



The Treasury Franchise Fund is one of the government's leading shared services providers. We provide common administrative support services on a competitive, fully cost-reimbursable basis, and enable our customers to focus on meeting their missions.

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Treasury Franchise Fund

October 1, 2008 – September 30, 2009

Message from the Commissioner

I'm pleased to present the annual report of the Treasury Franchise Fund (Fund) for fiscal year 2009. This has been another year full of change for the Fund, which is now comprised of a single business entity, Public Debt's Administrative Resource Center (ARC). One thing hasn't changed: our goal of providing responsible, effective administrative support services through our commitment to service, efficient operations, openness to change, and values-based behavior.

As a result of a FY 2008 decision to transition out of several service lines, ARC engaged in carrying out these directives in FY 2009. We successfully transitioned the Federal Consulting Group to another Federal host, migrated Treasury Agency Services from the Fund, and performed extensive work to close out the FedSource business activity. In addition to these challenges, ARC quickly responded to government-wide endeavors by providing critical services to entities tasked with fulfilling initiatives such as the Troubled Asset Relief Program (TARP), the American Recovery and Reinvestment Act, and the Housing Economic Recovery Act of 2008. The following pages provide a glimpse of ARC's other major accomplishments, as well as financial highlights and our plans for the upcoming year.

I'd like to recognize our dedicated employees -- they are the secret to our success. The support they provide allows customers to focus on their missions, and us to realize our vision of providing high-quality services to customers, supporting the standards of good government, and maintaining a rewarding and values-based work environment. We remain dedicated to our vision and focused on improving efficiency, cost effectiveness, and accountability.

Van Zeck
Commissioner of the Public Debt

Our Services

ARC provides the following administrative support services:

- Financial Management
- Travel
- Procurement
- Human Resources
- Information Technology

ARC is a designated Federal Shared Service Provider in the Financial Management, Human Resources, Public Key Infrastructure, and Information Systems Security Lines of Business.

Accomplishments

Provided Essential Support for Government-Wide Initiatives

During FY 2009, ARC actively supported Treasury and other Federal agencies in implementing TARP, the American Recovery and Reinvestment Act, and the Housing Economic Recovery Act of 2008. We provided administrative systems, hired staff, and purchased critical services in support of the agencies responsible for carrying out these critical initiatives.

Migration to Commercial Hosting Provider

ARC successfully migrated two of three financial management environments to Oracle on Demand during FY 2009. The third will transition during the first half of FY 2010. The new hosting solution directly supports our strategic goals of achieving operational sustainability, ongoing improvement, and delivery of valuable and cost effective solutions. This change will allow us to better meet customer expectations, including upgrading to new software versions, scalability, and structured software maintenance. Additionally, costs associated with upgrading the hardware and software are more stable and predictable as a result of our 10-year fixed rate contract. We are pleased with the results of this move and feel confident that our customers will recognize the value.

Closeout of FedSource

Treasury's FY 2008 decision to transition out of the FedSource service line was a major effort for ARC during FY 2009. This involved the physical closure of the four remaining FedSource offices, including the transfer of records, systems, and workload to ARC. In all, nine FedSource offices across the country were closed, and nearly 100 Federal employees were separated through retirement or other employment opportunities. In FY 2009 alone, over 1,400 copier service contracts were transitioned to other service providers, and an additional 200 project management contracts were closed. The final closeout activities are nearly complete, with the most noteworthy achievement being the positive financial result of this difficult and complex effort.

Shared Service Center Designation Received

In January 2009, ARC officially received, through Treasury, designation as a Shared Service Center (SSC) under the Information Systems Security Line of Business (ISSLoB). This was a natural fit, since Public Debt's IT Security has long been thought of as "best in class." In addition to providing all of Public Debt's security services, during FY 2009 we successfully completed 28 security engagements for customer agencies. Looking ahead, we will continue to evaluate opportunities to expand this service line.

Successful Transition to SmartPay2

ARC transitioned all customers to SmartPay2, the new government-wide charge card program, on November 30, 2008. This was an opportunity to grow our relationships with external business partners, Northrop Grumman and Citibank, while improving our internal business processes by working first hand with our customers.

Customer Satisfaction

ARC's goal is to consistently provide excellent service, high quality deliverables, and unmatched value to our customers.

In order to understand how well we achieve these objectives, as well as what we can do to further improve our services, we conducted a survey of all of our customer agencies in FY 2009.

Two-thirds of ARC's customers responded to the survey, and our overall satisfaction score was 89%. We have considered the feedback that we received, and are working to continue to improve our service and better meet the needs of our customers.

Finances

The Fund prepares annual financial statements in accordance with OMB Circular A-136, Financial Reporting Requirements. These statements are used to ensure financial accountability, assess performance, and determine overall financial position. In addition, the Fund shares our financial status annually with stakeholders and customers to provide evidence of stability as a Federal shared services provider.

The Fund's total revenues decreased in FY 2009 to \$154 million, down 30% from FY 2008. ARC accounted for more than 90% of the Fund's total revenues in FY 2009. The decrease in total revenue was a direct result of closing the assisted procurement, consulting, and training franchise business activities.

Overall, the Fund ended FY 2009 with net results of operations of \$5.1 million. This gain was achieved through streamlined service delivery, cost containment measures, and extremely effective planning and execution of close-out activities for FedSource, Federal Consulting Group, and Treasury Agency Services.

Results of Operations

(in thousands)	2009	2008
Earned Revenue	\$ 154,032	\$ 219,808
Less: Expenses/Imputed Costs	154,488	241,268
Net Cost of Operations	\$ (456)	\$ (21,460)
Add: Imputed Financing Sources	5,555	4,174
Net Results of Operations	\$ 5,099	\$ (17,286)

Treasury Franchise Fund Expenses by Category



Balance Sheet

(in thousands)	2009	2008
Assets	\$ 70,334	\$ 73,892
Liabilities	\$ 13,392	\$ 25,797
Operating Reserves	2009	2008
Invested Capital	\$ 7,490	\$ 3,742
Cumulative Results of Operations	49,452	44,353
Total Operating Reserves	\$ 56,942	\$ 48,095
Total Liabilities & Reserves	\$ 70,334	\$ 73,892

The Fund's balance sheet provides insight into our long commitment to customers and staff. Assets are comprised primarily of fund balance with Treasury. In addition, payroll and funded leave liabilities account for over 50% of total liabilities. Since inception, the Fund has aimed to build a reasonable operating reserve over time. Throughout FY 2009, ARC has worked to preserve and solidify the Fund's total operating reserve position. Great strides were made in collecting current and delinquent accounts receivables, and in mitigating future vendor claims for the businesses being closed out. Their efforts resulted in an operating reserve balance of \$56.9 million as of September 30, 2009. Although some risks remain, we are confident that current reserve levels will allow for significant capital projects to improve service offerings and opportunities to lower customer reserve contributions in future years.

Another great success story was that again in FY 2009, our audit results demonstrated commitment to financial data integrity, compliance with laws, rules and regulations, and effective internal controls. We contracted for a fund-wide financial statement audit and ARC Type II SAS-70 on internal controls in the Accounting, Travel, and Procurement service lines. These audits resulted in unqualified opinions for the 13th consecutive year on the Fund's financial statement audit and for the 7th consecutive year on ARC's SAS-70 audit. In addition, the auditors noted no instances of non-compliance or material internal control weaknesses.

What's Next

System Upgrades and Enhancements

Oracle Release 12

Since the migration to a commercial hosting service will be complete, we will continue with efforts to improve our financial management system during FY 2010. We are already in the planning phase of upgrading our current financial systems from Oracle 11.5.10 to Release 12. During this phase, we are considering not only our business requirements, but functionality that may have a positive impact on our customers. Although we plan to communicate extensively with customers throughout this effort, one goal we have established is to ensure that the upgrade is seamless for current customers.

GovTrip 2.0

The Northrop Grumman release of GovTrip 2.0 is expected by summer 2010. The release will incorporate feedback from the user community as well as results from a recent six-sigma study that will improve the Graphical User Interface and make GovTrip a more intuitive and user friendly system.

WebTA

The webTA application is scheduled to be upgraded to version 4.0 in late 2010. ARC is currently working with Kronos, the contractor who supplies the software, to prepare for this upgrade. Included in the upgrade will be streamlined and simplified navigation, an expanded user interface, and more efficient access to employee records for managers.

Internet Payment Platform

By March 31, 2010, ARC will complete a pilot project involving three customers and approximately twenty vendors for use of the Internet Payment Platform (IPP), an accounts payable workflow application. The purposes of the pilot are to develop best practice recommendations applicable to all customers and to refine policies and procedures related to use of the IPP. ARC will then partner with FMS to develop an implementation schedule for the remaining customers and vendors.

We would like to hear from you! Please let us know what you think about this report by emailing ARCCommunicationsMailbox@bpd.treas.gov.

Trusted Internet Connection Access Provider

Securing our network borders is an important part of our IT service offering. During FY 2009, we made a commitment to strengthen network security by applying to become a Trusted Internet Connection Access Provider (TICAP). This initiative, mandated by OMB M-08-05, will improve security and provide enhanced monitoring of our external network connectivity.

In March 2009, the Treasury Department's CIO approved Public Debt's request to become a TICAP. This means we can continue to provide secure connectivity to ARC hosted applications for our customers. The final design of our TICAP is complete and we are now in the process of building and securing the components. We expect this enhanced network infrastructure to be in full operation by January 2010.

Maximize Benefits of Shared Services for Customers

ARC recognizes the opportunities presented to us as a Federal shared services provider to ensure that customers receive the support required to maximize their potential. We are committed to defining the scope of our services to customers. We also must convey the link between the effectiveness of their own internal operations, and our costs and level of effort. The performance metrics used by ARC management and our customers are essential to the assessment of our operational efficiency and cost effectiveness. In FY 2010, we plan to work with our management and customers to improve upon the performance and cost metrics, and communicate with customer management on a regular basis.

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