or projects, not to be used by the Franchise Fund in providing common administrative services, be funded exclusively by the IT Systems account?

Answer: Yes. The VA IT Systems account is the specific account for the necessary expenses of IT systems, including developmental information systems. The plain meaning of the IT account language is that expenses necessary for IT systems must be charged to the IT Systems account. The expenses of planning and evaluation of IT systems and needs are necessary and incidental to the proper execution of the IT Systems account, and thus, clearly fall within the definition of "necessary expenses for information technology systems." However, see FAQ #13 below regarding business requirements gathering expenses, which are non-IT.

FAQ #12: How should the Project Management, Financial Management, Technical Architecture, and Process Change Management phases of an enterprise-wide IT project be funded?

Answer:

- The Project Management and Financial Management phases are non-IT because they are business requirements gathering and should be funded by each VA organization paying its pro rata share in accordance with the estimated benefit to be received.

- The Technical Architecture phase is IT and should be funded by VA's IT Systems account.

- The Process Change Management, Communications, and Training phases are non-IT and should be funded by each VA organization paying its pro rata share in accordance with the estimated benefit to be received.

FAQ #13: If the IT Systems paid for the development of a non-Franchise Fund system, may the Franchise Fund provide common administrative services with the system once it is operational?

Answer: Yes. If the Franchise Fund is providing common administrative services, e.g., financial management services, it may use a system that was developed and funded by the IT Systems account to provide these services. In these types of situations, the Franchise Fund is selling common administrative services, not merely operating and maintaining a system.

Miscellaneous

FAQ #14: Does the Franchise Fund have the authority to accept advance payments from its customers?

Answer: Yes. There is explicit authority in Public Law 104-204, as amended, for the Franchise Fund to accept advance payments from its customers. However, while the authorization statute permits Franchise Fund customers to make advance payments, it does not authorize customers to circumvent the bona fide needs rule and incur advance "obligations." The Franchise Fund does not have the authority to bill in advance for "start-up costs" or any other costs incident to furnishing severable services in future fiscal years. This is because the bona fide needs rule generally requires that the customer obligate funds for severable services in each fiscal year in which the services are to be received. A customer could, however, make an advance payment for nonseverable services if it enters into an agreement with the Franchise Fund. The customer must obligate funds for nonseverable services upfront, i.e., in the fiscal year in which it enters into the agreement with the Franchise Fund.

FAQ #15: What should be done if a Franchise Fund customer overpays the Franchise Fund?

Answer: If a customer overpays the Franchise Fund, then the Franchise Fund may refund the overpayment to the customer directly or via a credit to a customer's bill. (A refund is a return of funds previously disbursed as a result of a specifically identifiable: overpayment, return of an advance, adjustment, or recovery of erroneous disbursement.) Because refunds must be for specifically identifiable items or services and be credited to the original appropriation (for the proper fiscal year) from which the excess payments were made, the Franchise Fund cannot credit a refund consisting of a customer's prior-year overpayment toward a current fiscal year bill (unless the customer's overpayment was made using multi-year funds that have not expired).

FAQ #16: Is the Franchise Fund able to provide a service to its customer free of charge?

Answer: No. When a Franchise Fund line of business provides services to its customers, it must charge its customers rates that "will return in full all expenses of operation," including an amount necessary to maintain a reasonable operating reserve. It is not permissible for the Franchise Fund to provide services to its customers free of charge, as that action would impermissibly augment the appropriation funding the VA or a federal customer and violate the Purpose Statute, 31 U.S.C. § 1301(a).

FAQ #17: Does the Franchise Fund have the authority to lend funds to its customers?

Answer: No. The Franchise Fund does not have the authority to lend money to customers.

<u>**References**</u>

1. Email: VA Office of General Counsel, Appropriations/Fiscal Law
   Dated: December 12, 2006

2. Office of General Counsel Opinion (General Counsel (024))
   Date: April 9, 2015
   Subject: Use of the Franchise Fund to Purchase Information (VAOPGCADV 6-2015)

3. Email: VA Office of General Counsel, Appropriations/Fiscal Law
   Dated: December 3, 2015

4. Email: VA Office of General Counsel, Appropriations/Fiscal Law
   Dated: May 17, 2016

5. Email: VA Office of General Counsel, Appropriations/Fiscal Law
   Dated: November 16, 2016

6. Email: VA Office of General Counsel, Appropriations/Fiscal Law
   Dated: December 3, 2019

7. Whitepaper: VA Office of General Counsel, Appropriations/Fiscal Law
   Dated: Revised May 2020
   Subject: Franchise Fund Basics

Appendix C: Sample Enterprise Center Business Plan

Format changes may be made annually. Refer to FFO intranet site for latest plan format.

Cover Page

[*xx*] Enterprise Center FY 2021 Business Plan
[*Date*]

[xx] Enterprise Center Mission
[Place the EC mission statement here]

Vision
[Place the EC vision statement here]

EC Logo

EC Director Picture

Message from the Director

*[**OVERVIEW:** Message from the Director should include a statement ideally reinforcing the continuing focus on customer needs and highlighting any significant changes to operations or how EC conducts business.]*

*[**SIGNIFICANT ACCOMPLISHMENTS:** Message should have a sub section that outlines significant milestones / projects completed in the previous FY that will lead to better service, lower cost, and increased Veteran focus for the upcoming FY and beyond.]*

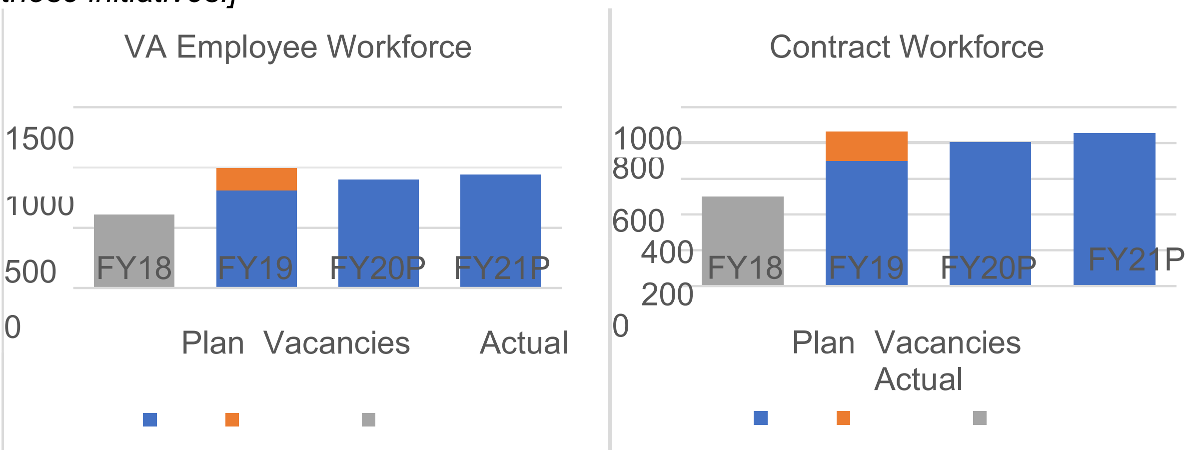
*[**HIGHLIGHTED NUMBERS:** Message should have a final section that highlights significant numbers from throughout the business plan to set the stage for what is to come and entice customers to want to learn more about the EC business.]*

Table of Contents

1. Operations

1.1 Workforce

[Outline workforce numbers for the FYs in which this business plan is being created; include prior FY, current FY and next two projected FYs for a total of four FY workforce numbers. Explain any trends and reason for numbers to support those trends. Can also include breakout of specific initiatives and the number of FTEs that will support those initiatives.]



Graph 1.1 Historical and planned FTE growth

1.2 Planned Expenditures

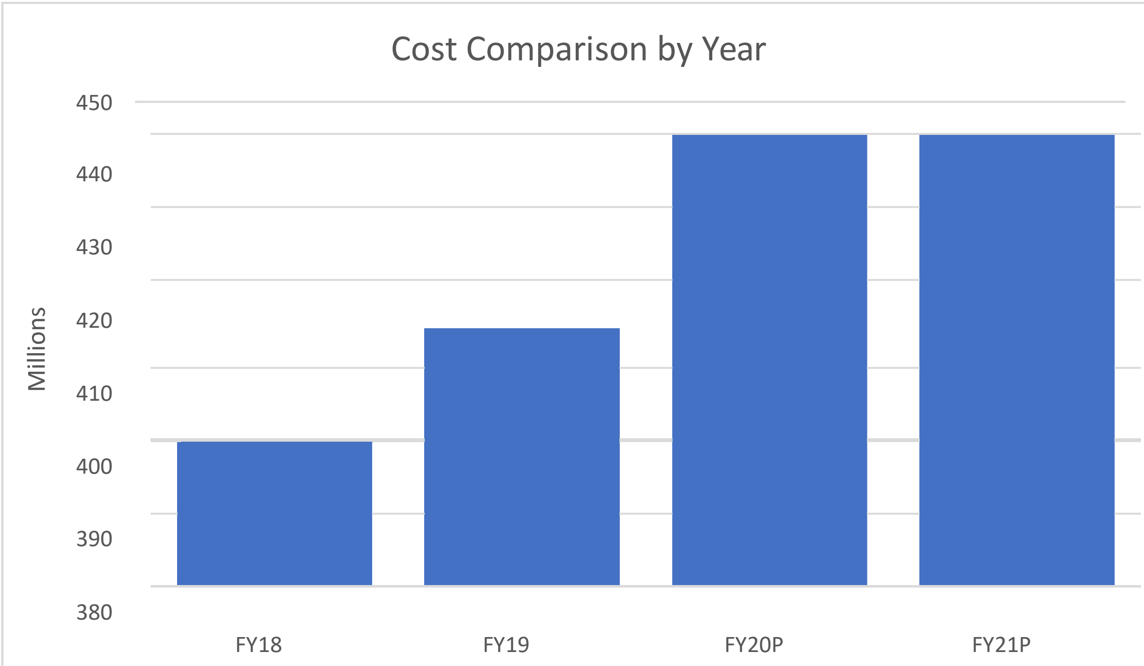
[Outline all planned expenditures, operating and capital, exceeding $250,000 for DMC, ICSC, LETC, SIC, HREC, RCV; and $500,000 for FSC and ITIO in this section to clearly state what the expected expenditures are. This will also help facilitate discussions later in the year when ad hoc expenditures come up and must be addressed by the Revolving Fund Board.]

Category	Expenditure	Projected Cost
IT, real estate, etc.	Description of expenditure	Projected cost

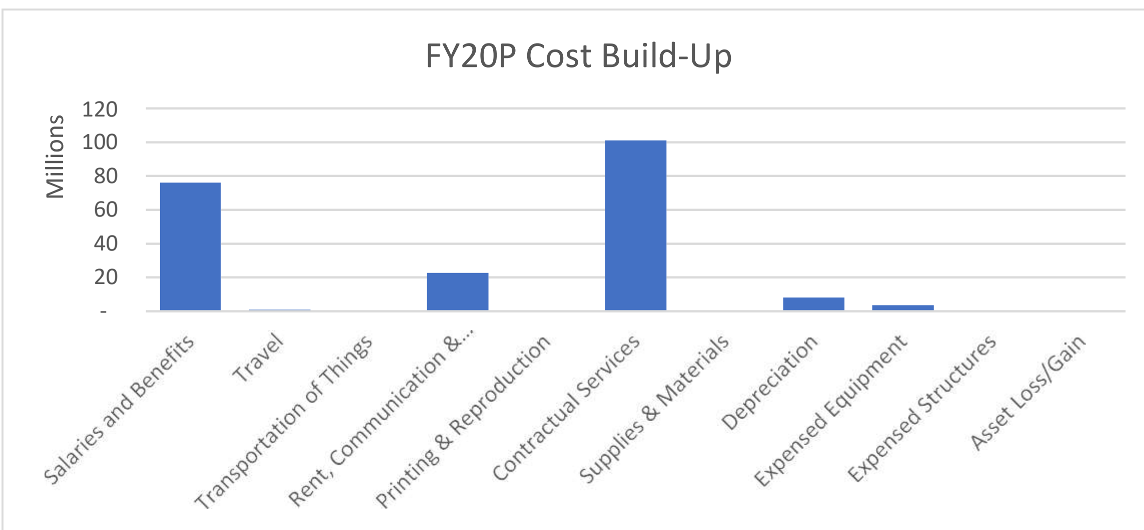
Table 1.1 Historical and planned FTE growth

1.3 Costs

[Outline cost comparison over prior FY and a breakdown of current year costs through a graphical representation with summary or trends and what the drivers of those trends are to better understand if there are opportunities to remove costs and increase the value being provided to the customer.]



Graph 1.2 Comparison of EC costs by Year

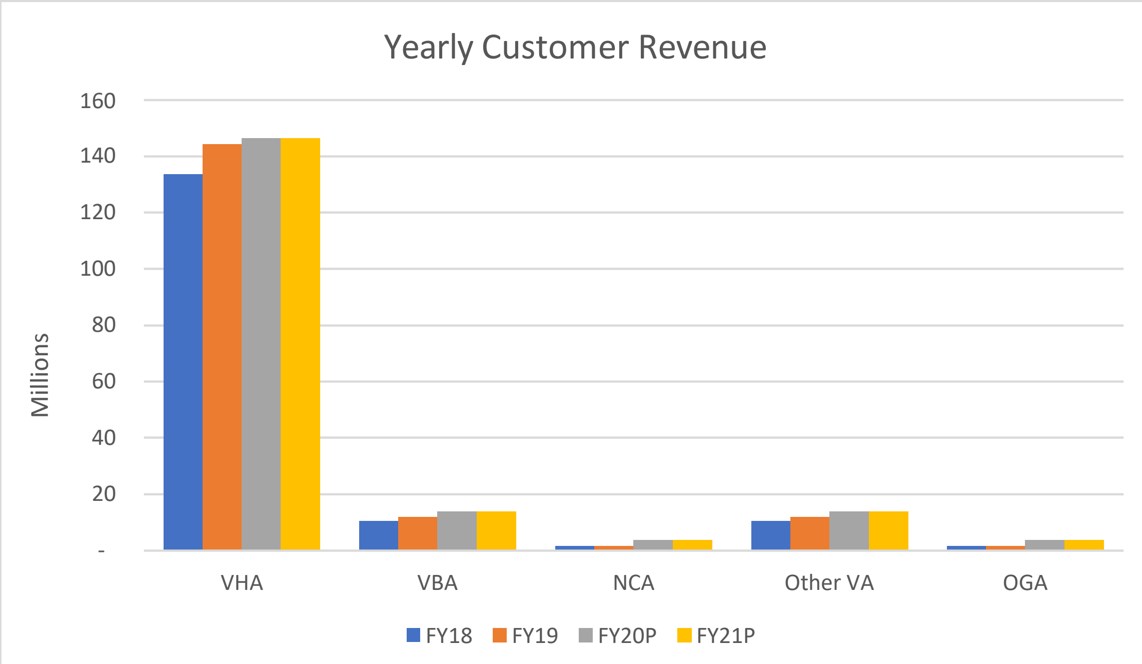


Graph 1.3 EC cost build-up

1.4 Revenue

[Outline revenue changes over two prior FYs. One graphical representation should show total revenues over time broken out by customer category. An additional table should detail Revenue for each service offering for last FY and this FY, highlighting the

change year-over-year.]



Graph 1.4 Yearly revenue growth by customer

Service Provided	FY18	FY19	FY20P	% FY19-FY20P Change
Service 1	15,973,671	21,537,171	27,936,149	30%
Service 2	108,500	108,500	110,500	2%

Table 1.2 Year over year revenue by EC service

2 Marketing

2.1 Customer Retention

[State the current customers using services/products by Administration. Please detail who the end user(s) is/are for each customer organization. State how the EC will market services/products to this group.]

Customer	End User	Key Services Used	Prior FY19 Spend, End User	Projected FY20 Spend, End User
Administration x	Office y	*[List top 3 services used by this user]*		

VHA	VHA – Chief Business Office			
Other VA	OALC			

Table 2.1 Current customers

2.2 Customer Expansion

[List the customers in VA that have been identified as potential users of the services/products. Summarize why they would receive increased value by using the EC services over those of another provider or performing the function themselves. State how the EC will market services/products to this group.]

Identified Customer	Identified End User	Potential Services Used
Administration x		*[List all services that customer could potentially use]*

Table 2.2 Identified potential customers

3 Planned Strategic Initiatives

[List major strategic initiatives from the last FY and planned strategic initiatives for the upcoming FY, each initiative should clearly state scope of work to be completed, proposed start and completion dates, associated investment amount, expected outcomes (how the initiative will help provide better service at a lower cost with a focus on the Veteran).]

Initiative	Scope	Start Date	Completion Date	Projected Investment ($)	Expected Outcome
Prior FY					
[Top level title of project]	*[Brief description of overall project scope]*				*[List expected outcomes in terms of service, cost and Veteran focus]*
Current FY					

Table 3.1 Planned strategic initiatives

4 Risks & Mitigations

[Risks both internal and external to EC based on initiatives being undertaken, environmental factors, economic factors, etc. should be annotated in this section. Mitigation plan to ensure that all factors have been thought through laying out a high-level course of action to be taken if the risk proves to hinder operations.]

Risk	***Mitigation Plan***
Internal	
[List all internal risks to VA that are expected to have an impact on business operations]	*[List the preventative measures that will be taken to mitigate/negate the impact of any foreseen risks]*
External	
[List all external risks outside of VA that are expected to have an impact on business operations]	*[List the preventative measures that will be taken to mitigate/negate the impact of any foreseen risks]*

Table 4.1 EC risk and mitigation table

5 Service Catalog

[Service catalog summary table, no detail to be provided in this section. Detailed services/products to be put in attachment F. Table below will be same table that is used in attachment F.]

Product/Service	**FY19 Price**	**FY20 Price**	**% FY19- FY20 Price Change**	**FY19 Volume**	**FY20 Projected Volume**	**% FY19- FY20 Volume Change**
[Travel Services]						
[PCS Travel Services]						
[TDY Travel Services]						
Category of spend 2						
Service offering 1						
Service offering 2						
Category of spend 3						
Service offering 1						
Service offering 2						

Category of spend 4						
Service offering 1						
Service offering 2						
Category of spend 5						

Product/Service	FY19 Price	FY20 Price	% FY19- FY20 Price Change	FY19 Volume	FY20 Projected Volume	% FY19- FY20 Volume Change
Service offering 1						
Service offering 2						

Table 5.1 EC service catalog

Attachment A – Customer Billings

[Taken from business plan attachment spreadsheet]

Attachment B – Proforma

[Taken from business plan attachment spreadsheet]

Attachment C – PVR Compare

[Taken from business plan attachment spreadsheet]

Attachment D – Business Plan Analysis

[Taken from business plan attachment spreadsheet]

Attachment E – Planned Expenditures

[Taken from business plan attachment spreadsheet]

Attachment F – Service Catalog

[Table of contents below will reflect the order of the table that has been populated in Section 5. Table of contents below is linked to Attachment F only and will auto populate as sections are added under the format of this section.]

F.1 Travel Services

FSC provides travel services in accordance with xx regulation, yy law and zz VA policy/directive. FSC travel services cover Permanent Change of Station (PCS) and Temporary Duty (TDY).

F.1.1 PCS Travel Services

Description: Provide end-to-end assistance to relocating employees to include: counseling the employee, estimating PCS costs, making reservations, administering shipment of household goods and home sale services, and settlement of claims.

Service Factors/KPIs:

Process 95% of claims within 7 days 98% claim payment accuracy
80% or greater customer satisfaction (per customer surveys)

FY20 Price: $2,900.00

Unit: Fixed

Additional Cost Drivers: Incomplete paperwork will cause a delay in processing time and a possible additional cost to resubmit paperwork with all requested paperwork to properly submit voucher for PCS travel.

F.1.2 TDY Travel Services

Description: Administration of the e-Gov Travel System (ETS), including the establishment of user accounts, help desk support, reporting, training, and travel policy guidance.

Service Factors/KPIs:

ETS help desk inquiries answered within 1 workday 98% of the time Clear 95% of rejects within 1 workday

FY20 Price: $4,150.00

Unit: Fixed

Additional Cost Drivers: Incomplete paperwork will cause a delay in processing time and a possible additional cost to resubmit paperwork with all requested paperwork to properly submit voucher for TDY travel.

F.2 Category of Spend 1

[Describe the overall category of services/products that are being offered and how they can assist a customer with their challenges.]

F.2.1 Service Offering 1

Description: *[Describe in detail what the service/product will provide the customer; the breadth and depth the customer can expect to receive when engaging for the service/product in question. Also, the breakdown of responsibility between the EC and customer to clearly state any and all actions throughout the engagement to remove* *ambiguity.]*

Service Factors/KPIs:
[Level of service that can be expected in the performance of the service/product]

FY20 Price: *[Price that will be charged for the service/product]*
Unit: *[Fixed price, transactional price, etc.]*
Additional Cost Drivers: *[What are the additional items that may inflate the cost past the price that is annotated earlier in this section. Transparent view into the price that could result past the quoted price.]*
F.2.2 Service Offering 2
Description: *[Describe in detail what the service/product will provide the customer; the breadth and depth the customer can expect to receive when engaging for the service/product in question. Also, the breakdown of responsibility between the EC and customer to clearly state any and all actions throughout the engagement to remove ambiguity.]*
Service Factors/KPIs:
[Level of service that can be expected in the performance of the service/product]

FY20 Price: *[Price that will be charged for the service/product]*
Unit: *[Fixed price, transactional price, etc.]*
Additional Cost Drivers: *[What are the additional items that may inflate the cost past the price that is annotated earlier in this section. Transparent view into the price that could result past the quoted price.]*

Appendix 1 – Glossary of Terms

[Insert table of terms used throughout business plan]

Appendix 2 – Enterprise Center Points of Contact

[Insert contact information for customer facing personnel from the Enterprise Center to facilitate improved customer service.]

Appendix 3 – Organization Chart

[Insert organization chart for EC]