

**VA Enterprise
Centers**

ANNUAL REPORT

2000

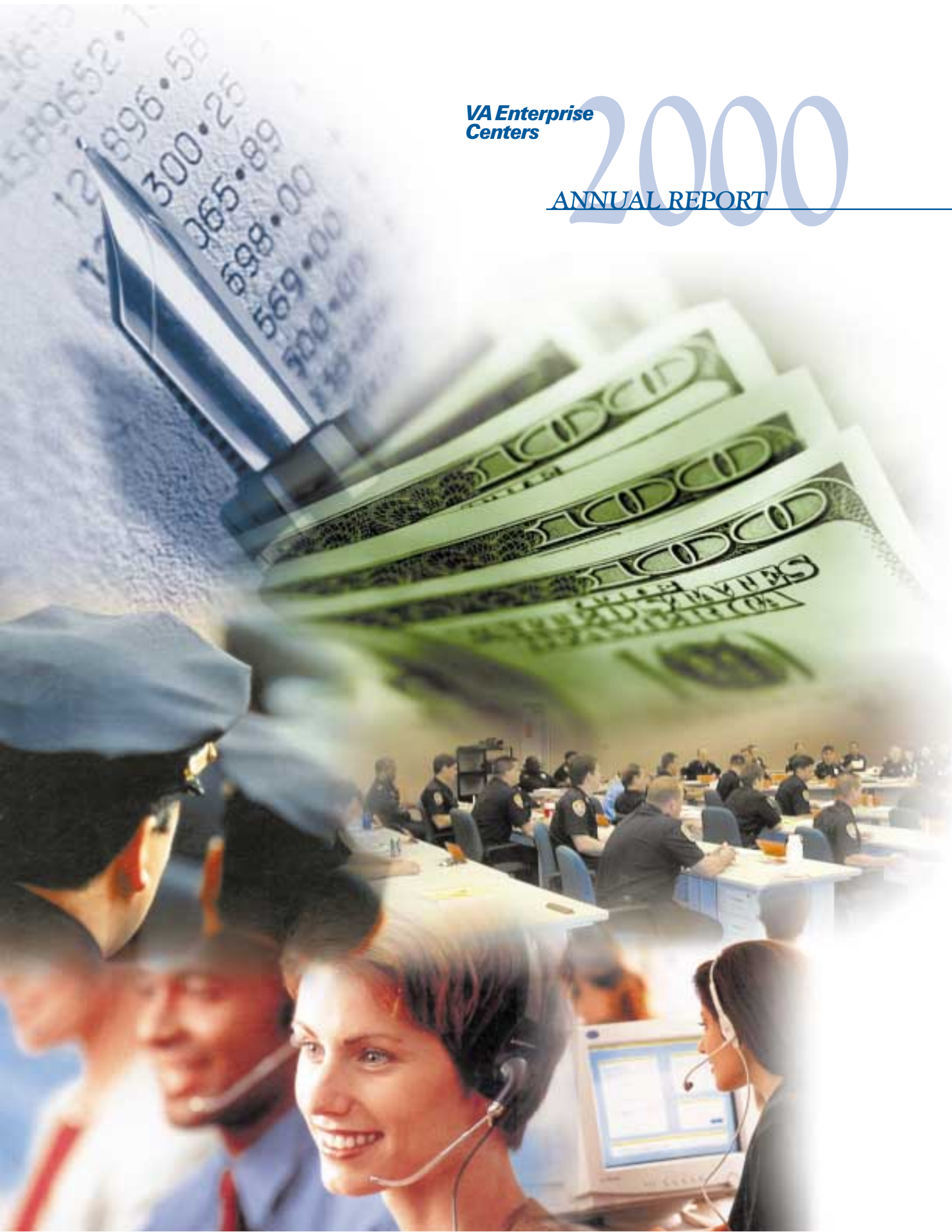


Table of Contents

Message from the CFO	1
Interview	2
A Year of Accomplishments	4
Why Choose Us	6
Points of Competitive Advantage	7
Highlights	8
Enterprise Centers At A Glance	9
Austin Automation Center	10
Debt Management Center	11
Financial Services Center	12
Law Enforcement Training Center	13
Records Center and Vault	14
Security and Investigations Center	15
Enterprise Fund Office	16
Independent Audit Report	17
Audited Financial Statements	19
Financial Statement Notes	23

Editor

Loleisa Davis

Contributors

Romano Mascetti, III
 Eileen Powell
 Susan Spurling
 Steve Swanson
 Austin Automation Center
 Debt Management Center
 Financial Services Center
 Law Enforcement Training Center
 VA Records Center and Vault
 Security and Investigations Center



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

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

To Our Customers, Employees, and the American Taxpayer

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

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

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

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

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



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



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

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

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

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

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

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

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

How would you characterize the financial condition of the Fund?

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

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

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

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

What are you doing to market your services?

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

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

How do the Enterprise Centers support veterans?

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



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

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



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

Financial Accomplishments

Clean Audit Opinion

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

Growth in Revenue

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

Customer Base on the Rise

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

Debts Owed to VA

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

Awards/Special Recognition

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

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

E-Gov 2000 Trailblazer

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

Best Government Travel Management Program

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

Enhancements and/or Expansions of Products/Services

Records Storage Facility Expanded to Make Room for New Business

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

Secure Fingerprint Processing

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

Fire Arms Training for Law Enforcement Personnel

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

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

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

Other Accomplishments

Year 2000 Compliant

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

12th Annual Information Technology Conference (ITC)

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

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



Dennis Kordyak,
Acting Deputy
Assistant Secretary
for Finance

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



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

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

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

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

Full Service Provider

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

Award-Winning Solutions

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

Customer-Focused

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

Experience

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

Leader in the Franchise Pilot

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

Clean Audit Opinion

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

Training

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

Customization

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

Austin Automation Center

Experienced with high-volume database and data center operations.

Established technology infrastructure.

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

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

Eleven years of experience operating under service level agreements.

Debt Management Center

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

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

Financial Services Center

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

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

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

Skilled provider of financial management training.

Law Enforcement Training Center

Experienced provider of law enforcement training in a healthcare setting.

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

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

Accepted for continuing professional education purposes and for college credits.

Personalized, focused instruction from practicing professionals.

Records Center and Vault

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

Competitive pricing.

Expedited response to recalls.

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

Security and Investigations Center

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

Experienced in administering government personnel and physical security programs.

Volume discounts on investigations.



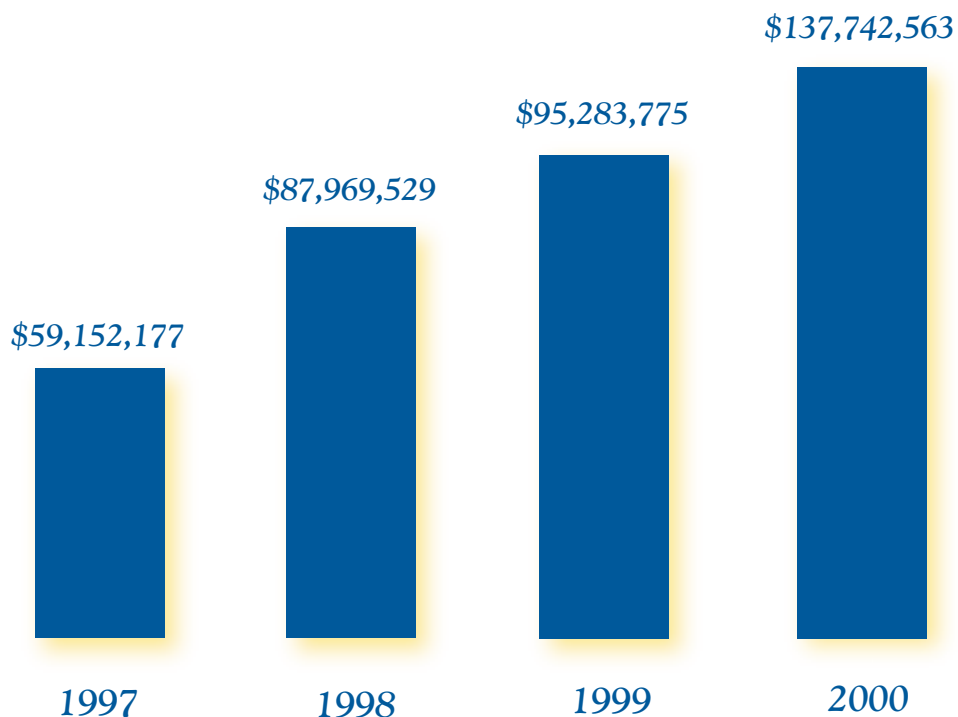
Today's environment calls for unprecedented levels of efficiency and service. We will continue to leverage technology to enhance our products.



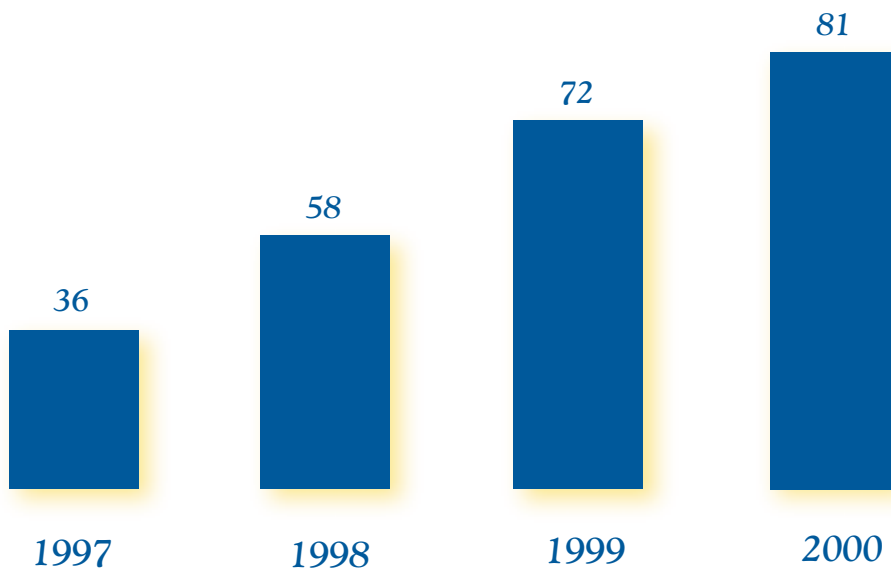
Eileen T. Powell,
Associate Deputy
Assistant Secretary
for Financial
Operations and
Franchise Fund
Operations Officer

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

Our revenues are increasing.



Our customer base is growing.



We have a unique blend of knowledgeable and experienced professionals who are dedicated to excellence, responsiveness, and superior performance. Our Centers have been in business for many years and are quite familiar with the unique requirements and constraints of the Federal government.

Austin Automation Center

Offers high-volume data processing, complex systems design, and advanced business solutions.

- Enterprise-wide Information Technology (IT) Utility
- Application Administration and Development
- Platform Hosting
- IT Consulting
- Administrative and Business Services
- Human Resources Management Services

Debt Management Center

Offers a full range of debt collection and referral services.

- Account Maintenance
- Administrative Services
- Telephone Solicitations

Financial Services Center

Uses advanced technology to support and expand financial management services.

- Payroll Services
- Payment Processing
- Financial Reporting
- Purchase Card Services
- Electronic Data Interchange Consulting
- Permanent Change of Station and Temporary Duty Travel
- Training

Law Enforcement Training Center

Provides alternative law enforcement approach emphasizing nonviolent techniques.

- Basic Law Enforcement Training
- Badges and Records
- In-Service Training and Guidance

Records Center and Vault

Offers a full range of storage and retrieval services for official records in a secure environment.

- Records Storage
- Records Retrieval

Security and Investigations Center

Manages security eligibility processing, background investigations, and identification badge issuance.

- Security Eligibility Processing
- Identification Cards
- Fingerprint Processing



Steve Swanson,
Director, Enterprise
Fund Office

"Customers' needs present opportunities for creative solutions! Whether customers are looking for ways to process payroll or payments, acquire information technology solutions, train law enforcement personnel, manage debts, conduct security investigations or store records and files, we have the solution at one of our Enterprise Centers."



Linda Voges,
Director

"Proven performance, leadership, competitive prices and outstanding service make the AAC the customer choice for information technology."

Our Competitive Advantage

High-volume data center operations

Established technology infrastructure

Support web server platforms

Rate reductions in key processing services

Comprehensive IT Business Solutions

The Austin Automation Center (AAC) complements its modern technical platforms and tools with its 30 years of experience in the Information Technology (IT) business to provide customers with high-quality, cost-effective business solutions. Unique qualifications and extensive private-sector partnering make the AAC an ideal IT resource for government agencies. With IT today, it's not a matter of having options, it's a matter of choosing the best options.

Clients

In addition to VA organizations, our clients include the General Accounting Office, National Archives and Records Administration, National Aeronautics and Space Administration, Department of Transportation (Federal Highway Administration and Bureau of Transportation Statistics), Department of Justice, Department of Labor, Department of Defense, Office of Federal Housing Enterprises Oversight, and General Services Administration.

Enterprise-wide IT Utility

In addition to offering the latest in large-scale computing environments, the AAC's robust enterprise includes a growing client/server environment. Web-enabled products and solutions are also available. The AAC's computing environment (24 hours a day, 7 days a week) provides continuous availability and a secure foundation for interactive and batch processing. AAC customers can also receive services associated with continuous storage management, security administration, contingency planning, disaster recovery, and technical support.

Application Administration and Development

In today's environment, having the fastest hardware or the latest Web-enabled software is not enough. A critical asset for any IT provider is its people. The AAC staff helps customers understand and apply technology to meet their specific business needs. Staff professionals manage, create, and deliver solutions maximizing customers' investments in technology. The AAC offers commercial packages or customized solutions for its government clients, and its experience with government, technology, and business provides unique value to customers.

Administrative and Business Services

To support its primary mission, the AAC developed several administrative and business competency centers. These include acquisition, facilities management and engineering, and materiel management. The AAC acquisition staff, which specializes in IT hardware, software, and services, has amassed an impressive record for controlling costs and providing outstanding customer service. A wide range of flexible contract vehicles are in place to facilitate prompt response to customer needs. The AAC facilities and engineering staff have many years of experience in designing, managing, and improving data centers. These employees also assist customers with managing their capital assets, controlling inventories, and reducing office and operating costs.

Human Resources Management Services

The professional and experienced human resources staff at the AAC offers services such as staffing, recruiting, employee and labor management relations, job classification, performance management, and controlling costs associated with Workers' Compensation claims.

Reduce Outstanding Debts

VA has long been regarded as a leader in the Federal debt management community. The Debt Management Center (DMC) is largely responsible for VA's attainment of this leadership position. Focusing on prevention as well as the collection of debt, the DMC oversees a centralized, automated collection system employing every collection tool available to Federal agencies.

Clients

In addition to VA organizations, our clients include the U.S. Department of Agriculture, Minnesota Cooperative Administrative Support Unit, and Immigration and Naturalization Service.

Account Maintenance

We manage the overall collection process from establishment to the liquidation of a receivable. Our customers rely heavily on our experience and expertise in collecting their debts. The Veterans Benefits Administration (VBA), our largest customer, accounts for the majority of the workload. With a direct link to VBA's benefit systems, we exchange data electronically to establish and update receivable balances. We also maintain all historical records related to these receivables and handle all reporting requirements. The DMC has several mechanisms in place to collect directly from debtors, including Western Union Quick Collect and MasterCard/VISA acceptance.

Telephone Solicitation (AutoDialer)

Someone or something may reach out and touch you if you owe a debt. Our Predictive Dialer reaches thousands of households during evening hours. It can also be configured to conduct consumer surveys and disperse consumer information.

Administrative Offset

One of the more recent additions to our product line is the use of administrative offset to collect delinquent first-party medical debts. The process involves matching delinquent debts against VA's file of active benefit payments to determine if administrative offset is available. When a match occurs, the DMC sends a letter to the debtor explaining that benefits will be offset if payment arrangements are not made. If the debtor does not respond, the DMC offsets the benefit and forwards the monies to the appropriate medical center. Since the program was implemented, the DMC has offset over \$8 million in delinquent first-party medical debt. This service provides the Veterans Health Administration with a cost-effective means for reducing their delinquent debt portfolio and generating additional revenue for the medical centers.

Cooperative Administrative Support Unit (CASU)

Another recently developed product line for the DMC is administrative support. The DMC has been assisting a newly established CASU by providing administrative support in terms of billing, check processing, and overall financial management. The DMC recently assumed overall management responsibility for the CASU operation.



Dan Osendorf,
Director

*"We manage
cost effective
debt collection
in a sensitive,
compassionate
manner."*

Our Competitive Advantage

Leader in federal
debt community

Provider of
services mandated
by DCIA of 1996



Debbie Clark, Director

"Our mission is to provide professional, quality, and timely Federal financial services to assist our customers in accomplishing their primary mission."

Our Competitive Advantage

Comprehensive financial management services

First on-line Credit Card System

Looking for a Better Way to Process Payments

The Financial Services Center (FSC) can be the solution to outsourcing financial management services to relieve administrative burdens and reduce costs.

Clients

In addition to VA organizations, our clients include the Federal Energy Regulatory Commission, Library of Congress, Indian Health Service, and U.S. Mint.

Financial Reports

The FSC performs a full range of financial reporting services which are used to prepare, submit, and reconcile reports required by the Department of the Treasury.

Payment Services

Handling paper is cumbersome and costly. Paper invoices are scanned into our Document Management System to enable electronic matching with purchase records. By using statistical sampling, the FSC is able to pay invoices with a dollar value of \$2,500 or less without requiring the customer to certify receipt of goods or services.

Prime Vendor

VA's multi-billion dollar prime vendor procurement program provides VA medical centers an efficient way to order supplies at low, negotiated contract prices. These vendors guarantee delivery of their products within 24 hours, 90 percent of the time, eliminating the need for warehousing large volumes of supplies. Vendors are paid with the purchase card (see Purchase Card System).

Vendor Inquiry System

Many of our customers and their vendors take advantage of our Vendor Inquiry System (VIS). By visiting our Web site, <http://www.fsc.va.gov>, vendors can check the current payment status of specific invoices or use a touch-tone phone to direct questions to a customer service representative for immediate and personalized assistance. The application stores 90 days of information on invoices. Currently, 366 vendors are using the VIS.

Purchase Card System

VA placed over 95 percent of its micro-purchases (purchases under \$2,500) on credit cards in FY 2000. The success of VA's Purchase Card program is due largely to the Federal government's first on-line Credit Card System (CCS) and electronic reconciliation procedures. CCS enables the FSC to electronically receive and process credit card payments daily, resulting in significant rebates to customers. Over \$13 million in rebates were credited to the FSC's customer accounts in FY 2000.

VA Payroll Processing

Drawing on its 30 years of experience, the FSC processes payroll for VA's 225,000+ employees in a timely and accurate manner. The FSC also has experience with processing payroll utilizing a commercial-off-the-shelf (COTS) human resources management system. The FSC has not missed a payroll cycle in over 30 years of processing VA's payroll.

Permanent Change of Station (PCS) and Temporary Duty Travel (TDY)

PCS vouchers are complex and require in-depth knowledge of travel regulations and GSA decisions. PCS services include estimating the expenses and processing the full range of associated financial transactions. We also provide COTS software solutions for processing TDY travel, which eliminate paper and enable travelers to receive reimbursement within 2 or 3 days of voucher approval.

Training

VA customers look to us for training on how to fully utilize our core accounting system and to perform financial reconciliations.

New Directions in Law Enforcement

Backed by over 25 years of experience, the Law Enforcement Training Center (LETC) has been VA's sole provider of law enforcement training. Because most VA police officers are stationed at hospitals or other service-oriented places, LETC takes a unique approach to traditional training. The training center focuses on handling situations from a customer/client standpoint. Students learn to utilize physical force as a last resort.

We are the only Federal provider of law enforcement training that focuses specifically on assaultive patient situations. Because of this, our graduates leave our courses with a more focused, detailed understanding of how to diffuse a potentially volatile situation. This type of training is especially well suited for hospitals, museums, and parks.

Clients

In addition to VA organizations, our clients include the Indian Health Service, Walter Reed Army Medical Center, National Gallery of Art, and National Guard Bureau.

Training at the Center

LETC's location at the Little Rock VA Medical Center provides an excellent opportunity for police officers to train in the environment in which they work and receive instruction from practicing professionals. Our courses are smaller than those of other private sector and government training centers. With a maximum of 30 students per class, our students receive more attentive, intensive instruction and more hands-on practice. Since inception, we have trained over 12,000 law enforcement professionals.

The LETC has conference facilities, a 30-bed low cost housing unit, and two large training rooms equipped with state-of-the-art training aids. Current services range from our 160-hour basic law enforcement training courses to specialized programs such as police baton trainer certification courses, detective courses, basic firearms, and firearms instructor training. We also develop customized training courses, e.g., administrative investigations, drug enforcement, legal updates, and law enforcement management courses.

Our graduates receive six hours of college credit through the University of Arkansas at Little Rock. Also, every graduate of our program is recognized in the Federal court as a law enforcement official.

Instructional Support

Instruction in psychiatric services, interpersonal communications, and stress management are other course offerings.

In-Service Training and Guidance

The LETC offers continuing education courses to keep our law enforcement community abreast of issues related to changes in the laws as well as new law enforcement practices and procedures. We also oversee the purchase and nationwide distribution of monthly in-service training tapes to VA Police Departments.

Badges and Records

Tracking officers' training and maintaining records is essential to a good police force. The LETC conducts background checks, issues badge sets and weapon cards, and tracks all training taken by VA police personnel nationwide.



Ron Angel, Director

"We train the police officers in the healthcare community to resolve patient-related incidents in a humane, respectful manner."

Our Competitive Advantage

Compliant with Title 38 U.S.C.

Customized training

Professional certification

Personalized, focused instruction



Don Neilson, Director

"We offer a secure, low-cost environment for the storage of records in any medium."

Our Competitive Advantage

Competitive pricing

Compliant with security and storage regulations

Expedited response to recalls

Climate-controlled environment

Keeping Track of It All

The VA Records Center and Vault (RC&V), located in the Midwest, serves as a records storage facility and is in full compliance with standards mandated by the National Archives and Records Administration (NARA). Equally important, the RC&V complies with security standards issued by the Department of Energy and the Department of Defense.

The RC&V provides low-cost, risk-free, customized records storage solutions and services. Off-site storage can be the answer to budget cuts, mounting boxes of paper records, security requirements, increasing real estate costs, concern over natural disasters, and terrorist activities. The RC&V offers VA and other Federal agencies both short and long-term records storage. Our attention to customer service and cost control allows us to offer superior service at competitive prices.

Clients

In addition to VA organizations, our clients include the Defense Technical Information Center, the Postal Rate Commission, the Defense Finance and Accounting Services (DFAS)-Denver (Air Force), the DFAS-Indianapolis (Army), the DFAS-Cleveland (Navy), and the Department of Energy.

Records Storage and Services

Storing critical records and being able to retrieve them can be burdensome and costly. The RC&V offers relief from this burden by providing a secure, climate-controlled environment with an automated records tracking system. There are no restrictions on the type of records stored, the length of time records can be stored, or shipping volume. Storage is available for unscheduled records, "frozen" records, general records, vital records, and classified records. The RC&V offers expedited service with accurate tracking and interfiling, expedited response services, and contingency plan support.

We place great importance on providing fast, accurate services at a low cost. Documents stored at the RC&V can be in your hands in a day versus in weeks, as with other facilities. We customize our service to meet your security and access needs.

Making Room for New Business

We are currently expanding the facility to accommodate an additional 900,000 cubic feet of records. The RC&V, in competition with NARA, won a contract to store all of the Veterans Health Administration's retired records. Winning this contract will benefit all current and future customers by allowing the RC&V to further reduce its rates for storage services.

Protecting the Department and the Nation's Security Interest

Our Security and Investigations Center (SIC), located in downtown Washington, DC, offers a full array of high-quality, timely background investigations and adjudication for approximately 8,000 sensitive and public trust positions. In addition, the SIC issues customized identification (ID) badges and fingerprint processing. With over three decades of experience, SIC professionals are very knowledgeable about personnel and physical security programs.

At the SIC, we can help you handle your backlog of background investigations in an expedient, cost-effective way. We afford the highest levels of confidence at a competitive value.

We are dedicated to giving you the best value. We offer volume discounts by passing the savings to both new and existing customers.

Clients

In addition to VA organizations, our clients include the Export/Import Bank, Office of Federal Housing Enterprises Oversight, and National Council on Disability.

Sensitivity/Risk Designation

Every employee in a competitive position must have a position sensitivity/risk designation as required by law. We have witnessed an increase in the number of investigations requested in the past 3 years. Recent Presidential Decision Directives have heightened security awareness in government. These directives are resulting in increased demand for our services as they require more stringent security requirements for Federal agencies.

Identification Badges

Building security and employee safety have become critical to a successful operation. As is evidenced in all Federal agencies, properly identifying persons prior to entry into restricted areas is paramount from a physical and personnel security standpoint. Our state-of-the-art security equipment and technology make our ID badges and access cards a snap. In less than 10 minutes, ID badges are produced, giving our customers an electronic means to control employees entering and exiting the building.

Fingerprint Processing

We provide reliable, secure fingerprint processing services for all government agencies.



Howard Boyd, Director

"We help ensure government employees in sensitive and public trust positions meet the standards required by law."

Our Competitive Advantage

Custom, high tech/low cost ID badges

Administration of personnel and physical security programs

Volume discounts



Steve Swanson,
Director

"The Enterprise Centers' financial integrity and sound stewardship have been affirmed by the unqualified (clean) audit opinions received in the past 3 years."

Supporting VA's Entrepreneurial Agents (Enterprise Centers)

The Enterprise Fund Office (EFO) directs the formulation of Enterprise Center budgets, reviews and analyzes budget submissions, and consolidates them for inclusion in VA's annual submission to the Office of Management and Budget (OMB). Overall financial aspects of the Fund are managed by this office, including working with the Enterprise Centers in planning their capital acquisitions, and in presenting funding recommendations to the Franchise Fund Board of Directors for approval. Often called upon to respond to OMB and the Congress, the office keeps abreast of current trends, and ensures the Enterprise Centers are kept informed of policies, political climate, and legislation impacting their operations.

Financial Support

The EFO staff serves as consultants for all aspects of the Fund's financial management and internal controls. The staff monitors budget execution, including preparation of apportionments, monthly SF-133s, and other related reports. Annually, the EFO arranges for the independent audit of the Fund's financial statements.

Marketing Support

The EFO assists and coordinates the marketing efforts of the Enterprise Centers by publishing a calendar of trade shows and conferences. We also maintain a Web site (www.va.gov/fund) to educate customers about the services offered by the individual Enterprise Centers. Visitors can use our site to link directly to the Web sites of the respective Enterprise Centers.

Business Plan Support

Each year, the EFO manages the process associated with the update of the Enterprise Centers' respective business plans. In addition to presenting strategic and tactical actions, these plans propose price revisions for the upcoming fiscal year. The Board of Directors must review and approve the business plans. They depend on the EFO to ensure new prices are explained and justified. Finally, the EFO ensures an annual report is published for each fiscal year.

Report of Independent Certified Public Accountants

Grant Thornton 

Steve Swanson
Director, VA Enterprise Centers

We have audited the accompanying VA Enterprise Centers' consolidated balance sheet, and the related statements of net costs, changes in net position, and statement of budgetary resources and financing as of September 30, 2000 and 1999 for the years then ended. These financial statements are the responsibility of the VA Enterprise Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 98-08, Audit Requirements for Federal Financial Statements, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the VA Enterprise Centers' internal control over financial reporting and safeguarding assets in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We evaluated management's assertion about the effectiveness of its internal controls designed to safeguard assets against loss from unauthorized acquisition, use, or disposition; assure the execution of transaction in accordance with laws governing the use of budget authority and with other laws and regulations that have a direct and material effect on the financial statements; and properly record, process, and summarize transactions to permit the preparation of reliable financial statements and to maintain accountability for assets.


Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. We obtained an understanding of the internal control structure. Specifically, our consideration included obtaining an understanding of significant internal control procedures; assessing the level of control risk relevant to significant accounting cycles, classes of transactions, or account balances; and performing tests. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

As part of obtaining reasonable assurance about whether the VA Enterprise Centers' financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts which could have a direct and material effect on the determination of financial statement amounts. The results of our test discloses no instances of noncompliance that are required to be reported in OMB Bulletin No. 98-08. However, the objective was not to provide an opinion on compliance with laws and regulations. Accordingly, we do not express such an opinion.

The financial statements are the responsibility of management, who is primary responsible for the information set forth therein, as well as for the evaluation of the capability and integrity of the company's personnel and maintenance of an appropriate internal control structure, which includes adequate accounting records and procedures to safeguard the Administration's assets.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Veterans Affairs Enterprise Centers as of September 30, 2000 and 1999, and the results of its operations and its budgetary resources for the years then ended in conformity with generally accepted accounting principles.

this report is intended for the information and use of management of the VA Enterprise Centers, the Franchise Fund Board, the Department of Veterans Affairs, the OMB, and the Congress. However, this report is a matter of public record, and its distribution is not limited



Vienna, VA
February 2, 2001

**DEPARTMENT OF VETERANS AFFAIRS – ENTERPRISE CENTERS
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30,
(in dollars)**

ASSETS	2000	1999
Intragovernmental		
Fund Balance with Treasury	\$ 44,995,478	\$ 33,680,562
Accounts Receivable, Net	10,043,793	2,442,136
Other Assets	1,886,375	579,331
Governmental		
Accounts Receivable, Net	3,112	287
Inventory and Related Property, Net (Note 2)	9	64
General Property Plant and Equipment (Note 3)	16,134,630	10,533,391
Other Assets	<u>264</u>	<u>(629)</u>
Total Assets	<u>\$ 73,063,661</u>	<u>\$ 47,235,142</u>
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable	\$ 161,860	\$ 117,384
Other Intragovernmental Liabilities	9,161,290	2,941,271
Governmental Liabilities:		
Accounts Payable	2,093,396	3,800,225
Other Governmental Liabilities	<u>18,946,224</u>	<u>11,973,883</u>
Total Liabilities	<u>\$ 30,362,770</u>	<u>\$ 18,832,763</u>
Net Position		
Cumulative Results of Operations	<u>42,700,891</u>	<u>28,402,379</u>
Total Net Position	<u>42,700,891</u>	<u>28,402,379</u>
Total Liabilities and Net Position	<u>\$ 73,063,661</u>	<u>\$ 47,235,142</u>

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

**DEPARTMENT OF VETERANS AFFAIRS – ENTERPRISE CENTERS
CONSOLIDATED STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,
(in dollars)**

	2000	1999
Program Costs		
Total Program Costs	\$ 126,047,642	\$ 92,910,506
Less Earned Revenues:		
Federal	(137,740,930)	(95,283,775)
Non Federal	<u>(1,630)</u>	<u>0</u>
Net Program Costs	<u>\$ (11,694,918)</u>	<u>\$ (2,373,269)</u>

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

**DEPARTMENT OF VETERANS AFFAIRS - ENTERPRISE CENTERS
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,
(in dollars)**

	2000	1999
Net Cost of Operations	\$ (11,694,918)	\$ (2,373,269)
Financing Sources (Other than Exchange Revenues)		
Imputed Financing	2,998,995	362,658
Transfer-in	0	7,220
Transfers-out	<u>204,060</u>	<u>213,109</u>
Subtotal	<u>3,203,055</u>	<u>582,987</u>
Net Results of Operations	14,897,973	2,956,256
Net Position-Beginning of Period	<u>\$ 28,402,379</u>	<u>\$ 25,737,350</u>
Prior Period Adjustments: add/(subtract)	<u>0</u>	<u>3,091,174</u>
Net Change in Cumulative Results of Operations	14,897,972	6,047,430
Increase (Decrease) in Unexpended Appropriations & Non-Operating Changes	<u>(599,460)</u>	<u>3,382,401</u>
Change in Net Position	<u>14,298,512</u>	<u>2,665,029</u>
Net Position - Beginning of the Period	<u>28,402,379</u>	<u>25,737,350</u>
Net Position - End of Period	<u>\$ 42,700,891</u>	<u>\$ 28,402,379</u>

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

**DEPARTMENT OF VETERANS AFFAIRS – ENTERPRISE CENTERS
CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,
(in dollars)**

	2000	1999
BUDGETARY RESOURCES:		
Unobligated Balance at the Beginning of the Period	\$ 17,644,941	\$ 6,973,181
Net Transfers Prior - Year Balance, Actual (+ or -)	0	184,670
Spending Authority from Offsetting Collections	<u>147,498,066</u>	<u>112,566,975</u>
Total Budgetary Resources	<u>\$165,143,007</u>	<u>\$119,724,826</u>
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred	\$ 159,216,747	\$ 102,079,885
Unobligated Balance Available	5,926,260	14,190,541
Unobligated Balance Not Yet Available	<u>0</u>	<u>3,454,400</u>
Total Status of Budgetary Resources	<u>\$165,143,007</u>	<u>\$119,724,826</u>
OUTLAYS:		
Obligations Incurred	\$ 159,216,747	\$ 102,079,885
Less: Spending Authority from Offsetting Collections and Adjustments	<u>(147,498,066)</u>	<u>(112,566,975)</u>
Subtotal	11,718,681	(10,487,090)
Obligated Balance, Net - Beginning of the Period	16,035,621	25,574,242
Less: Obligated Balance, Net - End of Period	<u>(39,069,219)</u>	<u>(16,035,622)</u>
Total Outlays	<u>\$ (11,314,917)</u>	<u>\$ (948,470)</u>

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

**DEPARTMENT OF VETERANS AFFAIRS – ENTERPRISE CENTERS
CONSOLIDATED STATEMENT OF FINANCING
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,
(in dollars)**

	2000	1999
Obligations and Nonbudgetary Resources		
Obligations Incurred	\$ 159,216,747	\$ 102,079,885
Less: Spending Authority from Offsetting		
Collections and Adjustments	147,498,066	112,566,975
Financing Imputed for Cost Subsidies (Note 3)	2,998,995	362,658
Transfers-in (out)	204,060	220,329
Exchange Revenue Not in the Entity's Budget	(228)	0
Other Financing Sources	<u>0</u>	<u>(184,670)</u>
Total Obligations as Adjusted and Nonbudgetary Resources	\$ 14,921,508	\$ (10,088,773)
 Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods Services and Benefits		
Ordered but Not Yet Provided		
(Net Increases) Net Decreases	(25,644,622)	666,344
Change in Unfilled Customer Orders	2,495,625	3,978,419
Costs Capitalized on the Balance Sheet (Increases) Decreases		
General Property, Plant and Equipment	(10,906,394)	(2,731,008)
Purchases of Inventory	55	9,435
Adjustments to Costs Capitalized on the Balance Sheet	(2,597)	20,993
Financing Sources That Fund Costs of Prior Periods	0	3,091,174
Other	<u>2,859,866</u>	<u>0</u>
Total Resources That Do Not Fund Net		
Costs of Operations	\$ (31,198,067)	\$ 5,035,357
 Components of Costs of Operations That Do Not		
Require or Generate Resources		
Depreciation and Amortization	2,892,928	2,439,213
Loss on Disposition of Assets	152,623	240,934
Other	<u>1,536,090</u>	<u>0</u>
Total Costs That Do Not Require Resources	<u>\$ 4,581,641</u>	<u>\$ 2,680,147</u>
 Net Cost of Operations	<u><u>\$(11,694,918)</u></u>	<u><u>\$ (2,373,269)</u></u>

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

DEPARTMENT OF VETERANS AFFAIRS - ENTERPRISE CENTERS NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2000 and 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Created by Congress (1996) as one of six Franchise Fund pilots operating within the Executive Branch of Government, VA's Franchise Fund (Fund), supports VA's mission by supplying common administrative services at competitive prices. By law, the business lines within the Fund can only sell to Federal entities.

Basis of Accounting

The Fund accounted for its funds in six lines of business (Enterprise Centers) and in one administrative organization: Austin Automation Center, Debt Management Center, Financial Services Center, Law Enforcement Training Center, Security and Investigations Center, VA Records Center and Vault and the Enterprise Fund Office. The financial statements generally conform to Form and Content guidance specified by the Office of Management and Budget (OMB) and the Statements of Federal Financial Accounting Standards (SFFAS).

Principles of Consolidation

The consolidated financial statements include the six individual activity centers of the Franchise Fund. All material intra-fund transactions have been eliminated.

Public Accounts Receivable

Because the Enterprise Centers conduct all of their business with Federal entities, no allowance for uncollectible accounts is established.

Property and Equipment

The majority of the reported property represents facilities and equipment used to provide services to Fund customers. Property and equipment, including transfers from other Federal agencies, are valued at cost. Expenditures for major additions, replacements, and alterations are capitalized. Routine maintenance is expensed when incurred. Individual items with a unit price between \$300 and \$5,000 are capitalized at the discretion of the Enterprise Center provided they have a useful life of two years or more. Items costing over \$5,000 are always capitalized. Equipment is depreciated straight-line over its useful life, usually 3 to 15 years.

**DEPARTMENT OF VETERANS AFFAIRS –ENTERPRISE CENTERS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 and 1999**

Revenues and Financing Sources

The Fund receives an annual apportionment that allows it to incur obligations and to recognize revenue from its customers on a “fee - for - service” basis.

Recognition of Financing Sources

Exchange revenues are recognized when earned. Expenses are recognized when incurred. All significant intra-agency 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 not recognized as expenses until actually used. Financing sources for these expenses, which derive from both current and prior year appropriations and operations, are also recognized this way.

Annual, Sick and Other Types of Leave

Annual leave is accrued when earned and the accrual is reduced when leave is used. At least once a year, the balance in the accrued annual leave account is adjusted to reflect current pay rates of cumulative annual leave earned but not taken. Sick and other types of leave are expensed as taken.

NOTE 2. INVENTORY AND RELATED PROPERTY

Inventories

The Fund maintains no inventories.

Operating Materials & Supplies

Operating materials and supplies consist primarily of general office supplies that are in the hands of the end user for normal operations. Since it is not cost beneficial to the Fund to apply the consumption method of accounting, it adopted the Purchases Method, which provides that operating material and supplies be expensed when purchased. There are no changes in prior years’ accounting methods.

Stockpile Materials, Seized Property, and Forfeited Property

The fund maintains no stockpile materials, seized or forfeited property.

Goods Held Under Price Support and Stabilization Programs

The Fund does not maintain goods held under price support and stabilization programs.

DEPARTMENT OF VETERANS AFFAIRS – ENTERPRISE CENTERS NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2000 and 1999

NOTE 3. SPECIAL ADJUSTMENTS TO FINANCIAL STATEMENTS

Leasehold Improvements

To properly disclose assets that directly contribute to the ability of the Enterprise Centers to earn revenues, the Fund adjusted the financial statements to reflect additional amounts for Leasehold Improvements (\$6,066,689) and associated Accumulated Amortization (\$4,090,256). However, these items are not included within the billing rates charged to customers.

Imputed Financing of Retirement Benefits

The financial statements disclose this amount (\$2,998,995) as costs borne by the Office of Personnel Management to support the retirement of Fund employees. This is not included within the billing rates charged to customers.

Austin Automation Center

Development Office
1615 Woodward Street
Austin, TX 78772
(512) 326-6014 (512) 326-6701 (fax)
dvac@mail.va.gov
<http://www.aac.va.gov>

Debt Management Center

P.O. Box 11930
St. Paul, MN 55111
(612) 970-5700 (612) 970-5687 (fax)
dmc.ops@vba.va.gov
<http://www.va.gov/debtman>

Financial Services Center

Strategic Business Development and Oversight
1615 Woodward Street
Austin, TX 78772
(512) 460-5010 (512) 460-5117 (fax)
bso@mail.va.gov
<http://www.fsc.va.gov>

Law Enforcement Training Center

Business Office
2200 Fort Roots Drive, Building 104
North Little Rock, AR 72114
(501) 257-4160 (501) 257-4145 (fax)
ronald.angel@med.va.gov
<http://www.va.gov/osle>

Security and Investigations Center

Business Office (07C)
810 Vermont Avenue, N.W.
Washington, DC 20420
(202) 273-5510 (202) 273-7095 (fax)
howard.boyd@mail.va.gov
<http://www.va.gov/sic>

VA Records Center and Vault

Information Management Service (045A4)
810 Vermont Avenue, N.W.
Washington, DC 20420
(202) 273-8135 (202) 273-5981 (fax)
genie.mccully@mail.va.gov
<http://www.va.gov/vault>

Contact the Department of Veterans Affairs Enterprise Fund Office for additional copies of this report.

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