

## Treasury Franchise Fund

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### Mission Statement

To assist customer agencies in meeting their mission by providing responsive, customer-focused, cost-effective financial management and administrative support services.

### Program Summary by Budget Activity

Dollars in Thousands

	FY 2009	FY 2010	FY 2011		
	Actual	Estimated	Estimated	\$ Change	% Change
Consolidated/Integrated Administrative Management	\$15,261	\$0	\$0	\$0	0%
Financial Management Administrative Support Services	\$146,400	\$167,998	\$176,213	\$8,215	4.9%
Financial Systems, Consulting and Training	\$4,811	\$0	\$0	\$0	0%
<b>Total Resources</b>	<b>\$166,472</b>	<b>\$167,998</b>	<b>\$176,213</b>	<b>\$8,215</b>	<b>4.9%</b>
<b>Total FTE</b>	<b>944</b>	<b>1,003</b>	<b>1,043</b>	<b>40</b>	<b>4.0%</b>

### FY 2011 Priorities

- Maintain outstanding operational service to customer agencies.
- Promote and maximize shared services benefits in support of Treasury and government-wide initiatives.
- Participate in government-wide forums and support good government through maintaining and enhancing compliance and accountability.
- Review services offered to ensure delivery of timely, valuable and cost effective solutions.
- Continue to assess and report our performance and provide timely feedback to customers.
- Enhance human capital strategies to recruit, develop and provide for a challenging, rewarding and values based work environment.

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## **Section 1 – Purpose**

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### **1A – Description of Bureau Vision and Priorities**

The Treasury Franchise Fund's (The Fund) vision is to be a leader in providing responsible, effective administrative support services through commitment to service, efficient operations, openness to change and values based behavior. The Fund provides accounting, procurement, travel, human resources, and information technology services through the Bureau of the Public Debt (Public Debt), Administrative Resource Center (ARC). Services are provided to more than 70 federal customers, including most of the Department of the Treasury, on a reimbursable, fee-for-service basis. In FY 2009, 944 FTE were dedicated to servicing franchise customers and generated over \$150 million in earned revenue.

The Fund's top priority is to support Treasury and government-wide initiatives by providing timely, high quality, cost effective, and value added administrative support services. This requires continual assessment of services offered to market demands and adherence to The Fund's "good government" vision. This vision ensures compliance with applicable rules and regulations, promotes cost savings through efficient and standardized service delivery while maintaining high customer satisfaction.

A major operational priority is to assess and report on service delivery performance and provide customers with timely performance feedback in areas in which The Fund and customers must work together to successfully perform administrative services. This includes improving the Shared Service Provider (SSP) performance metrics and benchmarks and providing standardized feedback to customers on performance. Performance feedback is critical to customers' ability to improve the efficiency of their own operations, which will lower the level of effort required to support them and maximize the benefits achieved through shared services.

Another operational priority is enhancing infrastructure to better support customers in a SSP role. This is being accomplished by the partnering of service lines to migrate our Oracle E-Business Suite platforms to a commercial host. As planned, two of the platforms were successfully migrated in FY 2009, and the final platform is planned for FY 2010. In addition, the information technology business line is working to implement the infrastructure changes necessary to serve the role of a Trusted Internet Connection Access Provider (TICAP) for Treasury. Through completion of these enhancements, ARC will continue to work with customers to identify additional platform and service improvements in FY 2011.

Over half of The Fund's budgetary resources are used for salaries and benefits. For that reason, human capital strategies are always a high priority. The Fund's goal is to recruit high quality, dedicated employees that care about the success of ARC and its customers. The Fund also focuses on development processes to educate and train staff on new responsibilities as federal stewards, and providing a challenging, rewarding and values based work environment.

## **1B – Program History and Future Outlook**

The Government Management Reform Act of 1994 (GMRA) authorized the establishment of six Franchise Fund programs within the Federal Government. The franchise concept was built on OMB's twelve operating principles for business-like organizations, including provider competition, customer's voluntary exit, full cost recovery, initial capitalization and performance measurement and benchmarking.

In 1996, OMB designated the Department of the Treasury as one of the six Executive Branch agencies authorized to establish a franchise fund program. The Fund began operations in 1997 with six Franchise Business Activities (FBA), less than 80 FTE and earned revenue of \$38 million.

In FY 2008, The Fund's services were reviewed for consistency with Treasury's core mission and to ensure that they are advantageous as shared services. This resulted in the decision to transition out of the consulting and training business lines provided by the Federal Consulting Group (FCG) and the Financial Management Services' (FMS), Treasury Agency Services (TAS), as well as, the interagency acquisition services provided by FedSource.

In FY 2009, ARC worked with FMS to migrate TAS from The Fund, successfully transitioned FCG to another federal host and substantially closed out the FedSource business activity. Therefore, in FY 2010 and 2011 the administrative services provided by ARC are the only services provided.

### Future Outlook

In FY 2011, The Fund will maintain its commitment to excellence and continue to meet all strategic goals and benchmarks. ARC continues to look for measured and controlled growth opportunities to expand existing service lines or add other value added, marketable administrative services.

As a SSP, The Fund plays an important role in achieving the current administration's goals of improving efficiency, cost effectiveness, and accountability within the federal sector. This is attributable to demonstrated successes in reducing duplication, providing accurate and timely financial management information and providing responsive support for government-wide initiatives.

ARC's estimated FY 2011 FTE and earned revenue are 1,043 and \$179 million, respectively.

### Demonstrated Success – Eliminating Duplication

#### Shared Platform and Services

ARC reduces the number of federal administrative systems by providing access to an integrated system platform for accounting, travel, procurement, human resources, and information technology services. In addition, as a SSP, ARC provides many customers with value added services, such as transaction processing and financial reporting.

ARC was designated by the Office of Management and Budget (OMB) as a Center of Excellence for Financial Management Line of Business (FMLoB) and a Shared Services Center for Information Systems Security (ISSLoB). In addition, ARC has critical supporting roles in the Human Resources (HRLoB) and Public Key Infrastructure (PKI) SSP designations of the Department of Treasury.

ARC currently provides:

- 30 organizations with accounting services
- 37 organizations with travel services
- 36 organizations with procurement services
- 31 organizations with personnel services
- 19 organizations with information technology services

Providing shared services to federal customers results in cost savings and improved quality and compliance. Savings are achieved through consolidated buying power and cost sharing opportunities in the areas of operations and maintenance, enhancements and upgrades. Improved quality and compliance is achieved through ARC's service model and standardized business processes that align with applicable laws, rules and regulations.

#### Demonstrated Success – Timeliness and Accuracy

##### Timely and Accurate Financial Information

ARC provides timely and high quality services in the area of financial reporting. Using ARC's Oracle E-Business Suite platform, federal managers have timely financial management information available for decision-making.

Internally, there is no better test for the accuracy and quality than annual financial statement and internal control audits. The Fund has received 13 consecutive unqualified audit opinions. In addition, ARC undergoes a Type II SAS-70 audit annually and has received 7 consecutive unqualified opinions. The SAS-70 results enhances customer confidence in ARC's systems and services and reduces agencies annual financial statement audit costs.

##### Demonstrated Success – Responsiveness

ARC has demonstrated the ability to respond timely to government-wide priorities. For example, increased emphasis on information security led ARC's information technology service line to become a leader in the federal government. On behalf of Treasury, ARC hosts and maintains PKI SSP infrastructure and is an OMB designated shared service center for the ISSLoB. Additionally, in FY 2009 ARC provided timely support to Treasury and other federal agencies in implementing the Troubled Asset Relief Program (TARP), the American Recovery and Reinvestment Act (ARRA) and the Housing and Economic Recovery Act of 2008 (HERA). ARC's support included implementation projects onto ARC platforms and providing administrative services in support of the agencies responsibilities under the acts.

## **1C – Industry Outlook**

There is a positive outlook for shared services in the federal government. The Fund anticipates further growth in this sector due to OMB's Line of Business (LOB) initiatives and increased budget constraints.

There is tremendous synergy between the business model established by the Treasury several years ago and recent OMB initiatives. Each model supports the concept of sharing costs across agencies to reduce each entity's cost burden, especially capital investments in systems. In addition, most of the Lines of Business use competition to keep the costs of service providers to a minimum and to allow customer agencies to shop around for the service provider that best satisfies their needs.

## Section 2 – Budget Adjustments and Appropriation Language

### 2.2 – Operating Levels Table

Treasury Franchise Fund	FY 2009 Obligated	FY 2010 Estimated	FY 2011 Estimated
<b>FTE</b>	<b>944</b>	<b>1,003</b>	<b>1,043</b>
Object Classification:			
11.1 - Full-time permanent	69,033	70,047	75,651
11.3 - Other than full-time permanent	520	540	583
11.5 - Other personnel compensation	2,615	2,940	3,176
12 - Personnel benefits	19,414	21,270	22,972
13 - Benefits for former personnel	211	0	0
21 - Travel and transportation of persons	1,011	1,625	1,625
22 - Transportation of things	99	48	50
23.2 - Rental payments to others	697	13	13
23.3 - Comm, utilities, and misc charges	3,485	3,190	3,302
24 - Printing and reproduction	40	44	46
25.1 - Advisory and assistance services	4,328	5,503	3,810
25.2 - Other services	19,462	12,530	12,969
25.3 - Other purchases of goods and services from Govt. accounts	25,911	31,821	32,946
25.4 - Operation and maintenance of facilities	90	110	114
25.7 - Operation and maintenance of equip	7,243	8,410	8,703
26 - Supplies and materials	949	1,440	1,490
31 - Equipment	10,475	8,466	8,762
32 - Land and structures	877	0	0
42 - Insurance claims and indemnities	11	0	0
43 - Interest and dividends	1	1	1
<b>Total Budget Authority</b>	<b>\$166,472</b>	<b>\$167,998</b>	<b>\$176,213</b>
Budget Activities:			
Consolidated/Integrated Administrative Management	15,261	0	0
Financial Management Administrative Support Services	146,400	167,998	176,213
Financial Systems, Consulting and Training	4,811	0	0
<b>Total Budget Authority</b>	<b>\$166,472</b>	<b>\$167,998</b>	<b>\$176,213</b>

### 2.3 – Resource Detail Table

	FY 2009		FY 2010		FY 2011		% Change	
	Actual		Estimated		Estimated		FY 2010	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Budgetary Resources:</b>								
<b>Spending Authority / Offsetting Collections</b>								
Financial Mgt. Admin. Support Services		\$148,442		\$172,300		\$178,883		3.82%
Consolidated/Integrated Admin. Mgt.		-126,457		Discontinued		Discontinued		N/A
Financial Systems, Consulting & Training		-8,664		Discontinued		Discontinued		N/A
<b>Total Spending Authority / Offsetting Collections</b>		<b>\$13,321</b>		<b>\$172,300</b>		<b>\$178,883</b>		<b>3.82%</b>
<b>Reimbursable Obligations Incurred</b>								
Financial Mgt. Admin. Support Services	931	\$146,400	1003	\$167,998	1043	\$176,213	3.99%	4.89%
Consolidated/Integrated Admin. Mgt.	12	15,261		Discontinued		Discontinued	N/A	N/A
Financial Systems, Consulting & Training	1	4,811		Discontinued		Discontinued	N/A	N/A
<b>Total Obligations Incurred</b>	<b>944</b>	<b>\$166,472</b>	<b>1,003</b>	<b>\$167,998</b>	<b>1,043</b>	<b>\$176,213</b>	<b>3.99%</b>	<b>4.89%</b>
<b>Net Results</b>								
Financial Mgt. Admin. Support Services		\$2,042		\$4,302		\$2,670		-37.94%
Consolidated/Integrated Admin. Mgt.		-141,718		Discontinued		Discontinued		N/A
Financial Systems, Consulting & Training		-13,475		Discontinued		Discontinued		N/A
<b>Net Results</b>		<b>-\$153,151</b>		<b>\$4,302</b>		<b>\$2,670</b>		<b>-37.94%</b>

### 2B – Appropriations Language and Explanation of Changes

The Fund receives no appropriated funds from Congress.

### 2C – Legislative Proposals

The Fund has no legislative proposals for FY 2011.

### Section 3 – Budget and Performance Plan

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This table lists all FY 2011 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: [http://www.treasury.gov/offices/management/budget/strategic\\_plan.shtml](http://www.treasury.gov/offices/management/budget/strategic_plan.shtml)

#### 3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Estimated	FY 2011 Estimated	Percent Change
Aligned organization	167,998	176,213	4.89%
<b>Total</b>	<b>\$167,998</b>	<b>\$176,213</b>	<b>4.89%</b>

**3A – Consolidated/Integrated Administrative Management** (*No funding*): This Budget Activity consists of only one Federal Budget Activity, FedSource.

The mission of FedSource was to provide entrepreneurial business solutions for the acquisition and financial management of common administrative services and products in support of agency missions and objectives. FedSource focused on contract support services and copier/printer management.

In FY 2009, ARC implemented Treasury’s decision to transition out of the interagency acquisition business operated by FedSource. All FedSource offices were closed by March 31, 2009, with residual operational and closeout work performed by ARC staff. Substantially all FedSource customer agreements were closed out at the end of FY 2009, resulting in discontinuing this budget activity in FY 2010 and 2011.

### 3.2.1 – Consolidated/Integrated Administrative Management Budget and Performance Plan

Consolidated/Integrated Administrative Management Budget Activity					
Resource Level	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Estimated	FY 2011 Estimated
Appropriated Resources	\$0	\$0	\$0	\$0	\$0
Reimbursable Resources	\$419,041	\$180,361	\$15,261	\$0	\$0
<b>Total Resources</b>	<b>\$419,041</b>	<b>\$180,361</b>	<b>\$15,261</b>	<b>\$0</b>	<b>\$0</b>

<b>Budget Activity Total</b>	<b>\$419,041</b>	<b>\$180,361</b>	<b>\$15,261</b>	<b>\$0</b>	<b>\$0</b>
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Consolidated/Integrated Administrative Management Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Customer Satisfaction Index - Consolidated/Integrated Administrative Management (Oe)	N/A	DISC	DISC	DISC	DISC	DISC
Operating expenses as a percentage of revenue-- Consolidated/Integrated Administrative Management (E)	4	18	DISC	DISC	DISC	DISC

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

#### *Description of Performance:*

With the decision to close-out the FedSource business line, all efforts have been focused on ensuring a smooth transition for customers and vendors, providing employees with job placement and separation assistance and minimizing close-out costs. Therefore, The Fund’s performance measures are discontinued for this budget activity.

The Fund’s objectives for the FedSource transition have been achieved. ARC developed a strategy to ensure customers were transitioned without loss of service and could continue their relationship with current vendors. In addition, employees received job placement and separation assistance and close-out costs were closely managed and controlled. ARC expects the FedSource closeout to be accomplished within FedSource’s operating reserve balance.

**3B – Financial Management Administrative Support Services** (\$176,213,000 from reimbursable programs): This Budget Activity consists of only one Federal Business Activity, Administrative Resource Center (ARC).

The Financial Management Administrative Support Activity supports OMB’s shared services concept and furthers “good government” by standardizing the administrative financial systems and processes required to operate federal organizations. Value is provided through cost sharing opportunities in systems capital investments and operating costs and through providing other high quality, value added services. ARC, a Center of Excellence for the FMLoB and a Shared Service Center for ISSLoB, provides traditional administrative support functions with a focus on accounting, procurement, travel, human resources, and information technology services. The program has been very successful in meeting its mission goals as evidenced by the increasing demands for services and the level of satisfaction expressed by customers.

### 3.2.2 – Financial Management Administrative Support Services Budget and Performance Plan

Financial Management Administrative Support Services Budget Activity					
Resource Level	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Obligated	Obligated	Obligated	Estimated	Estimated
Appropriated Resources	\$0	\$0	\$0	\$0	\$0
Reimbursable Resources	\$109,615	\$96,952	\$146,400	\$167,998	\$176,213
<b>Total Resources</b>	<b>\$109,615</b>	<b>\$96,952</b>	<b>\$146,400</b>	<b>\$167,998</b>	<b>\$176,213</b>

<b>Budget Activity Total</b>	<b>\$109,615</b>	<b>\$96,952</b>	<b>\$146,400</b>	<b>\$167,998</b>	<b>\$176,213</b>
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Financial Management Administrative Support Services Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Customer Satisfaction Index – Financial Mgmt Admin Support Services (%)(Oe)	0	97	80	89	80	80
Operating expenses as a percentage of revenue—Financial Management Administrative Support (%)(E)	15	4	12	5	12	12

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

#### *Description of Performance:*

The Fund has established an outcome measure and target of 80 percent to determine performance in satisfying the needs of customer agencies. Annually, ARC conducts a customer satisfaction survey to assess performance within all service lines. For FY 2009, two thirds of ARC’s customers responded to the survey, and an overall customer satisfaction rate of 89 percent was achieved.

The Fund has also established an efficiency measure and target of 12 percent for operating expenses as a percentage of total revenue. This provides franchise management with a measure that encourages efficiency in administrative operations and helps to assure services are provided at the lowest possible cost. ARC again met this performance measure in FY 2009 with a five percent operating expense ratio.

**3C – Financial Systems, Consulting and Training (No funding):** This Budget Activity consists of two Franchise Business Activities, Federal Consulting Group (FCG) and Treasury Agency Services (TAS).

The mission of FCG is to support other federal agencies transformation efforts to become more efficient, effective, citizen-centric, and results-oriented by providing performance measurement, consulting and executive coaching services. TAS’s mission is to help agencies improve the quality of government financial management through providing information, advice, assistance, and training.

In FY 2009, ARC implemented Treasury’s decision to transition out of the Financial Systems, Consulting and Training budget activity operated by FCG and TAS. In conjunction with FMS,

TAS was transitioned from The Fund effective October 1, 2008. In addition, ARC successfully transitioned FCG to a new federal host in FY 2009. With the success of these transitions, The Fund discontinued this activity in FY 2010 and 2011.

### 3.2.3 – Financial Systems, Consulting and Training Budget and Performance Plan

#### Financial Systems, Consulting and Training Budget Activity

Resource Level	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Estimated	FY 2011 Estimated
Appropriated Resources	\$0	\$0	\$0	\$0	\$0
Reimbursable Resources	\$13,671	\$13,691	\$4,811	\$0	\$0
<b>Total Resources</b>	<b>\$13,671</b>	<b>\$13,691</b>	<b>\$4,811</b>	<b>\$0</b>	<b>\$0</b>

<b>Budget Activity Total</b>	<b>\$13,671</b>	<b>\$13,691</b>	<b>\$4,811</b>	<b>\$0</b>	<b>\$0</b>
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#### Financial Systems, Consulting and Training Budget Activity

Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Target	Actual	Target	Target
Customer Satisfaction Index – Financial Systems, Consulting and Training (%) (Oe)	N/A	DISC	DISC	DISC	DISC	DISC
Operating expenses as a percentage of revenue-- Financial Systems, Consulting and Training (%) (E)	7	6	DISC	DISC	DISC	DISC

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, DISC – discontinued, and B - baseline

#### *Description of Performance:*

With the decision to transition out of the FCG and TAS business lines, all efforts have been focused on ensuring smooth transitions to their new federal hosts. Therefore, The Fund’s performance targets are discontinued for this budget activity.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://treas.gov/offices/management/budget/>

## **Section 4 – Supporting Materials**

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### **4A – Human Capital Strategy Description**

The Fund follows the human resource strategy of Public Debt, ARC's host organization. Public Debt is a values-based organization where candidates want to work and employees want to stay. Many employment benefits contribute to this human capital success, including efforts to improve employee health and well-being through providing access to fitness centers, health units and cafeterias.

In the Office of Personnel Management's 2008 Federal Human Capital Survey, Public Debt ranked in the top 2 percent of federal agency subcomponents. Although the results achieved are exceptional, Public Debt continues to strive for improvement in the areas of telework, performance culture and communications.

The Fund's strategic management of human capital is consistent with its mission, vision and priorities and supports government-wide initiatives, Treasury's strategic goals, and those of Public Debt. Following Public Debt's comprehensive recruitment program, The Fund has embraced Public Debt's human capital strategy of operating a values-based organization, using a full range of pay flexibilities to recruit and retain high quality candidates with the skills necessary to accomplish its mission and emphasize succession planning. In addition, The Fund provides employees at all levels with opportunities for continuous development and performance plans that link to its strategic plan.

### **4B – Information Technology Strategy**

The Fund follows the information technology (IT) strategy of Public Debt, ARC's host organization. Public Debt's IT Strategic Roadmap for 2008 – 2012 calls for a culture of continuous improvement through adoption of best practices, improved quality of information supporting IT investments and improved effectiveness of project execution.

IT best practices adopted by Public Debt include using an Information Technology Infrastructure Library, environmentally conscience purchasing and refresh/recycle business processes and providing for effective enterprise solutions to protect systems against fraud, identity theft and other cyber-crimes.

Public Debt's Capital Planning and Investment Control program is a disciplined, integrated process that addresses system prioritization of new and existing IT investments, risk management, long-range planning, business objectives, alternative analysis and governance. It includes quarterly enterprise architecture reviews to ensure alignment of its IT investments to the strategic enterprise direction of Treasury and identify potential duplication of systems.

Finally, Public Debt is continually working to achieve effective project management execution. Through a disciplined and consistent approach, IT investments are closely monitored for cost, schedule and performance to ensure expected results and benefits are achieved.

## **4.2 – Program Evaluation**

The Treasury Franchise Fund has not received a program evaluation.