Performance and Accountability Report

Fiscal Year 2010

Selective Service System

Acting Director
Ernest E. Garcia

Financial Management
Carlo Verdino
Comptroller

November 2009

To obtain copies of this report:

Write to:
Selective Service System
National Headquarters
Arlington, VA 22209-2425

Telephone:
703-605-4020

Fax:
703-605-4030

Email:
fm-budget@sss.gov

Web:
http://www.sss.gov/public.htm

Message from the Acting Director

The Selective Service System (SSS) recognizes the importance of public disclosure and accountability. This report is a demonstration of our commitment to fulfill our statutory and fiduciary responsibilities to the American taxpayer.

SSS seeks to document staff responsibility and accountability through implementation of its family of plans: the FY 2009 Performance Budget, the FY 2006-2011 Strategic Plan, and this Performance and Accountability Report (PAR). The Agency systematically reviewed and assessed program performance and together with financial management systems, to guarantee that organizational stewardship is in accordance with the Government Performance and Accountability Act, the Government Management and Reform Act, and the Federal Managers' Financial Integrity Act.

Again in 2009, I am pleased to report a second unqualified financial audit opinion. The independent audit disclosed no material weaknesses during the FY 2009 audit, any non-material weaknesses were corrected as discovered.

A 2009 independent audit determined that SSS' IT security program made numerous improvements from the previous year in the sections that they audited. There is additional work that remains before SSS is in full compliance with the Federal Information Security Management Act (FISMA). Of major importance is the Registrant Compliance and Verification (RCV) project which will replace the outdated and non compliant mainframe system in use since the 1980's. One of the key facets of this project is that the vendor will bring our primary registration system into full compliance with all federally mandated security requirements and once completed the Agency will have a service oriented and modernized system that brings its registrant management system into the 21st century.

The Agency continues to intercept hundreds of thousands of Internet-based attacks against our network on a monthly basis. This past July 4th holiday, a large number of federal websites came under heavy attack and were taken down. While these attacks resulted in a multiple interruptions of service for those sites, the SSS sites weathered the storm well and remained fully operational. FY 2010 will see additional improvements to Agency's IT systems and the security systems that are planned to be implemented.

The financial statements contained herein fairly present the Agency's financial position and were prepared in accordance with generally accepted accounting principles and in accordance with Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, Revised June 10, 2009.

Ernest E. Garcia
Executive Director

Table of Contents

Management's Discussion and Analysis

Performance Details

Financial Details

Financial Statements

Appendix

Glossary

HOW TO USE THIS REPORT

This PAR contains the SSS's performance goals, measures, results, and accounting activities for FY 2009. The SSS's assessment of performance is a comparison of actual performance to the annual goals contained in the Agency's FY 2009 Performance Budget.

The report has five parts:

Management's Discussion and Analysis

This section contains our Agency's Mission, History, Organizational Structure, Performance Highlights, Financial Highlights, Management Control, and the President's Management Agenda.

Performance Details

This section contains detailed performance information for FY 2009. It contains our annual performance goal, actual performance, discussion, impacts, planned action/schedule, and verifications and validations.

Financial Details

This section contains details about our financial performance for FY 2009. It includes our audited financial statements, notes, and reports from the independent auditing firm of Leon Snead & Company, P. C.

Appendix

This section contains a chart presenting five years of Agency performance results data for FY 2005 thru FY 2009 and the Performance Targets for FY 2010.

Glossary

Agency at a Glance

Mission

The SSS's missions, defined in the Military Selective Service Act (MSSA) (50 U.S.C., app 451 et seq) are to remain prepared to provide personnel to the Department of Defense (DoD) in the event of a national emergency, and to provide an Alternative Service Program for those from the manpower pool who seek and are granted conscientious objector status.

Although only the registration function is publicly visible in peacetime, components of our mission greatly increase timeliness, fairness, and equity in the event of an actual mobilization. The higher the registration rate, the more fair and equitable any future draft will be for each registrant. The Agency works through its registration and compliance programs to (1) register all eligible men; (2) identify non-registrants and remind them of their obligation to register; and, (3) inform young men that they need to register to remain eligible for numerous Federal and state benefits which include student financial aid, job training, government employment, and U.S. citizenship for male immigrants.

Many states and U.S. territories reinforce the registration requirement by implementing laws that require or allow men to register with the Selective Service for job training, employment and/or student financial aid, as well as when they apply for a state driver's license or identification card. Increasing the percentage of electronic registrations (through sources such as driver's license legislation, Internet and telephone) reduces the cost per registration and advances the efficiency of the overall registration process. Although no requirement currently exists to register anyone other than 18- through 25-year-old men, our systems are designed to accommodate potential future registration requirements.

Another aspect of the SSS's mission is to mobilize, if authorized by the Congress and directed by the President. In the event of a mobilization, SSS will hold a national draft lottery, contact those registrants selected via the lottery, and arrange for their transportation to a Military Entrance Processing Station (MEPS). This procedure would be followed for a mobilization of untrained personnel.

Once notified of the results of their evaluation at the MEPS, a registrant may choose to file a claim for exemption, postponement, or deferment. If a claimant is re-classified as a conscientious objector (CO), he has a requirement to serve in a non-military capacity for two years. The SSS places these workers into the SSS's Alternative Service Program with non-military employers and tracks their fulfillment of a two-year service requirement.

As the Agency embraces its traditional missions, it focuses on the future. The SSS leadership understands that events both national and international will require fresh perspectives and a clear recognition of changing realities in this new century. Therefore, it stands ready to respond to future events with a level of readiness determined by limited resources.

History

For more than 60 years, the SSS and the registration requirement for America's young men have served as a backup system to provide manpower to the U.S. Armed Forces during times of national crisis.

President Franklin Roosevelt signed into law the Selective Training and Service Act of 1940 that created the country's first peacetime draft and formally established the SSS as an independent Federal agency. From 1948 until 1973, during both peacetime and periods of conflict, men were drafted to fill vacancies in the Armed Forces that could not be filled through voluntary means.

In 1973, the draft ended and the U.S. converted to an all-volunteer military. The registration requirement was suspended in April 1975; then resumed in 1980 by President Carter in response to both the Soviet Union's invasion of Afghanistan and the results of various DoD readiness exercises. The exercises indicated that, without a peacetime registration program, it would take too long to provide personnel for an expanded military. Registration has continued uninterrupted since that time.

Our Nation's all-volunteer military forces have worldwide commitments. Maintaining the SSS and draft registration provides a hedge against unforeseen threats and a relatively low cost "insurance policy" against underestimating the maximum level of threat we expect the U.S. Armed Forces to face. As fewer and fewer members of society have direct military experience, it is increasingly important to maintain the link between the All-Volunteer Force and our society-at-large. The Armed Forces also must know that the general population stands behind them, committed to serve, should the preservation of our national security so require.

The SSS faces the same challenge confronting numerous defense and quasi-defense agencies – that of striking a balance between current budgetary constraints and being adequately prepared for future contingencies. To accommodate the uncertainty of the future, we must build flexibility into our programs, systems, and mobilization scenarios. To satisfy budgetary constraints, the Agency has utilized its resources as efficiently and effectively as possible.

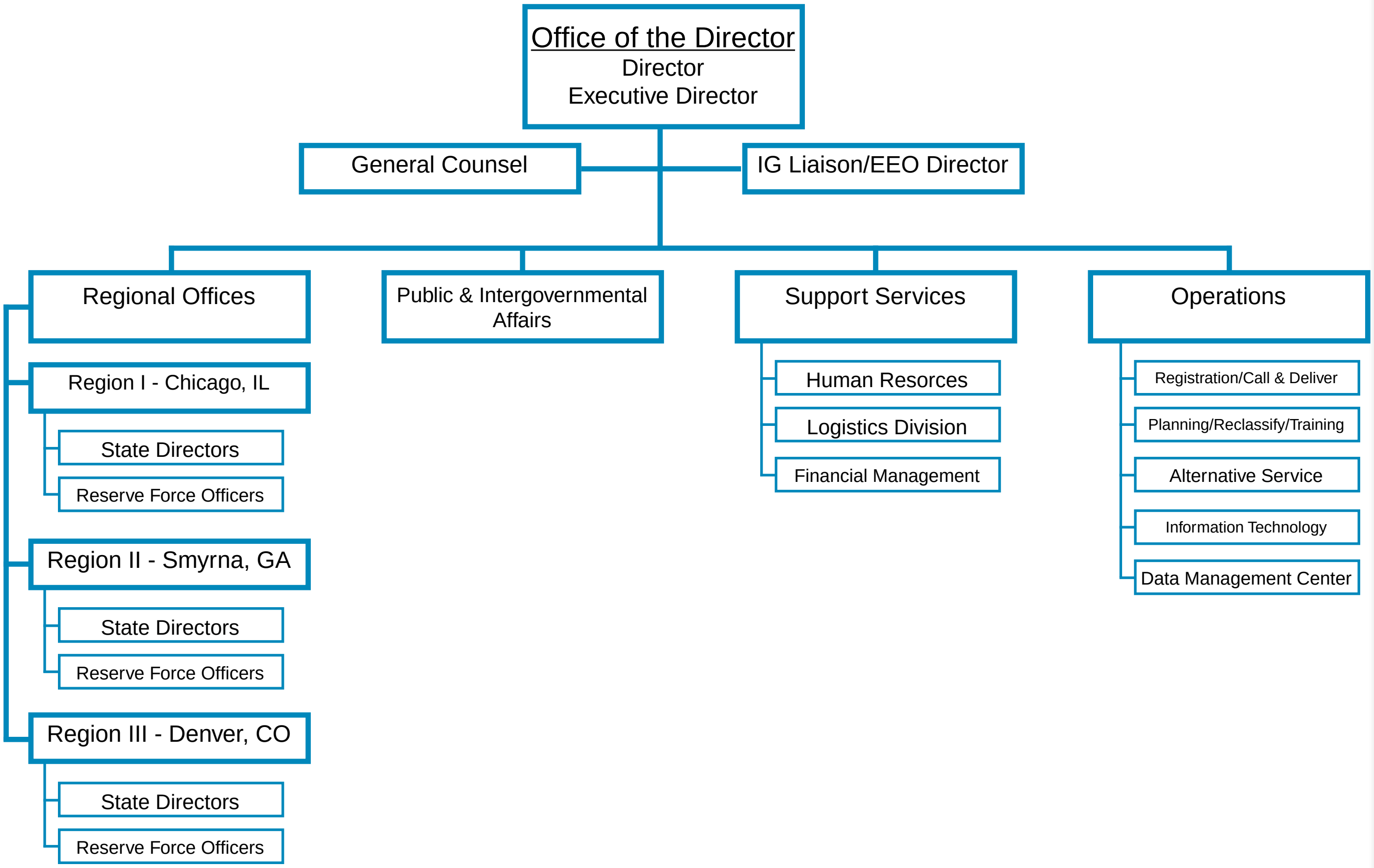
Organization

The SSS is comprised of a diverse composition of career employees, part-time military personnel, and private citizen volunteers dedicated to satisfy its statutory goals of peacetime registration and mobilization readiness. The SSS is currently authorized 130 full-time equivalent civilian positions going into FY 2010. The Agency also is authorized 750 part-time Reserve Force Officers (RFOs) and is currently funded for 150 positions comprised of military personnel representing all of the U.S. Armed Services. The SSS's RFOs are assigned throughout the U.S. and its territories where they perform monthly training, executing a variety of critical peacetime and mobilization tasks. They are grassroot SSS contacts for state and local agencies and the public.

The largest component of the Agency's workforce is the 9300 uncompensated civilian men and women who serve as volunteer Local, District, and National Appeal Board Members. In a mobilization, these citizen volunteers will decide the classification status of men seeking exception or deferments, based on conscientious objection, hardship to dependents, or their status as ministers or ministerial students.

In addition to those private citizens who support our peacetime mobilization programs, currently 87%, or 18,001, of the Nation's 20,737 high schools each has an uncompensated volunteer acting as a Selective Service high school registrar authorized to administer and receive registrations from young men. Their public service is an invaluable asset and is important to the success of the Agency's peacetime registration efforts. They remind America's young men of their registration obligation and help ensure that the men remain eligible to take advantage of the numerous Federal and state benefits that are tied to the registration requirement.

Selective Service System Organizational Chart



Performance Highlights

Goals Overview

The SSS's goals are to: (1) ensure preparedness and the capacity to provide timely manpower to the DoD during a national emergency; and (2) ensure management excellence.

Goal 1: Ensure preparedness and the capacity to provide timely manpower to the DoD during a national emergency.

In the event of a mobilization, the SSS will hold a national draft lottery, contact those registrants who have been selected via the lottery, and arrange their transportation to a Military Entrance Processing Station (MEPS). This procedure would be followed for a mobilization of trained health care specialists and/or untrained personnel.

Once notified of the results of their evaluation at the MEPS, any registrant who has been found qualified for military service may choose to file a claim for exemption, postponement, or deferment. If a claimant is re-classified as a CO, he has a requirement to serve for 24 months in a non-military capacity contributing to the health, welfare, and safety of the U.S. The SSS will place these workers with non-military employers and track the progress of their service.

Objective 1: Be prepared to call, classify, and deliver personnel

When activated, the SSS will hold a national draft lottery, mobilize Agency components, contact those registrants who have been selected via the lottery, and arrange for their transportation to the MEPS for physical, mental, and moral evaluation, and as required send induction orders. Once that occurs, registrants who chose to do so can begin the process of filing claims for reclassification if

they are found to be acceptable for induction into the Armed Forces. During FY 2009, the SSS completed a systematized project management effort to update the Agency's Preparedness Plans for use upon mobilization at the national, regional, state and local levels. In addition, the Registrant Integrated Processing System (RIPS) Manual was revised to help ensure the Agency is better prepared if ever called upon to initiate conscription. The plans and procedures relating to mobilization functions will mesh with Information Technology related support and the Agency's Enterprise Architecture.

The SSS continues to provide training to Board Members, State Directors, and Reserve Force Officers to ensure the retention and enhancement of operational knowledge in the event the Nation returns to conscription. In FY 2009, additional Web-based training was developed and deployed to supplement and act as an alternative to the more expensive means of group and self-study training. It is scheduled to become the primary means of preparedness training in FY 2010.

Objective 2: Ensure acceptable registration compliance rates

The higher the registration rate, the more fair and equitable any future draft will be for each registered individual. The Agency works through its registration and compliance programs to: (1) register all eligible men; (2) identify non-registrants and remind them of their obligation to register; and, (3) inform young men that they need to register to remain eligible for numerous federal and state benefits, such as student financial aid, job training, government employment, and U. S. citizenship for male immigrants.

Goal 2: Ensure management excellence

In concert with the President's Management Agenda (PMA), the SSS continues the implementation of a multi-year technology upgrade of the Agency's hardware, software, and systems development. An overall plan and strategy to ensure alignment and integration among its human capital management process and the financial, operational, information technology, and logistical processes, are underway. Included in that plan is an expansion of the Agency's e-government, budget and performance integration, and improvements in financial performance initiatives. The Agency's full implementation of an Integrated Financial Management System will enhance its ability to align its budgetary resource expenditures with Agency's goal performance.

Objective 1: Effective and efficient resource and procurement management

An increased focus on improving policies, procedures, and standards is necessary to better align Agency operations with the PMA. Over the next five years, the Agency projects a larger than average rate of retirement, increased hiring competition from the public and private sectors, and continued fiscal pressures. The Agency's Human Capital Management Plan (HCMP) is crucial as it will provides a tool to better manage the Agency's most valuable resource – its personnel.

Objective 2: Effective and efficient financial management

Financial management activity continues to focus on enhancing and improving operational practices in an effort to achieve success in support of the PMA. The basic goal remains to achieve a "clean audit" opinion in adherence with the Accountability of Tax Dollars Act of 2002. The 2006 implementation of an integrated financial management system, Oracle Federal Financials (OFF), has produced improvements in the financial performance arena and an overall upgrade in the areas of budget, human capital, and performance integration.

Objective 3: Effective and efficient information technology management

The Agency continues its multi-year efforts to modernize the technical supporting environment of the Agency in accordance with the President's Management Agenda, Government Performance Results Act, Information Technology Management Results Act, Federal Information Security Management Act, and other statutory or regulatory documents. It has made great progress in creating a secure, technically advanced information environment to facilitate numerous business enhancements and increase SSS's capabilities to effectively satisfy mission requirements with continually reducing resources.

Objective 4: Effective and efficient management of public and intergovernmental affairs

The public and intergovernmental affairs activity faces the ongoing paradoxical challenge of public concern: a) the more communications made, the greater the public concern about an imminent draft; and, b) the less SSS says, the greater the amount of misinformation available. With over 6,000 young men turning 18 every day, our outreach to community leaders, other governmental and corporate entities, public and private influencers, and media is a major strategy for increasing registration awareness and fostering public understanding of the Agency mission.

Strategic Planning and Reporting

This Report is aligned with the SSS's Strategic Plan (FY 2006 - 2011) and is an outgrowth of extensive internal evaluations of Agency statutory responsibilities viewed in light of new challenges, fiscal issues, and the needs of Agency customers. Measurement of the Agency's institutional progress toward improved programmatic activities, service to customers, and the prudent management of fiscal resources is the basis for the development of this plan. Performance measurement provides the path for assessing accountability between the Agency's long-term strategic vision and the day-to-day activities of its employees.

Planning and Funding Challenges

The challenges of integrating budget and performance are somewhat clouded in that all funds for the SSS are allocated in one appropriation. This one appropriation (Salaries and Expenses) is allocated throughout the Agency to support salaries and expenses, as well as programs. Thus, it has been somewhat difficult to link the amount of appropriated funds with the level of program results for any particular fiscal year since the salaries and expenses are consolidated with programmatic costs. The integrated financial management system has helped to alleviate some of the complexity associated with this effort. In addition, management has taken a new approach toward identifying individual programmatic costs at the directorate level to assist with the effort to integrate budget with performance at the program level.

The primary operational focus of the Agency in peacetime is to register men, and all performance results continue to be accumulated toward that goal. This report endeavors to show how the FY 2009 budget allocation was expended in support of the Agency's Strategic Goals and Objectives.

Financial Highlights

Financial Position

FY 2009 is the sixth full year of operation where the SSS's audited financial statements are being submitted to OMB in compliance with the Accountability Act of Tax Dollars of 2002. The preparation of these statements is a part of the Agency's objective to improve financial management and provide accurate and reliable information that is useful for assessing performance and allocating resources.

The SSS's financial management team, together with the Agency's leadership, is responsible for the integrity and objectivity of the financial information presented in the financial statements. They utilized all available resources to satisfy the stated strategic goals and objectives of the Agency. The financial statements and financial data reflected in this report have been prepared from the accounting records of the SSS in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

Limitations of the Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with SSS management. The accompanying financial statements are prepared to report the financial policies and results of the operations of SSS. While these statements have been prepared from the books and records of SSS, these financial statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The financial statements should be read with the realization that SSS is an agency of the Executive Branch of the United States Government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subjected to enactment of appropriations.

Discussion and Analysis of Financial Statements

SSS FY 2009 and 2008 financial statements report the Agency's financial position and results of operations on an accrual basis. These annual financial statements are comprised of a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and related notes that provide a clear description of the Agency and its mission as well as the significant accounting policies used to develop the statements.

Consolidated Balance Sheet

The major components of the Consolidated Balance Sheet are assets, liabilities, and net position.

ASSETS. Assets represent Agency resources that have future economic benefits. SSS's assets totaled $13.993 million in FY 2009. Fund balances with Treasury —mostly undisbursed cash balances from appropriated funds—comprised about 75% percent of the total assets.

SSS does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving or trust funds. About 25 percent of SSS's assets were comprised of accounts receivable, which reflects funds owed to SSS by other Federal agencies and the public and general property, plant and equipment.

LIABILITIES. Liabilities are recognized when they are incurred regardless of whether or not they are covered by budgetary resources. In FY 2009, SSS had total liabilities of $6.806 million. The largest components of SSS's liabilities were accounts payable and Federal Employee Compensation Act (FECA) actuarial totaling $2.179 million and $2.605 million respectively. Accounts payable reflect funds owed primarily for contracts and other services.

NET POSITION. SSS's net position, which reflects the difference between assets and liabilities and represents the Agency's financial condition, totals $7.188 million. This amount is broken into two categories: unexpended appropriations (amounts related to undelivered orders and unobligated balances) at $7.684 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at ($.497) million.

Consolidated Statement of Net Cost

The Consolidated Statement of Net Cost represents the net cost to operate the Agency. Net costs are comprised of gross costs less earned revenues. SSS's FY 2009 net cost of operations was $22.092 million: $22.443 million in gross costs less $.351 million in earned revenues.

Consolidated Statement of Changes in Net Position

The Consolidated Statement of Changes in Net Position reports the changes in net position during the reporting period. SSS ended FY 2009 with a net position total of $7.188 million. The negative change in net position was primarily the result of the liabilities not covered by budgetary resources and other liabilities.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources focuses on how budgetary resources (appropriations and reimbursables) were made available, the status of those resources (obligated or unobligated) at the end of the reporting period, and the relationship between the budgetary resources, and outlays (collections and disbursements). SSS' FY 2008 budgetary resources totaled $28.342 million and were primarily made up of budget authority funds $22 million and unobligated balance $ 7.444 million.

Financial Management

During FY 2009, the Agency purchased additional Oracle Federal Financial System (OFF) reporting tools to enhance accurate, timely financial reporting to management. The Agency implemented the eTravel program in FY 2007 to transfer travel-related activities to the automated E2 travel system and will complete implementation at the regional level in FY 2010. The E2 travel system provides an automated ticketing, reservation, and claims processing tool whereby employees are relieved of the requirement of submitting paper vouchers for reimbursement, Use of the E2 travel system has many benefits including reduction of costs and increased compliance with the Federal Travel Regulations through electronic edits that were previously performed manually.

Utilizing the Oracle OFF System, the SSS has enhanced its capability to develop methodologies that will help to ensure that the Agency is able to integrate its budget and performance data as part of its budgetary processes.

Director's Integrity Act Statement for Fiscal Year 2009

The Selective Service System management is responsible for establishing and maintaining effective management control, financial management systems and internal control over financial reporting that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). SSS provides an unqualified statement of assurance that management control, financial management systems and internal controls over financial reporting meet the objectives of FMFIA.

SSS conducted its assessment of the financial management systems and internal control over (1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, and (2) financial reporting as of September 30, 2009, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of the Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control."

I am pleased to report that for the second year in a row the financial management systems conform with the objectives of FMFIA and the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over (1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, and (2) financial reporting as of September 30, 2009.

The FY 2009 FISMA audit noted several improvements over previous reports. Additional security policies and plans were implemented and updated successfully. Work remains to be done before the Agency will be fully compliant with all FISMA requirements. The RCV project will replace two old registrant management and personnel management systems deemed too expensive to accredit.

Finally, I remain committed to providing the best service possible to the Nation. SSS stands ready to play its part if called upon during a national emergency.

I will continue my efforts to upgrade the Agency's processes and talent pool. My focus is to achieve unblemished audits that indicate we are ready in all aspects to answer that call.

Ernest E. Garcia
Acting Director
Selective Service System
November 17, 2009

Management Controls

Federal Managers' Financial Integrity Act Report on Management Control

Background

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires ongoing evaluations of internal control and financial management systems culminating in an annual statement of assurance by the agency head that:

- Obligations and costs comply with applicable laws and regulations
- Federal assets are safeguarded against fraud, waste and mismanagement
- Transactions are accounted for and properly recorded
- Financial management systems conform to standards, principles and other requirements to ensure that Federal managers have timely, relevant and consistent financial information for decision-making purposes.

Furthermore, FMFIA provides the authority for the Office of Management and Budget (OMB), in consultation with the Government Accountability Office (GAO), to periodically establish and revise the guidance to be used by Federal agencies in executing the law.

In addition to FMFIA, the Federal Information Security Management Act (FISMA) requires agencies to report any significant deficiency in information security policy, procedure or practice identified (in agency reporting) as a material weakness under FMFIA.

SSS conducts its annual evaluation of internal controls over financial reporting in accordance with OMB Circular A-123, "Management's Responsibility for Internal Control." Assessment results are reviewed and analyzed by the SSS Senior Staff.

SSS operates a broad internal control program to ensure compliance with FMFIA requirements and other laws, and OMB Circulars A–123 and A–127, "Financial Management Systems." All SSS managers are responsible for ensuring that their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles and related requirements. In conjunction with an independent accounting firm and GAO, SSS management has been working responsibly to determine the root causes of its material weaknesses to efficiently correct them.

SSS remains committed to reducing and eliminating the risks associated with its deficiencies and efficiently and effectively operating its programs in compliance with FMFIA.

FY 2009 Results

In the beginning of FY 2009 SSS had no material weaknesses. Unfortunately, during the FY 2009 audit two IT additional material weaknesses were identified and will continue to not fully pass all FISMA requirements until the full migration off of the main frame occurs. The FISMA audit report provides a qualified assurance that SSS's system of internal control complies with FMFIA's objectives. The following Exhibit provides a summary of the material weaknesses and all items corrected.

Exhibit 1: Summary of Material Weaknesses

Internal Controls (FMFIA Section 2)						
Statement Of Assurance	Qualified Statements of Assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
IT Security	0	2	0	0	0	2
Total Material Weakness	0	2	0	0	0	2

Financial Management System (FMFIA Section 4)						
Statement Of Assurance	Qualified Statements of Assurance					
Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
	0	0	0	0	0	0
Total Non-conformances	0	0	0	0	0	0

Required Reporting

Exhibit Number 2 is provided to meet the reporting requirements of OMB Circular A-136, “Financial Reporting Requirements” and includes a breakdown by various categories related to the Financial Statement Audit and Management’s Statement of Assurance for FMFIA.

Exhibit 2: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA 2)						
Statement Of Assurance	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
Total Material Weakness	0	0	0	0	0	0

Effectiveness of Internal Control Over IT Security (FMFIA 2)						
Statement Of Assurance	Qualified Statements of Assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security	0	2	0	0	0	2
Total Material Weaknesses	0	2	0	0	0	2

Conformance with Financial Maqnagement System Requirements (FMFIA 4)						
Statement Of Assurance				Unqualified		
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-conformances	0	0	0	0	0	0

Outstanding Material Weakness

There were no material weaknesses.

New Material Weakness

The independent audit identified two new material weaknesses within the IT Security Program.

IT Security Program

During the 2009 FISMA audit several issues were identified that represent material internal control weaknesses in the Agency's IT security program and personal identifiable information (PII). We identified weaknesses, developed a corrective action plans with measurable milestones to address and resolve these problems while simultaneously managing Agency-wide upgrades and improvements. Most recommendations offered by the audit have been adopted by SSS and we have incorporated necessary FY 2009 and FY 2010 corrective actions into the ongoing plan. Approximately one-third of the tasks have been completed and significant progress has been made with the remaining actions. We anticipate completing at least half of the tasks by the end of calendar year 2009 and most remaining tasks during the first half of 2010.

Summary of Outstanding Material Weaknesses

Material Weakness Existing	SSS IT Security Program Overall Estimated Completion Date: FY 2010 SSS IT security program was not in substantial compliance with FISMA requirements.

FY 2009 Accomplishments	Planned Actions
NA (None)	NA (Incorporated in FY 2010)

Material Weakness New	1. IT Security Program - Overall Estimated Completion Date: CY 2009 2. Personally Identifiable Information (PII) - Overall Estimated Completion Dated: FY 2010

Planned Actions
• IT security program • Secure personal sensitive information data where possible • Complete COOP related registration • Update IT security policies • Implement controls over remote access

President's Management Agenda

The SSS seeks continuous operational improvements through an array of programs and policy changes based on the PMA. The SSS' strategy is to utilize e-commerce initiatives to improve the Agency's procurement and financial processes through implementation of an integrated financial management system. The e-Quip and e-travel processes sponsored by OPM, continue to function properly. The SSS completed the implementation to meet the personnel identification and verification requirements of Homeland Security Presidential Directive-12 (HSPD-12).

The Agency will continue to expand upon workforce development strategies and the Human Capital Management Plan (HCMP) to close mission-critical skills, knowledge, and competency gaps. The analysis of SSS mission, goals, and organizational objectives resulted in an action plan and an accountability system for achieving activities, measures, and expected outcomes in the areas of: strategic alignment, leadership and knowledge management, performance culture, talent management, and accountability. Based on the results of employee satisfaction surveys, the SSS held focus group meetings to guide the development of an action plan to better address employee concerns. Also, in concert with OPM, the SSS has analyzed its hiring process to streamline and simplify the process. The Agency continues to use the online learning portal, GoLearn, to provide its employees and managers with support tools to help assist in meeting the training needs of the Agency's workforce. The Agency improved the work-life aspects of the job by increasing the capabilities to support telework and expanding participation in the program to cover over 75 percent of the workforce. Additional flexibilities have been added to work schedules to heighten morale and enhance job performance, as well as to improve recruitment and retention efforts.

During 2009, the SSS completed Phase 1, the analysis, planning and functional requirements component, on the modernization effort to migrate all of its Registration, Compliance and Verification information systems from a legacy mainframe platform to a server-based environment. It is anticipated that this effort will greatly decrease operating and maintenance costs, ensure system compliance with all Federal security and information technology requirements (FISMA, NIST, Clinger Cohen Act, Paperwork Reduction Act, etc.), increase the Agency's technical capabilities and allow seamless integration with external State and Federal systems as well as other systems throughout the Agency's Enterprise Architecture.

Utilizing the OFF System, the SSS continues to enhance its capability to develop methodologies that will help to ensure that the Agency is able to fully integrate its budget and performance data.

Performance Details

Program Evaluation

The program evaluations for this report were independent systematic reviews conducted to assess how well programs were working and if they should be continued or modified. A variety of program evaluations and methodologies were used including: process evaluation, outcome evaluation, impact evaluation, cost-benefit/cost-effectiveness, and varied combinations of the above.

Evaluations conducted during FY 2009

Management reviews for the Agency computer systems, listed below, were conducted by SSS personnel and validated/certified as mission capable.

Federal Payroll Personnel System (FPPS)
Administrative Support Systems Applications
Selective Service Local/Wide Area Network and Communications
Integrated Mobilization Information System

Program evaluations were scheduled and conducted for the following areas:

- Registration and Registration Compliance Programs
- Registrar Program
- Federal Information Security Management Act
- Financial Management
- Administrative Support Services
- Alternative Service Program

FY2009 Performance

This FY 2009 PAR identifies the activities, strategies, and results that took place during the fiscal year to achieve Agency goals and objectives. It also identifies relevant performance measurement target goals to be achieved.

Goal 1: Ensure preparedness and the capacity to provide timely manpower to DoD during a national emergency.

Objective 1: Be prepared to call, classify, and deliver personnel

Significant Activity:
During FY 2009, the SSS completed a systematized project management effort to update the Agency's Preparedness ("Readiness") Plans -- for use upon mobilization at the national, regional, state and local levels – as well as revised the Registrant Integrated Processing System (RIPS) Manual to help ensure the Agency is better prepared if ever called upon to initiate conscription. The plans and procedures relating to mobilization functions are in alignment with Information Technology related support and the Agency's Enterprise Architecture.

In FY 2009, Web-based training was developed, tested, and deployed to provide self-study training and a cost-effective alternative to costly "classroom-type" training. This provided the Agency greater flexibility in delivering training, and reduced paperwork and costs associated with reproducing and shipping hard copy training materials.

For FY 2009, the SSS set three performance goals for Objective 1.

Strategic Objective 1.1.1 Be prepared to deliver personnel when needed

FY 2009 Annual Performance Goal: Maintain the Agency's Readiness Plans which include the Call and Deliver, Reclassify, Alternative Service, and the Lottery Standard Operating Procedures.

Was the goal achieved? Yes

Results:
During FY 2009, the SSS completed a systematized project management effort to update the Agency's Preparedness Plans for use upon mobilization at the national, regional, state and local levels. In addition, the RIPS Manual was revised to help ensure the Agency is better prepared if ever called upon to initiate conscription.

Discussion:
The plans and procedures relating to mobilization functions are aligned with the Agency's Enterprise Architecture.

Impact:
This updated approach to preparedness ensures the Agency is able to initiate actions during a return to conscription.

Planned Actions/Schedule:
The Family of Readiness Plans is a living document that will be maintained and updated as necessary. The completion of the Agency's target Enterprise Architecture in future years will enable implementation of these plans.

Verification and Validation:
Verification and validation of the plans are completed by managerial and staff review.

Strategic Objective 1.1.2. Be prepared to ensure timely and consistent handling of claims

FY 2009 Annual Performance Goal: Be prepared to activate State Headquarters, Area Offices, and SSS Board Members to timely, fairly and equitably process reclassification claims.

Was the goal achieved? Yes

Results:
The RIPS manual was updated to address the claims process and training provided to part-time military personnel and volunteer local board members.

Discussion:
Training annually of Reserve Force Officers and local board members is fundamental to the ability to process any claim.

Impact:
Uniform handling of claims by local boards across

the nation helps ensure a fair and equitable return to conscription.

Planned Actions/Schedule:
Periodic updating training plans as necessary.

Verification and Validation:
Routine training evaluations are utilized to improve content delivery.

Strategic Objective 1.1.3. Be prepared to implement an Alternative Service Program (ASP)

FY 2009 Annual Performance Goal: Increase membership in the Alternative Service Employer Network through initiatives undertaken by its State Directors and RFOs at the local level.

Was the goal achieved? No

Results:
There was no movement on the issue of increasing membership in the Alternative Service Employer Network.

However, outreach to the CO community continues. Two pilot electronic outreach sessions, held in June and July of 2009, brought together Selective Service leadership and several dozen representatives of the CO community. The Agency's formal presentation included the results of a series of policy reviews on issues of concern to the audience. The sessions were well received and plans have been made to make the electronic outreach sessions a regular event.

In addition, in September 2009 the Agency hosted representatives of various historic peace churches at National Headquarters and also traveled to Missouri for meetings with well over 400 people. This also provided an opportunity for SSS State Directors to begin a dialog with people they would need to work closely with in any return to conscription.

Discussion:
Internal and external impediments exist in getting negotiations with the Public Health Service and The Corporation for Community and National Service started again. Memoranda of Understanding (MOUs) are pending with seven other potential employers.

Outreach of this sort remains politically sensitive. However, the trust built up over the past four years of interaction has begun to pay off. Religious and other groups have begun to reach out to Selective Service. Myths and programmatic misconceptions have been aired and resolved. Discussions and negotiations on issues of importance to this community are at the root of improved public relations and ASP operational and readiness planning.

Few of the more conservative Anabaptist religious communities – the Amish, conservative Mennonite, for example - make wide use of technology. Outreach to these groups will always require a different approach. Nevertheless, a blend of newer and older technologies has yielded an outreach program that is balanced and serves the need.

Impact:
The current relationship of Selective Service to its constituency of historic peace churches and secular conscientious objector advocacy groups is better than it has ever been. They have appreciated the respectful and open relationship with the Agency. Operating transparently has allowed the Agency to gain trust and credibility, while not requiring it to move one step away from its commitment to operate within the law. The Agency's reputation for honesty and fairness will work to its advantage in any return to conscription. These efforts have identified additional potential employers.

Planned Actions/Schedule:
The electronic outreach will become a semi-annual opportunity to confer with groups unable to travel to National Headquarters to discuss their issues. We will focus on building employer recruitment competencies in our State Director, Reserve Force Officer, and Region personnel. Completion of MOUs is expected in FY 2010.

Verification and Validation:
Management reports/program evaluations.

Objective 2: Ensure acceptable registration compliance rates

Maintaining an ongoing Registration Program of men age 18 through 25 is fundamental to mission success. To implement a fair and equitable draft, a 90% compliance rate for 18- through 25-year-old men is required.

Note: Registration rates are for Calendar Year (CY) not Fiscal Year (FY) since registration is based on Year of Birth (YOB) Groups. For example, the 20 YOB Group covers the period of January 1 through December 31 since all registrants born in that year are the same age required for any induction requirement.

Significant Activity:
By the end of FY 2009, 37 states (Alabama, Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin), three territories (Guam, Northern Mariana Islands, and Virgin Islands), plus the District of Columbia, had enacted Driver's License Legislation (DLL) linked to the registration requirement. As a result, over 819,000 men were registered under DLL in CY 2008.

For FY 2009, the SSS set two performance goals for Objective 2.

Strategic Objective 1.2.1. Maintain registration rate of at least 90% or above for eligible males 18-25

FY 2009 Annual Performance Goal: Attain registration rate above 90 percent for eligible males 18-25.

Was the goal achieved: Yes

Results:
Projected: 91 percent (18-25 YOB Groups). Results for this goal will not be available until the end of the Calendar Year. The latest information available is for calendar year (CY) 2008, the year group registration rate was 91 percent. (See note below)

Discussion:
Registration is a crucial component of any future induction or draft to furnish personnel to the Department of Defense. The primary factors that foster registration compliance include: (1) enactment and implementation in states and territories of driver's license legislation requiring registration with the SSS to obtain a motor vehicle driver's license or state identification card; (2) continued use of on-line registration via the SSS Web site (www.sss.gov), (3) emphasis on soliciting volunteer SSS High School Registrars; (4) mailings to states having the lowest compliance rates, along with 19 year-olds nationwide who had not registered; (5) targeted cost effective registration awareness initiatives, including public service broadcast messages (in English and Spanish); and (6) outreach efforts to the educational and community leaders and influencer groups. However, some of these important registration awareness initiatives/efforts had to be limited during FY-09.

Impact:
For CY 2008, the Selective Service national overall registration compliance rate was 91 percent for men ages 18 through 25 who were required to be registered. This figure remained the same as the CY 2007 percentage. For the 18 year-of-birth (YOB) group, the compliance rate was 67 percent, down one percent from CY 2007; the 19 YOB group was 87 percent, down four percent from CY 2007; and the 20 to 25 YOB group, the draft-eligible groups, were 96 percent, up one percent from CY 2007.

Efforts to increase registration compliance will help ensure fairness and equity in any future draft.

Planned Actions/Schedule:
For FY 2010, primary registration improvement emphasis will continue to be to assist states and territories in their efforts to enact legislation requiring SSS registration in order to obtain a driver's license or identification card. Our goal is 100% coverage of the Nation's potential registrant population. Thus, as states enact and implement Driver's License Legislation, in support of the registration requirement, the percentage of electronic registrations will increase, resulting in lower costs expended by the Agency for registration compliance.

Verification and Validation:
The estimated rates of registration compliance with the MSSA are an essential component in evaluating the Agency's registration program. As a result, the Agency compiles Registration Compliance Statistical Information (RCSI), which is used to provide the Agency with statistical information for the evaluation of the registration and registration compliance programs. RCSI allows management to target low/moderate registration compliance states/territories and evaluate the registration compliance program.

Strategic Objective 1.2.2. Maximize the use of electronic registration methods

FY 2009 Annual Performance Goal: Obtain 83 percent of registrations electronically.

Was the goal achieved? Yes

Results:
Projected: 83 percent - Actual: 86 percent of total.

Discussion:
As of September 19, 2009, eighty-six percent of all registrations for FY 2009 were electronic, up two percent from FY 2008. DLL, Internet registration at www.sss.gov, and data exchanges with various Federal agencies make up a significant portion of electronic registrations.

Impact:
Electronic registrations improve customer service by providing a streamlined and timely method of registering at a reduced cost.

Planned Actions/Schedule:
Continue to maintain automated registration programs. Continue to provide technical assistance, as possible, to requesting states that are in the process of implementing driver's license legislation in support of the SSS registration requirement.

Verification and Validation:
Statistical reports that measure processing timelines and evaluates program results periodically.

Goal 2: Ensure Management Excellence

In concert with the PMA, SSS implemented technology upgrades of the Agency's hardware, software, and systems development processes. An overall plan and strategy to ensure alignment and integration among its human capital management process and the financial, operational, information technology, and logistical processes, is underway. Included are an expansion of the Agency's e-government, budget and performance integration, and improvements in financial performance initiatives.

Objective 1: Efficient and effective resource and procurement management

Strategic Objective 2.1.1 Improve the effectiveness and efficiency of human capital management

For FY 2009, the SSS set two annual performance goals for Strategic Objective 2.1.1.

- Complete implementation of the Strategic Human Capital Management plan.
- Complete implementation of the Homeland Security Presidential Directive (HSPD-12) initiative.

FY 2009 Annual Performance Goal: Complete implementation of the Strategic Human Capital Management plan.

Was the goal achieved? No

Results:
Although the HCMP has been published, full implementation remains. Results of the annual Federal Human Capital Survey necessitated a shift to address employee satisfaction issues.

Discussion:
Full implementation of the HCMP requires resolution of recent issues including the end-to-end hiring model and employee satisfaction concerns.

Impact:
Provides the long-term strategies of enhancing the Agency's most valuable resource: its people.

Planned Actions/Schedule:
Complete the Agency's activities required in the new federal government's end-to-end hiring model and address employee satisfaction concerns.

Create and implement supporting programs such as Individual Development Plans.

Verification and Validation:
OPM was provided a copy of the Agency's HCMP for comment in 2007; approval pending.

FY 2009 Annual Performance Goal: Complete implementation of the Homeland Security Presidential Directive (HSPD-12) initiative.

Was the goal achieved? Yes

Results:
The HSPD-12 identification card program was implemented Agency-wide in FY09.

Discussion:
N/A – project complete.

Impact:
All Agency personnel were issued the new HSPD-12 identification cards and have government-wide access.

Planned Actions/Schedule:
Expand the use of these ID cards to include computer log-on security and building access.

Verification and Validation:
Employee feedback.

Objective 2: Efficient and effective financial management

Strategic Objective 2.2.1. Improve the effectiveness and efficiency of financial activities

FY 2009 Annual Performance Goal: Continue updating the Fiscal Manual.

Was the goal achieved? No

Results:
Projected completion of updated Fiscal Manual: 75%; Actual: 60%. The new Comptroller focused efforts on updating the most critical functions and processes within the Fiscal Manual as identified by finance staff, the external financial auditors and contracted financial support. Updated the critical policies and procedures necessary to ensure management controls are in place.

Discussion:
Build the required structure to develop and execute a sound financial management plan that will serve as the basic cornerstone by which the Financial Management Division will perform its mission and functions for the foreseeable future.

Impact:
The Agency continues to operate and function based on the guidelines and rules established in the current FM that has been supplemented with several operational directives and procedures. However, most of these procedures have not undergone the complete review process nor been formally incorporated into the Fiscal Manual. An updated FM remains necessary as the overarching document that establishes guidelines and procedures for the day-to-day operations.

Planned Actions/Schedule:
The Fiscal Manual will be staffed and comments to be incorporated in the revised/updated version during FY 2010.

Verification and Validation:
Once the Fiscal Manual has been completely updated a periodic (at least annual) review and update will be performed by the financial management staff to ensure that the Fiscal Manual is up-to-date.

Strategic Objective 2.2.2. Align budgeted funds with performance expectations

FY 2009 Annual Performance Goal: Continue Performance and Budget integration.

Was the goal achieved? Yes

Results:
The OFF provides an integrated financial system that ties to the budget development/execution process, the acquisition system, and the property management processes.

Discussion:
The Agency's budget and strategic planning documents were aligned for implementation and execution as outlined in the Strategic Plan. Additional plans were established whereby all personnel costs (pay, benefits, etc.) are accounted in accordance with the Strategic Plan. A further refinement was planned but not funded - a revised Time and Attendance Reporting system will enable better activity-based-accounting. Restructured accounting codes were implemented, enabling better accountability of operations in support of Strategic goals and initiatives.

Impact:
The Agency's ability to apply activity-based-costing principles has not yet been fully achieved. Proposed changes to the Agency's Strategic Plan along with the lack of a new Time and Attendance process caused

a revision of the methodology to align the budgetary resources to the Strategic Plan.

Planned Actions/Schedule:

The revised accounting structure will be reviewed and aligned with the new Strategic Plan to ensure that the established Goals and Objectives are aligned with the requested funding in the Agency's annual budget request. An updated Time and Attendance Reporting system will be procured, if affordable, and integrated with the OFF System and implemented so that all Agency personnel costs can be recorded in accordance with the budget and Strategic Plan.

Verification and Validation:

Financial reporting requirements and the annual financial audit

Objective 3: Effective and efficient information technology management

The SSS continued to update its technical environment to facilitate meeting the President's e-Government initiative. The Agency's main web site provides several services to the general public such as online registration through which a man can register with Selective Service in real-time. The site also features registration verification allowing an individual to check an existing registration. SSS implemented a new interactive voice response (IVR) system to automate calls to its Data Management Center. This system allows a man to register or to check an existing registration via phone along with the option of speaking with an operator who can assist with various registration-related issues such as requests for status of information letters.

Information security continued to be a major focus during this fiscal year, and the Agency remains committed to securing and protecting personally identifiable information (PII) it receives from men complying with the registration requirement. No security breaches occurred at SSS. Also, the Agency's firewalls and intrusion detection systems intercepted hundreds of thousands of web based attacks against the SSS's network. The Agency installed additional intrusion detection and prevention devices to augment current security technologies it has in place.

SSS has implemented virtualization technologies for most of our network servers. This is being done to better utilize hardware resources and to facilitate cloud computing – the Agency plans to test workstation virtualization with the goal of increasing network efficiency and management.

Strategic Objective 2.3.1: Improve the Effectiveness and efficiency of technical operations

For FY 2009, the SSS set two performance goals for Strategic Objective 2.3.1.

- Continue the development and implementation of the registration modernization efforts underway.
- Ensure compliance with FISMA requirements and reporting tasks as well as protecting personal identification information entrusted to SSS.

FY 2009 Annual Performance Goal: Continue the development and implementation of the registration modernization.

Was the goal achieved? Yes

Results:

The Agency completed the analysis and documentation of the current legacy registration mainframe system. This was the first time this effort has been accomplished in the Agency's history. All of the functional requirements for the new RCV system were also completed. The detailed project plans and projected earned value management of the project for the next three fiscal years were also documented as well.

Discussion:

The Agency continued work on a major modernization effort to migrate all of its Registration, Compliance, and Verification (RCV) information systems from the U.S. Military Entrance Processing Command mainframe platform to a modern server-based environment. This effort will increase the Agency's technical capabilities and allow seamless integration with the other systems throughout the Agency's Enterprise Architecture, ensuring system compliance with all Federal Security and Information Technology Requirements.

Impact:

The Agency now has all of the requirements documented for the new RCV system as well as the detailed project plans to procurement the completion and implementation of the new system over the next three fiscal years.

Planned Actions/Schedule:
The project will continue its design and development phases in FY 2010 and FY 2011. At the end of FY 2011, the Agency will be able to migrate off of the mainframe environment.

Verification and Validation:
Unit Testing, Acceptance Testing as well as Parallel Testing task are planned for FY 2010-FY 2012.

FY 2009 Annual Performance Goal: Ensure compliance with FISMA requirements and reporting tasks as well as protecting personal identification information entrusted to SSS.

Was the goal achieved? No

Results:
The FY 2009 FISMA audit resulted in a higher conformity rating than the previous year's audit. Although an unqualified audit opinion was obtained on the sections reviewed, additional work will be required to obtain full compliance with FISMA.

Discussion:
FISMA audits occur each year, and SSS makes every effort to correct deficiencies noted in the audit.

Impact:
N/A

Planned Actions/Schedule:
Every effort is taken to correct deficiencies noted in the FISMA audit. Due to funding and staff limitations, corrections take longer to achieve than others. The RCV project will also eliminate two of three systems audited by the external auditors. These two systems will be replaced by a FISMA compliant system thus eliminating a significant number of FISMA-related deficiencies. Phase two of the RCV project is scheduled for completion by the end of FY 2010.

The Agency is currently finalizing the FY 2009 FISMA audit report and will create a plan of action and milestones to mitigate the issues report by the auditors. It anticipates submitting the final report to OMB by November 18, 2009; if OMB concurs with the report, it will authorize SSS to submit the report to Congress in January or February 2010.

Verification and Validation:
N/A

Objective 4: Effective and efficient management of communications with the public

Strategic Objective 2.4.1: Provide accurate communications with diverse customers in a timely manner

Significant Activity:
In FY 2009, the Agency responded to an unexpected influx of inquiries, correspondence, and phone calls expressing concern about reinstatement of a military draft and especially questions relating to one's registration status to qualify for assorted government benefits and programs. Numerous news outlets, both print and broadcast, contacted the SSS for general interviews or specific information.

The SSS completed its fourth year of employing the air show platform to convey the Agency's messages to the general public. The SSS Air Show Program utilized the Navy's "Blue Angels" and Air Force's "Thunderbirds," as well as public address announcements, to publicize the Agency's messages at seven air shows located in high priority markets with lower registration compliance rates across the U.S.

Further, SSS distributed its new radio package, "Important Information for Young Men," with a compilation of 19 radio public service announcements in English and Spanish and announcer-read scripts for live radio public service announcements to all major media markets. However, no television public service announcements were produced or distributed again this year.

Finally, SSS High School Publicity Kit materials were distributed in November 2008 to more than 37,000 high school principals and SSS high school registrars who are members of the staff or faculty. The kit featured posters and other communication materials with an important registration message for high school men.

FY 2009 Annual Performance Goal: Improve response times, in accordance with provisions of the Agency's Administrative Services Manual, for all types of responses: White House, congressional, media, Freedom of Information Act and Privacy Act customers, registrants, and the general public.

Was the goal achieved? No

Results:

Data Management Center

Registration Processing:
Target: 18 days
Actual: 18 days

Status Information Letters for Registrants:
Target: 10 days
Actual: 80 days

Compliance Mailings: Target 10 days; Actual: 22 days Assorted Center Mailings: Target 10 days; Actual 9 days

Public & Intergovernmental Affairs (PIA) Directorate

Assorted Inquiries:
Target: 10 days
Actual: 3 days

White House Correspondence:
Target: 5 days
Actual: 1 day

Congressional Inquiries:
Target: 10 days
Actual: 2 days or less

Freedom of Information Requests/Privacy Act Correspondence:
Target 20 days
Actual: 5 days or less

Discussion:

Response times at the Data Management Center have increased because of expanding workload; fewer dedicated servicing staff, and a national environment of greater personal verification. As the economy contracts, more men seek government job training; as baby boomers retire, greater numbers of men seek government employment with concomitant security clearances; as jobs become more complex, further education is necessary; and the number of men seeking U.S. naturalization continues to grow. All these factors have caused an explosion in registration verification workload with no increase in servicing staff. Thus, a rise in turnaround times can be expected.

Impact:

Unacceptable customer service levels. Wait times for callers have exponentially expanded from previous levels of approximately 2 – 5 minutes to over 15 to 20 minutes due to not having the proper level of trained operators capable of servicing the public.

Planned Actions/Schedule:

Increase staffing at DMC. Reduce SSS workload through better inter-agency education of federal law and their actual regulations. Perform as best as possible until programmatic remedies are in place.

Verification and Validation:

Statistical reports that measure processing timelines, program evaluations and public feedback.

Financial Details

Message from the Comptroller

The SSS recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. The Agency is committed to fulfilling the requirements of the Government Performance and Accountability Act, the Government Management and Reform Act, and the Federal Managers' Integrity Act.

SSS daily programs and activities affect America's young men. To facilitate these programs, the Comptroller is entrusted with a modest amount of taxpayer's resources. A strong financial system and internal controls to ensure accountability, integrity, and reliability remain an Agency priority. Because I am keenly aware of the importance of this fiduciary responsibility I remain committed to the performance and accountability mandates put forward by the President and Congress. However, since implementation of the new accounting system, we have struggled to satisfy the mandates in financial management which I have adopted. Nevertheless, together with hard working, innovative, dedicated and skilled career employees we have been able to resolve and overcome all difficulties and deficiencies.

As a relatively new Comptroller, appointed on October 15, 2007, I have been dedicated to providing sound management of the resources under my stewardship, and communicating the performance of my programs through this report. After two years as Comptroller I can continue to guarantee an unqualified assurance of compliance with the Federal Managers' Financial Integrity Act, and the financial systems requirements of the Federal Financial Management Improvement Act.

Carlo Verdino
Comptroller

Overview of Financial Statements

Purpose of the financial statements

- The Balance sheet shows asset vs. liabilities
- Statement of Net Cost shows the cost of operations
- Statement of Change in Net Position identifies the accounting actions which caused the change in Net Position
- Statement of Budgetary Resources shows how resources were made available during the budget year and the year end status of those resources

Financial Statements

Selective Service System
Consolidated Balance Sheets
As of September 30, 2009 and 2008

Assets	2009	2008
Intergovernmental Assets:		
Fund Balance with Treasury Note 2	$10,487,378	$12,139,493
Accounts and Interest Receivable	-	-
Total Intragovernmental Assets	$10,487,378	$12,139,493
Accounts and Interest Receivable Note 3	$22,371	$10,162
General Property, Plant, and Equipment Note 4	$3,483,548	$1,936,674
Total Assets	$13,993,297	$14,089,329
Liabilities		
Intragovernmental Liabilities		
Accounts Payable Notes 7, 8	$891,398	$757,963
Other		
Accrued Payroll and Benefits Note 8	$102,196	$104,083
Federal Employee Compensation Benefits Note 6, 8, 10	$528,653	$548,596
Total Intragovernmental Liabilities	$1,522,247	$1,410,642
Accounts Payable Note 8	$1,287,594	$536,329
FECA Actuarial Liability Note 6, 8, 10	$2,605,032	$2,982,055
Other		
Unfunded Annual Leave Note 10	$868,892	$823,121
Accrued Payroll and Benefits	$521,738	$433,250
Total Liabilities	$6,805,503	$6,185,397
Net Position		
Unexpanded Appropriations	$7,684,452	$10,229,988
Cumulative Results of Operations	($496,658)	($2,329,056)
Total Net Position	$7,187,794	$7,900,932
Total Liabilities and Net Position	$13,993,297	$14,086,329

Statements of Net Cost of Operations
For Years Ended September 30, 2009 and 2008

	2009	2008
Total Cost Note 9	$22,443,303	$22,672,316
Less: Total Earned Revenue Note 9	($351,317)	($354,719)
Net Cost of Operations	$22,091,986	$22,317,597

Statements of Budgetary Resources
For the Years Ended September 30, 2009 and 2008

Budgetary Resources	2009	2008
Unobligated Balance, beginning of fiscal year	$7,444,431	$6,787,686
Recoveries of prior year unpaid obligations	$571,238	$2,429,945
Budget Authority		
Appropriation	$22,000,000	$22,000,000
Spending Authority from Offsetting Collections		
Earned		
Collected	$431,849	$696,162
Change in Receivables from Federal		($341,115)
Sources		
Change in Unfilled Customer Orders		
Without Advance from Federal Sources	$0	($16,027)
Total Budget Authority	$30,447,519	$31,556,651
Permanently Not Available	($2,105,697)	$1,852,908
Total Budgetary Resources	$28,341,822	$29,703,743
Status of Budgetary Resources	**2009**	**2008**
Obligations Incurred		
Direct	$22,568,943	$22,063,851
Reimbursable	$426,426	$195,460
Total Obligations Incurred	$22,995,369	$22,259,311
Unobligated Balance Available		
Apportioned	$5,114	$17,416
Total Unobligated Balance Available	$5,114	$17,416
Unobligated Balance Not Available	$5,341,339	$7,427,015
Total Status of Budgetary Resources	$28,341,822	$29,703,742

Obligated Balance	2009	2008
Obligated Balance, Net		
Unpaid Obligations, brought forward, beginning of fiscal year	$4,695,059	$7,255,342
Less: Uncollected customer payments from Federal Sources	$0	($357,142)
Total Unpaid Obligated Balances, Net beginning of fiscal year	$4,695,059	$6,898,200
Obligations Incurred, Net	$22,995,369	$22,259,311
Less: Gross Outlays	($21,978,266)	($22,389,649)
Less: Recoveries of prior year unpaid obligations, actual	($571,238)	($2,429,945)
Change in uncollected customer payments from Federal Sources	$0	$357,142
Total Unpaid Obligated Balances, Net, end of period	$5,140,924	$4,695,059
Obligated Balance, net, end of period - by component	**2009**	**2008**
Unpaid Obligations Note 11	$5,140,924	$4,695,060
Less: Uncollected customer payments from Federal Sources	$0	$0
Total, unpaid obligated balance, net, end of period	$5,140,924	$4,695,060
Net Outlays	**2009**	**2008**
Net Outlays		
Gross Outlays	$21,978,266	$22,389,649
Less: Offsetting Collections	($431,849)	($696,162)
Net Outlays	$21,546,416	$21,693,487

Statements of Changes in Net Position
For the Years Ended September 30, 2009 and 2008

Cumulative Results of Operations	2009	2008
Beginning Balance	($2,329,056)	($1,108,929)
Adjustments	($71,455)	($1,513,046)
Beginning Balance, as adjusted	($2,400,512)	($2,621,975)
Budgetary Financing Sources		
Appropriations Used	$22,511,295	$21,630,829
Other Financing Sources		
Inputed Financing from Costs Absorbed by Others	$1,484,546	$979,685
Total Financing Sources	$23,995,841	$22,610,514
Net Cost of Operations	($22,091,986)	($22,317,597)
Net Change	$1,903,855	$292,917
Ending Balance - Cumulative Results of Operations	($496,657)	($2,329,058)
Unexpended Appropriations	**2009**	**2008**
Beginning Balance	$10,229,987	$10,098,391
Adjustments	$71,455	$1,615,333
Beginning Balance, as Adjusted	$10,301,442	$11,713,724
Budgetary Financing Sources		
Appropriation Recieved	$22,000,000	$22,000,000
Appropriations Used	($22,511,295)	($21,630,829)
Other Adjustments	($2,105,697)	($1,852,908)
Net Change	($2,616,991)	($1,483,737)
Ending Balance - Unexpended Appropriations	$7,684,451	$10,229,987
Total Net Position	$7,187,794	$7,900,929

Notes to Financial Statements

Note 1: Summary of significant accounting policies

A. Reporting Entity

The SSS is an independent Federal agency, operating with permanent authorization under the Military Selective Service Act. SSS is not part of the Defense Department; however, SSS exists to serve the emergency manpower needs of the Defense Department, if a draft is necessary.

The Agency's mission is twofold: (1) provide manpower to the armed forces in an emergency; and (2) run an Alternative Service Program for conscientious objectors during a draft. The Alternative Service Program would provide public work assignments in America's communities in lieu of military service.

SSS's structure consists of the National Headquarters, Data Management Center, and three Regional Headquarters. The SSS workforce includes full-time permanent employees, part-time employees (state directors), volunteers (local board members), and military reservists. State Directors, Local Board Members and Military Reservists are the Agency's standby components. They serve part-time for the Agency, remaining trained and ready to be called into service in the event of a draft.

The Agency remains ready to implement a draft of untrained manpower, or personnel with professional health care or special skills, if directed by the Congress and the President to do so in a national crisis.

B. Basis of Accounting and Presentation

The financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and Financial Reporting Requirements of the Office of Management and Budget (OMB) prescribed in OMB Circular A-136, Financial Reporting Requirements (as revised June 2009).

They have been prepared from the books and records of the SSS and include accounts of all funds under the control of the SSS. Accounting principles generally accepted in the United States encompass both accrual and budgetary transactions. Under the accrual method, revenue is recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

C. Budget Authority

The Congress passes appropriations annually that provide SSS with authority to obligate funds for necessary expenses to carry out mandated program activities. SSS performs reimbursable services for another Federal entity which reimburses SSS for the full costs of performing this service.

Annual appropriations are used, within statutory limits, for operating and capital expenditures for essential personal property. Also, SSS places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds.

D. Fund Balance with Treasury

Fund balances with Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. See Note 2 for additional information.

E. Accounts Receivable

Accounts Receivable consists of amounts due from other federal entities, current and former employees, and vendors. Gross receivables are reduced to Net Realizable value by an allowance for uncollectible accounts.

F. Property, Plant, and Equipment; Net

The basis for recording purchased general Property, Plant, and Equipment (PPE) is full costs, including all costs incurred to bring the PP&E to and from a location suitable for its intended use. The SSS PP&E consists of equipments, software, assets under capitalized lease, and internal use software in development. SSS's policy is to capitalize individual purchases of property and equipment with a cost of $10,000 or more and a useful life of at least 3 years. The dollar threshold for capitalization of bulk purchases is $50,000. Assets are depreciated using straight-line method of depreciation with useful lives ranging from three to seven years. See Note 4 for additional information.

G. Accrued Liabilities and Accounts Payable

Accrued Liabilities and Accounts Payable represent a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when incurred, regardless of whether they are covered by budgetary resources. Liabilities cannot be liquidated without legislation that provides resources to do so. Also, the government, acting in its sovereign capacity, can abrogate SSS liabilities. See Note 10 for information on "Liabilities Not Covered by Budgetary Resources", Note 8 for information on "Other Liabilities", and Note 7 for information on Accounts Payable.

H. Accrued Workers Compensation and Other Actuarial Liabilities

Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and to pay beneficiaries of employees whose deaths are attributable to job-related injuries or occupational disease. The FECA program is administered by the United States Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the Selective Service System for these paid claims.

The FECA liability is based on two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the SSS. There is generally a two-to-three-year time period between payment by DOL and reimbursement to DOL by the Selective Service System. The second component is the actuarial liability, which estimates the liability for future payments as a result of past events. The actuarial liability includes the expected liability for death, disability, medical, and miscellaneous cost for approved compensation cases.

I. Pension Costs, Other Retirement Benefits, and Other Post Employment Benefits

SSS recognizes the full costs of its employees' pension benefits. However, the liabilities associated with these costs are recognized by the Office of Personnel Management (OPM) rather than SSS.

Most employees hired prior to January 1, 1984; participate in the Civil Service Retirement System (CSRS) to which SSS contributes 7% of salaries for regular CSRS employees.

On January 1, 1987, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, are automatically covered by FERS and Social Security. A primary feature of FERS is that it offers a savings plan to which SSS automatically contributes 1% of base pay and matches any employee contributions up to an additional 4% of base pay. For most employees hired after December 31, 1983, SSS also contributes the employer's matching share for Social Security.

Similar to federal retirement plans, OPM rather than the SSS, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefit Program (FEHBP) and the Federal Group Life Insurance Program (FEGLIP).

SSS reports to the full cost of providing other retirement benefits (ORB). The SSS also recognizes an expense and liability for other post employment benefits (OPEB), which includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. During fiscal years 2009 and 2008, the cost factors relating to FEHBP were $5,756 and $5,220 respectively, per employee enrolled. During fiscal years 2009 and 2008, the cost factor relating to FEGLIP was .02 percent of basic pay per employee enrolled.

J. Annual, Sick, and Other Leave

Annual leave is accrued when earned and reduced as leave is taken. The balance in the accrued leave account is calculated using current pay rates. Sick leave and other types of non-vested leave are charged to operating costs as they are used.

K. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. These constitute subsidized costs which are recognized by the receiving entity. SSS recognized imputed costs and financing sources in fiscal years 2009 and 2008 to the extent directed by the OMB, such as: employees' pension, post-retirement health and life insurance benefits; other post-employment benefits for retired, terminated, and inactive employees, which include unemployment and workers compensation under the Federal Employees Compensation Act (FECA) and losses in litigation proceedings. In addition, SSS recognized imputed cost for services received from other Federal agencies without reimbursement; these services included office space for DMC and Region I and RFO services from the Coast Guard.

L. Revenues and Other Financing Sources

SSS's activities are financed either through exchange revenue it derives from other Federal government entities or through appropriations. A reimbursable agreement with the Department of Defense provides the exchange revenue which is recognized when earned; i.e. services have been rendered. Appropriations used are recognized as financing sources when related expenses are incurred or assets purchased. SSS also incurs certain costs that are paid in total or in part by other Federal entities, such as pension costs. These subsidized costs are recognized on the Statement of Net Costs and imputed financing for these costs is recognized in the Statement of Changes of Net Position. As a result, there is no effect on Net Position.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

N. Expired Accounts and Canceled Authority

SSS receives an annual appropriation, which unless otherwise specified by law, expires for incurring new obligations at the end of the fiscal year that the funds were appropriated. For the subsequent five fiscal years, the expired funds are available to liquidate valid obligations incurred during the unexpired period. Obligations incurred during the unexpired period but not previously reported may be adjusted upwards or downwards. At the end of the fifth expired year, the expired account is canceled and any remaining funds are returned to Treasury.

Note 2: Fund Balance with the U.S. Treasury

Fund balances with Treasury consisted of the following at June 30, 2009 and 2008:

Fund Balances	2009	2008
Appropriated Funds	$10,487,378	$12,139,493
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$5,114	$17,416
Unavailable	$5,341,339	$7,427,015
Obligated Balance Not Yet Disbursed	$5,140,925	$4,695,060
Total	$10,487,378	$12,139,493

Note 3: Accounts Receivable, Net

The chart below shows the accounts receivable as of September 30, 2009 and September 30, 2008, respectively. The FY 2009 receivables are from current employees and deemed to be fully collectible. The FY 2008 receivables have been collected.

Accounts Receivable, Net	2009	2008
Intergovernmental	-	-
Public	$22,371	$10,162
Total	$22,371	$10,162

Note 4: Property, Plant, and Equipment; Net

SSS policy is to capitalize individual purchases of property and equipment with a cost of $10,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is $50,000. Assets are depreciated using straight-line method of depreciation with useful lives ranging from three to seven years. Additionally, internal use software development and acquisition costs of $10,000 or greater are capitalized as software development in progress until the development stage has been completed and the software successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software costs and amortized using the straight-line method over the estimated useful life of seven years. Purchased commercial software that does not meet the capitalization criteria is expensed. Capitalized property and equipment, net of accumulated depreciation, consisted for the following as of September 30, 2009 and 2008.

Asset Class	Useful Life
Equipment	3 - 7 Years
Assets Under Capitalized Lease	3 Years
Information Technology Software	3 Years
Internal Use Software	7 Years

Asset Class	Acquisition Value	Accumulated Depreciation	2009 Net Book Value
Equipment	$483,503	$78,629	$404,874
Assets Under Capitalized Lease	$0	$0	$0
Information Technology Software	$908,083	$499,626	$408,457
Internal Use Software in Development	$2,670,217	$0	$2,670,217
Total	$4,061,803	$578,255	$3,483,548

Asset Class	Acquisition Value	Accumulated Depreciation	2008 Net Book Value
Equipment	$1,068,166	$851,503	$216,663
Assets Under Capitalized Lease	$153,293	$153,293	$0
Information Technology Software	$821,310	$398,851	$422,459
Internal Use Software in Development	$1,297,553	$0	$1,297,553
Total	$3,340,322	$1,403,647	$1,936,675

Depreciation expense was $208,877 and $237,470 for fiscal years ending September 30, 2009 and 2008, respectively, and is contained in the accumulated depreciation. Assets with an acquisition value of $1,085,651 were retired at a loss of $54,381 in June 2009.

Note 5: Leases

The Selective Service System leases office and storage space from commercial vendors and the General Service Administration (GSA). In addition, SSS rents copiers and other office equipment from commercial vendors and vehicles from GSA and commercial vendors. With the exception of the commercial leases on two office buildings (Colorado and Georgia) and the occupancy agreement (OA) with GSA (Virginia), all rentals are one-year. Because these rentals are considered cancelable, minimum lease payments due are restricted to the two commercial leases and the OA with GSA.

Selective Service System has executed three long-term leases for office space. The three leases are as follows: (1) Region II Headquarters in Smyrna, Georgia, (2) Region III Headquarters in Denver, Colorado, and (3) National Headquarters in Arlington, Virginia.

The lease for the Region II Headquarters space is a ten-year lease initiated in 2004 and expiring in 2014. The annual rent of $69,654 in 2004 escalates between 6% and 4% each year to $105,820 in 2014.

The lease for the Region III Headquarters is a five-year lease initiated in January 2006 and expiring in December 2011. The annual rent of $94,023 has no escalation charge. However, the lease requires payment of the pro rata share of expenses related to operating, maintaining, repairing and managing the property. In 2008, the monthly expense was $301. In 2009, the monthly expense was $659.

Office space for National Headquarters is obtained from General Services Administration (GSA) via an Occupancy Agreement (OA) which expires in October 2013. The base year rent of $525,462 can escalate from 5% to 10% each year for anticipated increases in operating costs.

Fiscal Year	Office Space	Total FY 2009	Office Space	Total FY 2008
2009		$0	$764,558	$764,558
2010	$775,132	$775,132	$775,132	775,132
2011	$715,386	$715,386	$715,386	$715,386
2012	$702,854	$702,854	$702,854	$702,854
2013	$714,035	$714,035	$714,035	$714,035
2014 and Beyond	$83,958	$83,958	$83,958	$83,958
Total Future Lease Payments		$2,991,365		$3,755,922

Note 6: Federal Employees' Compensation Act

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

For 2008, and again in 2009, SSS used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other federal agencies.

SSS recorded an estimated actuarial liability for future costs that represent the expected liability for approved compensation cases beyond the current fiscal year. This estimated actuarial liability of $2,605,032 and $2,982,055 as of September 30, 2009, and September 30, 2008, respectively, is reported on SSS's Balance Sheet. SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2009 and September 30, 2008, of $528,653 and $548,595, respectively, but not yet reimbursed to DOL by SSS. The amount owed to DOL is reported on SSS's Balance Sheet as an intragovernmental liability.

Note 7: Intragovernmental Liabilities - Accounts Payable

Intragovernmental Liabilities are the amounts that the SSS owes other federal government agencies.

	2009	2008
Department of Defense	$538,072	$659,459
U.S. Postal Service	$88,500	$22,500
U.S. Air Forces Reserves	$235,867	$0
Department of Justice	$0	$0
Government Services Administration	$21,417	$3,034
Department of Labor	$0	$0
Department of Homeland Security	$7,288	$197
Office of Personnel Management	$0	$20,836
USDA Graduate School	$0	$2,640
Department of Navy	$0	$7,366
Social Security Administration	$0	4,600
Department of Army	$255	$37,331
Total	$891,399	$757,963

Note 8: Other Liabilities

The accrued liabilities for SSS are comprised of program and lease expense accruals, payroll accruals, and unfunded annual leave earned by employees. Program expense accruals represent expenses that were incurred prior to year-end, but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end, but were not paid.

	2009	2008
Interngovernmental Liabilities		
FECA	$528,653	$548,595
Accounts Payable	$891,398	$757,963
Accrued Payroll	$102,196	$104,083
Subtotal Intragovernmental	$1,522,247	$1,410,642
Public Liabilities		
Accrued Funded Payroll and Leave	$521,738	$433,250
Actuarial FECA	$2,605,032	$2,982,055
Accounts Payable	$1,287,594	$536,329
Other Liabilities	$868,892	$823,121
Subtotal Public	$5,283,256	$4,774,755
Total Liabilities	$6,805,503	$6,185,397

Note 9: Intragovernmental Costs and Exchange Revenue

	2009	2008
Intragovernmental Gross Cost	$8,218,334	$10,484,762
Less: Earned Revenue	($351,317)	($354,719)
Intragovernmental Net Cost	$7,867,017	$10,130,043
Gross Cost with the Public	$14,224,969	$12,187,554
Less: Earned Revenue	$0	$0
Net Costs with the Public	$14,224,969	$12,187,554
Net cost of Operations	$22,091,986	$22,317,597

Intragovernmental costs are those expenses paid by SSS to other federal government entities. They include, but are not limited to, the Army National Guard Bureau, Department of the Interior, General Services Administration, Government Printing Office and Great Lakes Naval Station Public Works.

Public costs are expenses paid to all other entities, to include state and local governments and the general public.

All earned revenue was with other federal government agencies.

Note 10: Liabilities Not Covered by Budgetary Resources

Selective Service System's Balance Sheet as of September 30, 2009, include liabilities not covered by budgetary resources, which are liabilities for which Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of liabilities not covered by budgetary resources as of September 30, 2009, and September 30, 2008 is as follows:

	2009	2008
Intragovernmental Liabilities		
Unfunded FECA	$528,653	$548,596
Total Intragovernmental Liabilities	$528,653	$548,596
Other		
Unfunded Annual Leave	$868,892	$823,121
Actuarial Liability - FECA	$2,605,032	$2,982,055
Total Liabilities Not Covered by Budgetary Resources	$4,002,577	$4,353,772
Total Liabilities Covered by Budgetary Resources	$2,802,926	$1,831,625
Total Liabilities	$6,805,503	$6,185,397

Note 11: Undelivered Orders at the End of the Period

Undelivered orders are purchase orders issued by SSS during Fiscal Year 2009 or Fiscal Year 2008 that have not had delivery of required product or service as of September 30, 2009 or September 30, 2008, respectively. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during Fiscal Year 2009 or Fiscal Year 2008.

	2009	2008
Undelivered Orders	$5,140,925	$4,695,060
Total Undelivered Orders	$5,140,925	$4,695,060

Note 12: President's Budget

The Budget of the United States (also known as the President's Budget), with the actual numbers for fiscal year 2009, was not published at the time that these financial statements were issued. The President's Budget is expected to be published in 2010. It will be available from the United States Government Printing Office. The following chart displays the differences between the Consolidated Statement of Budgetary Resources (SBR) in the fiscal year 2008 Performance and Accountability Report (PAR) and the actual fiscal year 2008 balances included in the fiscal year 2009 President's Budget.

	Budgetary Resources	Obligations Incurred	Net Outlays	Offseting Receipts
Statement of Budgetary Resources Amounts	$29,703,743	$22,259,311	$21,693,487	$0
Unobligated Balance carried forward, recorveries of prior year funds and expired accounts	($8,015,669)			
Rounding	($311,926)	($259,311)	($693,487)	
President's Budget Amounts	$22,000,000	$22,000,000	$22,000,000	$0

Note 13: Status of Budgetary Resources

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in 2009 and 2008 consisted of the following

	2009	2008
Direct Oblications Category A	$22,568,943	$22,063,851
Total Direct Obligations	$22,568,943	$22,063,851
Reimbursable Obligations Category A	$426,426	$195,460
Total Reimbursable Obligations	$426,426	$195,460
Total Obligations	$22,995,369	$22,259,311

Note 14: Reconciliation of Net Operations (Proprietary) to Budget

The Reconciliation of Net Cost of Operations to Budget explains the difference between the budgetary net obligations and the proprietary net costs of operations. Net obligations and the net cost of operations differ because (1) some costs do not require budgetary resources (e.g. depreciation, increase in unfunded annual leave, etc.); (2) some increases to net obligations do not generate immediate cost (e.g. increasing obligations prior to incurring and recording expense); and (3) budgetary resources are required for capitalized items which are not expensed.

Beginning in fiscal year 2008, OMB did not prescribe a format for this reconciliation in OMB Circular A-136, Financial Reporting Requirements, as amended, so that preparers might develop a more robust presentation tailored to their agency. As of September 30, 2009 and September 30, 2008, the Reconciliation of Net Cost of Operations to Budget consisted of the following:

Reconciliation of Net Cost of Operations to Budget
for the Period Ended September 30, 2009 and 2008
(In Whole Dollars)

Budgetary Resources Obligated	2009	2008
Obligations Incurred	$22,995,369	$22,259,312
Less: Spending Authority from Offsetting Collections and Recoveries	$1,003,088	$2,768,964
Obligations Net of Offsetting Collections and Recoveries	$21,992,282	$19,490,348
Less: Offsetting Receipts	$0	$0
Net Obligations	$21,992,282	$19,490,348
Other Recources		
Imputed Financing from Costs Absorbed by Others	$1,484,546	$979,685
Other	$0	$0
Net Other Recources Used to Finance Activities	$1,484,546	$979,685
Total Resources Used to Finance Activities	$23,476,828	$20,470,033
Resources Used to Finance Items Not Part of the Net Costs of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	($525,436)	($2,189,029)
Resources that Fund Expenses Recognized in Prior Periods		
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operation		
Other	$0	$0
Resources that Finance the Aquisition of Assets or Liquidation of Liabilities	$1,579,901	$447,161
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	$0	$0
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	$1,054,466	($1,741,868)
Total Resources Used to Finance Net Cost of Operations	$22,422,362	$22,211,901

Continued on Next Page

	2009	2008
Components not Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	$45,771	$16,067
Increase in Exchange Revenue Receivable from the Public	($12,209)	($10,162)
Other		($1,741)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$33,562	$4,164
Components not Requiring or Generating Resources		
Depreciation and Amortization	$208,877	$237,470
Revaluation of Assets or Liabilities	($175,850)	($120,232)
Other	($396,966)	($15,706)
Total Components of Net Cost of Operations that will not Require or Generate Resources	($363,938)	$101,532
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	($330,376)	$105,696
Net Cost of Operations	$22,091,986	$22,317,597

Selective Service System

Financial Statements

As of and for the Years Ended
September 30, 2009 and 2008

Submitted by

Leon Snead & Company, P.C.
Certified Public Accountants & Management Consultants

LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
& Management Consultants

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

Director, Selective Service System

Independent Auditor's Report

We have audited the balance sheets of the Selective Service System (SSS) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the SSS's internal control over financial reporting and tested the SSS's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we found that the SSS's financial statements as of and for the years ended September 30, 2009 and 2008, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified no material weaknesses in financial reporting. We did identify two significant deficiencies relating to internal controls over financial reporting, and the need for improvements in the agency's IT security program.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instance of noncompliance that is required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements* (as amended).

The following sections discuss in more detail our opinion on the SSS's financial statements, our consideration of the SSS's internal control over financial reporting, our tests of the SSS's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the SSS as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the SSS as of and for the years ended September 30, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of SSS management regarding the methods of measurement and presentation of the supplementary information and analysis of the information for consistency with the financial statements. However, we did not audit the information and express no opinion on it. The Performance and Accountability Report, except for Management's Discussion and Analysis, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the SSS as of and for the years ended September 30, 2009 and 2008, in accordance with auditing standards generally accepted in the Unites States of America, we considered the SSS's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SSS's internal control. Accordingly, we do not express an opinion on the effectiveness of the SSS's internal control.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

FINDINGS AND RECOMMENDATIONS

1. Financial Reporting Controls Strengthened but Additional Actions Needed

In our 2008 financial statement audit, we reported that controls over financial reporting needed to be strengthened to ensure that errors did not impact the SSS year-end financial statements. During our testing of the 2009 final financial statements, we determined that most of the problems indentified in the 2008 audit report had been corrected. However, additional actions are necessary to further strengthen controls over the presentation and preparation of the financial statements. We attributed this condition to the need for a presentation checklist and a second party review of the financial statements and footnotes. As a result of these conditions, we identified presentation and computation errors that impacted the financial statements provided for audit.

OMB Circular A-136, Financial Reporting Requirements, states reporting entities should ensure that information in the financial statements is presented in accordance with Generally Accepted Accounting Principles for Federal entities.

Our testing of year-end financial statements presented for audit identified that a footnote presentation did not fully comply with the presentation requirements of OMB Circular A-136. In addition, we noted computation errors made in several of the footnotes. For example, we found that some 2008 information presented actually represented 2007 data, several footnotes relating to 2008 contained transposition and other errors that would have been detected had a report presentation checklist been used, and a second party review been made of the financial statement and footnotes.

OCFO officials agreed that a report checklist and second party review would have detected the issues we identified.

Recommendations

1. Develop control procedures that require a second party review of the financial statements prior to providing the financial statements for audit.

2. Develop a detailed financial statements checklist that would identify all critical actions involved in financial statements preparation and presentation.

2. <u>IT Security Controls</u>

SSS's agency-wide IT security program needs to be strengthened in order to be in full compliance with the *Federal Information Systems Management Act* (FISMA). Our 2009 audit of SSS's compliance with FISMA requirements identified that the agency needs to perform more comprehensive risk assessments of its IT systems, develop risk-based security plans that address National Institute of Science and Technologies (NIST) minimum security requirements, annually assess the security controls in its systems, and perform required Certification and Accreditation (C&A) of its critical information systems.

We also identified that SSS has not yet fully implemented required security over sensitive personally identifiable information (PII) data. This problem was first reported in our 2006 audit report, and represents a serious threat to the millions of sensitive PII records maintained by the SSS for its registration database. SSS officials advised that it has been devoting substantial resources towards completion of the modernization of its registration system, and when implemented in 2011 will address the issues reported.

In our prior FISMA evaluations, we reported that SSS's contingency planning for its mission critical system did not meet FISMA requirements. SSS has not completed significant portions of its Continuity of Operations Plan (COOP) relating to the Registration system and related operations. In addition, specific contingency plans for each major application and the general support system, required by NIST SP 800-34, have not been developed and/or tested. SSS officials advised that this problem is due, primarily, to the lack of resources to implement COOP and contingency plans.

We are making no additional recommendations on these matters in this report.

A summary of the status of prior year findings is included as Appendix 1.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instance of noncompliance with laws and regulations that is required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04 (as amended).

Responsibilities

Management Responsibilities

Management of the SSS is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers Financial Integrity Act (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *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.

An audit includes: (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; and (2) assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the SSS's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 (as amended) and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

As required by OMB Bulletin 07-04 (as amended), with respect to internal control related to performance measures determined to be key and reported in Management's Discussion and Analysis, we made inquiries of management concerning the methods of preparing the information, including whether it was measured and presented within prescribed guidelines; changes in the methods of measurement or presentation from those used in the prior period(s) and the reasons for any such changes; and significant assumptions or interpretations underlying the measurement or presentation. We also evaluated the consistency of Management's Discussion and Analysis with management's responses to the foregoing inquiries, audited financial statements, and other audit evidence obtained during the examination of the financial statements. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04 (as amended). We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the SSS. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Agency Comments and Auditor Evaluation

In commenting on the draft of this report, the Acting Director, SSS concurred with the facts and conclusions in our report. A copy of management's response is included as Appendix 2.

The SSS's written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Distribution

This report is intended solely for the information and use of the management, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, PC

Leon Snead & Company, P.C.
November 12, 2009

Appendix 1

Status of Prior Year Findings

Description	Status as of September 30, 200
1. Deficiencies in internal controls over financial reporting were noted in the following areas: • Control weaknesses relating to journal vouchers (JV) processed to SSS's general ledger continued for 2008. • Errors were noted in the preparation of the interim and final financial statements. • Improvements were needed in the process followed in capitalization of assets. • Documentation to support the transactions tested was not always available.	1. SSS took action to address most of the problems that impacted the 2008 financial statements. One issue remains open. The issue relating to presentation and computation errors in year-end statements remains open.
2. SSS needed to develop a costing method in order to disclose full costs for its 2009 financial statements.	2. SSS implemented actions to obtain full cost information, and presented full costs in its 2009 financial statements. This problem has been corrected.
3. Weaknesses impacted SSS's compliance with FISMA.	3. This issue remains open.
4. Potential Anti-deficiency Act violation identified.	4. SSS took action to implement controls to address this area, and reported the violation as required. This problem has been corrected.

Selective Service System

National Headquarters / Arlington, Virginia 22209-2425
http://www.sss.gov

November 12, 2009

Mr. Leon Snead, President
Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, Maryland 20850

Dear Mr. Snead:

In response to your letter dated November 9, 2009, the Selective Service System concurs with the Draft Audit Report for FY 2009. If you have any questions, please contact either Carlo Verdino, Comptroller, at 703-605-4022 or Regina Dougherty, Accounting Officer, at 703-605-4018.

Sincerely,

Ernest E. Garcia
Acting Director

Appendix

FY 2009 Performance Chart

Agency-wide Annual Performance Results and Targets

Performance Goals	Objective	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Target 2010
Maintain the Agency's Readiness Plans which include the Call and Deliver, Reclassify, Alternative Service, and the Lottery Standard Operating Procedures.	1.1.1	N/A	N/A	N/A	100%	100%	100%
Be prepared to activate State Headquarters, Area Offices, and SSS Board Members to timely, fairly and equitably process reclassification claims.	1.1.2	N/A	N/A	N/A	N/A	100%	100%
Increase membership in the Alternative Service Employer Network through initiatives undertaken by its State Directors and RFOs at the local level.	1.1.3	N/A	N/A	N/A	N/A	0%	50%
Attain registration rate above 90 percent for eligible males 18-25	1.2.1	N/A	N/A	N/A	N/A	100%	
Obtain 83 percent of registrations electronically	1.2.2					100%	
Complete implementation of the Strategic Human Capital Management Plan.	2.1.1	N/A	30%	80%	85%	85%	95%
Complete Implementation of the Homeland Security Presidental Directive (HSPD-12) initiative.	2.1.1	N/A	N/A	5%	5%	100%	100%
Update the Fiscal Manual	2.2.1	N/A	N/A	10%	20%	30%	75%
Continue Performance and Budget integration.	2.2.2	N/A	50%	60%	70%	75%	90%

Continued on Next Page

Performance Goals	Objective	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Target 2010
Continue the development and implementation of the registration modernization project.	2.3.1	N/A	5%	7%	10%	25%	50%
Ensure compliance with FISMA requirements and reporting tasks as well as protecting personal indentification information entrusted to the SSS.	2.3.1	N/A	5%	7%	10%	25%	50%
Improve response times, in accordance with provisions of the Angecy's Administrative Services Manual, for all types of responses: White House, congressional, media, Freedom of Information Act, and Privacy Act customers, registrants, and the general public.	2.4.1	16 days and 16 days	16 days and 10 days	16 days and 10 days	16 days and 8 days	Average 13.2 days and 2.7 Days	55 Days and Unknown

Glossary

Abbreviations and Acronyms

Terminology	Acronym
Alternative Service Office	ASO
Alternative Service Program	ASP
Annual Performance Plan	APP
Conscientious Objector	CO
Department of Defense	DoD
Government Performance and Results Act	GPRA
Interactive Voice Response System	IVR
Local Board	LB
Local Board Member	LBM
Military Entrance Processing Station	MEPS
Performance and Accountability Report	PAR
President's Management Agenda	PMA
Reserve Force Officer	RFO
Selective Service System	SSS
State Director	SD
Strategic Plan	SP