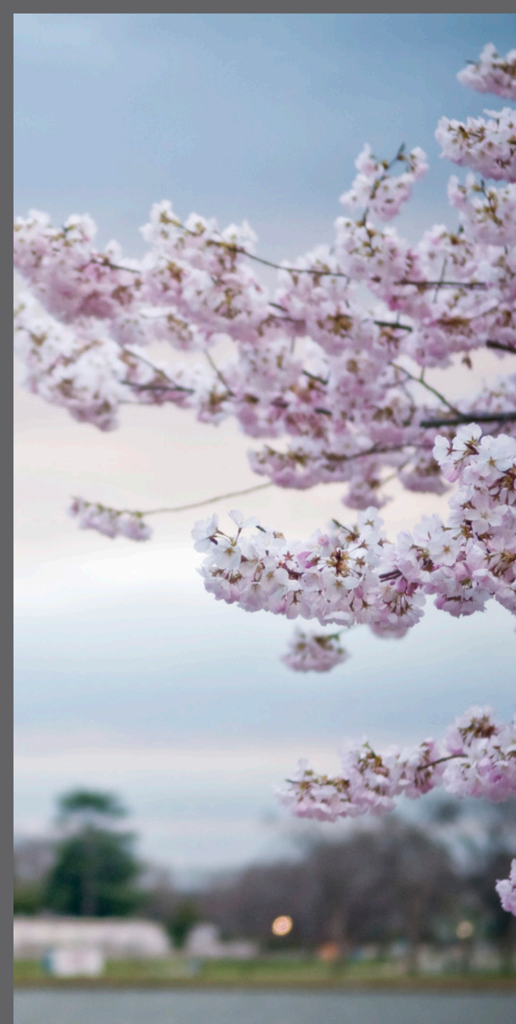
Fiscal Year 2013

Performance and Accountability Report



Selective Service System

December 16, 2013

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From the Director

The Selective Service System (SSS) documents responsibility and accountability through implementation of its Strategic Plan, Performance Budget, and this 2013 Performance and Accountability Report (PAR). The Agency reviewed and assessed program performance and financial management systems in particular 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.

I am pleased to report that, for the sixth year in a row, SSS has received an unqualified financial audit opinion. The FY 2013 independent audit disclosed no material weaknesses; a remedial plan is underway to correct the non-material weaknesses.

The independent FY 2013 Federal Information Security Management Act (FISMA) audit notes continued improvement with 100 percent of the former material weaknesses resolved, and no new ones identified. A couple of suggestions for betterment were indicated and their resolution depends upon the application of enough time and dollars. Notwithstanding a continuing resolution budget and the imposition of sequestration, the Agency seeks total compliance and the elimination of any weaknesses.

It is noteworthy that the Agency has not only eradicated its backlog of public registration inquiries, but has also maintained a two-day turnaround to reply. Finally, federal employee attitudes toward their leadership are a major influence on job satisfaction and commitment, and also have a significant impact on performance. In the 2012 Partnership for Public Service's and Deloitte's *Best Places to Work in the Federal Government* analyses, the Selective Service System achieved placement in the top 10 among small agencies in effective leadership.

In sum, 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.

Lawrence G. Romo
December 16, 2013

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Management's Discussion and Analysis

Agency at a Glance

Mission

The Agency'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 in the civilian community 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 which are in place greatly increase timeliness, fairness, and equity in the event of an actual return to conscription. 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, state driver's licenses, 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, the Internet and interactive voice recognition on the telephone) reduces the cost per registration and advances the efficiency of the overall registration process.

Another aspect of the statutory SSS mission is to manage a conscription program for the U.S. Armed Forces, if authorized by the Congress and directed by the President. In this event, 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).

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 by their Local Board 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 its 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 also focuses on the future. The SSS leadership understands that both national and international events require fresh perspectives and a clear recognition of changing realities in this new century. Therefore, SSS stands ready to respond to future events at the level of readiness determined by elected national policy-makers and available resources.

History

For more than 73 years, SSS and the registration requirement for America's young men has served as a backup system to provide manpower to the U.S. Armed Forces during times of national crisis. In 1940, SSS was established as an independent federal civilian agency; and, since the conversion to an all-volunteer military in 1973, registration has continued uninterrupted since 1980.

To accommodate the uncertainty of the future, the Agency has built flexibility into its programs, systems, and plans. To satisfy budgetary constraints and policy guidance, the Agency has utilized its resources as efficiently and effectively as possible while deliberately reducing program readiness.

Organization

SSS has a diverse cadre of full-time civilian employees, part-time military personnel, and part-time volunteer private citizens dedicated to satisfying its statutory goals of peacetime registration and maintaining the capability to conduct conscription. By far, the largest component of the Agency's workforce is the approximately 11,000 uncompensated civilian men and women who serve as volunteer Local, District, and National Appeal Board Members. When activated, these citizen volunteers will determine the classification status of men seeking exemption or deferments based on conscientious objection, hardship to dependents, or their status as ministers or ministerial students. Additionally, several thousand uncompensated volunteer private citizens are participating in the SSS High School Registrar Program and are authorized to administer and receive registrations from young men.

Performance Highlights

Goals Overview

The SSS has two overriding strategic goals directed toward the achievement of its missions designated by statute.

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

Objective 1 – Strive to maintain acceptable registration compliance rates.

For CY 2012, the Selective Service national overall estimated registration compliance rate was up one percent over CY 2011 for men ages 18 through 25 who were required to be registered. For the 18 year of birth (YOB) group, the compliance rate was 70 percent, up three percentage points from CY 2011; the 19 YOB group was 89 percent, up two percent; and the 20 through 25 YOB groups (the draft-eligible groups) were 96 percent, the same as for CY 2011. Eighty-nine percent of all registrations for FY 2013 were received through electronic processes – unchanged from the previous year.

Objective 2 – Maintain ability to call, classify, and deliver personnel timely.

When activated, SSS will hold a national draft lottery, expand 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.

SSS continues to provide training, including Web-based, 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.

Objective 3 – Be prepared to administer a fair and equitable program of civilian alternative service in lieu of military service for registrants classified as conscientious objectors (COs).

By law, SSS is required to provide a supervised 24-month term of alternative civilian service in lieu of military service, for all registrants it classifies as 1-O, Conscientious Objectors. This alternative service must benefit the health, safety, and interest of our nation.

To be prepared to provide the required employment, the Agency will continue to acquire “provisional” agreements for membership in the Alternative Service Employer Network (ASEN) upon conscription through its outreach to its traditional conscientious objector constituency and to the many approved alternative service worker employer groups. In addition, it will train State Directors and Reserve Force Officers (RFOs) to help create and populate the ASEN with eligible employers in the event of a mobilization.

Goal 2: Ensure management excellence by promoting economy, efficiency, and effectiveness in the management of SSS programs and supporting operations.

Objective 1 – Offer world-class customer service.

Public service excellence is a major objective of the Agency. SSS provides information pertaining to various legislative matters, policy, procedures, and information contained in specific records. Such information is provided to both individuals and to public and private institutions. Processing and responding to inquires addressing SSS matters are important in an open, transparent government and warrant the highest level of customer service. In addition to maintaining an accurate data base which would serve as the foundation for induction and appeals in the event of a national emergency, accurate and timely processing of public transactions provides assistance to many men applying for benefits associated with the registration requirement such as federal student financial aid, job training, government employment, and citizenship for male immigrants.

Objective 2 – Ensure efficient and effective human resource and procurement management.

Far-reaching improvement efforts in the SSS Human Resources and Logistics Offices were initiated in FY 2013 and will continue into the future. Key staffing gaps in those offices are being addressed and capabilities are being enhanced, which will support improved service delivery to all SSS customers.

In the near term, the Agency will continue to be serviced by the U.S. Office of Personnel Management for its recruiting actions. It plans to resume in-house recruiting actions during late FY 2014 or early FY 2015. SSS has also begun participating in the U.S. Department of Veterans Affairs "VA for Vets" program, which helps increase veterans' employment and decrease time to hire.

The Agency is taking significant steps forward in its overall performance. Based on the 2012 Employee Viewpoint Survey results, Selective Service achieved noteworthy double-digit improvement between 2011 and 2012 in five areas. In 2012's Partnership for Public Service's and Deloitte's *Best Places to Work in the Federal Government* results, the Agency achieved placement in the top 10 among small agencies in the following categories: Effective Leadership – Empowerment, Effective Leadership – Senior Leaders, Work/Life Balance, Support for Diversity, and Performance Based Rewards and Advancement.

During FY 2013, the Logistics Office partnered with the Financial Management Directorate to improve its coordination and accountability on procurement matters. This collaborative effort, which is continuing into FY 2014, has already led to the close-out of numerous unliquidated obligations from prior years and set the stage for wide-ranging improvements in micro-purchases, contract delivery, and early error identification and correction. In addition to this, the Logistics Office has made large strides in implementing HSPD-12 throughout the Agency, improved transit subsidy oversight, and strengthened inventory control.

Objective 3 – Promote efficient and effective financial management.

Our integrated financial management system, Oracle Federal Financials (OFF), continues to produce improvements in the financial performance arena and an overall upgrade in the areas of budget, human capital, and performance integration. Improved management of the budget execution process resulted in another year where SSS lapsed minimal funding and the annual financial audit resulted in the sixth consecutive unqualified audit opinion. The Agency has meshed the budget to Strategic Goals and Objectives, which resulted in more accurate displays of accounting for the allocation and expenditure of financial resources in line with actual performance goals. Fiscal policies and procedures were updated to ensure compliance with Government Accountability Office (GAO) standards.

Objective 4 – Foster efficient and effective Information Technology Management.

SSS continues its multi-year technology upgrade of the Agency's hardware, software, and systems. The Agency continues to make e-government and IT technological improvements, including ongoing participation with the government-wide cloud computing initiative and Trusted Internet Connection security, which have already rebuffed hundreds of thousands of Internet-based attacks.

The independent FY 2013 Federal Information Security Management Act (FISMA) audit notes continued improvement with no material weaknesses cited. There were suggestions for betterment, which the Agency acknowledges can be corrected with time and dollars applied. However, these resources were not available in FY 2013, nor anticipated in FY 2014.

Objective 5 – Promote efficient and effective management of public communications and registration awareness of Agency programs.

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 private entities, public and private influencers, and media was a major strategy during FY 2013 to increase registration awareness and foster public understanding of the Agency mission.

The Agency concluded a four-tier registration awareness campaign to include (1) radio, Internet, and newspaper public service media messages; (2) outreach initiatives; (3) social network development; and (4) national exhibits. During FY 2013, SSS distributed 14 English and four Spanish radio news announcements to 12,000 stations, and three TV news announcements were released to 1,000 media outlets. Radio "news spots" went to 7,000 radio stations. Additionally, the Agency distributed 25 "Tips for Registration" TV public service announcements. Six SSS news stories, translated into English and Spanish, were distributed to 10,000 daily and weekly newspapers and more than 700 minority Spanish and 500 African-American newspapers. Beginning in October 2013, the "Ignorance of the Law Is No Excuse" campaign will run in 19 markets with low registration compliance, through interior postings in 4,700 buses. In addition, SSS traveled to three low compliance cities and conducted 107 meetings with educators, media, immigrant services, churches, and social service organizations targeting the hard-to-reach immigrants and out-of-mainstream youth. SSS updated its social network sites and enhanced its Facebook page and completed five months advertising thereon, banner ads, and YouTube site. SSS manned an exhibit at 14 of the nation's leading community-based and educational annual meetings, promoting registration compliance.

The Agency distributed 30,000 high school kits to principals and school SSS registrars across the nation. Further, SSS redesigned its official website for implementation in FY 2014. Partnership activities commenced with the National High School Coaches Association, four minor league baseball teams in low compliance markets, the Distributive Education consortium, *Latin Magazine* and *NewsTaco*, and the Potomac Rugby Foundation. Finally, SSS focused its registration awareness messages through articles appearing in an array of publications by various education associations.

Strategic Planning and Reporting

This report is aligned with the SSS Strategic Plan and is an outgrowth of 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, together with increasingly constrained resources, 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 directed toward that goal. This report endeavors to show how the FY 2013 budget allocation was expended in support of the Agency's Strategic Goals and Objectives.

Financial Highlights

Financial Position

FY 2013 is the tenth full year of operation where the SSS 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, reliable information for assessing performance and allocating resources.

The SSS 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 and used all available resources to satisfy the stated strategic goals and objectives. 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 subject to enactment of appropriations.

Discussion and Analysis of Financial Statements

SSS FY 2013 and FY 2012 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 assets totaled $14.79 million in FY 2013. Fund balances with Treasury—mostly undisbursed cash balances from appropriated funds—comprised about 45 percent of the total assets.

Fifty-five percent of SSS assets were comprised of general property, plant, and equipment, and accounts receivable, which reflects funds owed to SSS by the public. SSS does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving or trust funds.

LIABILITIES. Liabilities are recognized when they are incurred regardless of whether or not they are covered by budgetary resources. In FY 2013, SSS had total liabilities of $5.71 million. The components of SSS liabilities were Federal Employee Compensation Act (FECA) actuarial of $2.95 million; accounts payable, employer contributions, and payroll taxes of $1.46 million; and accrued payroll/leave totaling $1.30 million.

NET POSITION. SSS net position, which reflects the difference between assets and liabilities and represents the Agency's financial condition, totals $9.08 million. This amount is broken into two categories: unexpended appropriations (amounts related to undelivered orders and unobligated balances) at $4.55 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at $4.53 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 FY 2013 net cost of operations was $25.37 million: $25.74 million in gross costs less $0.37 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 2013 with a net position total of $9.08 million, decreased from FY 2012's position of $10.17 million.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources focuses on budgetary resources (appropriations and reimbursables) 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 2013 budgetary resources totaled $24.51 million and were made up of budget authority funds of $22.05 million, unobligated balance of $1.43 million, and $1.03 million in prior year recoveries, offsetting collections, and other resources.

Financial Management

The SSS Financial Management Directorate successfully managed resources to deliver quality financial management services to the Agency and meet all external financial reporting requirements in FY 2013. For the sixth consecutive fiscal year, the Agency received again an unqualified audit opinion on financial statements, with no material weaknesses. The result of the auditor's test of compliance with laws and regulations also disclosed no instance of noncompliance with laws and regulations that is required to be reported. The Agency has made progress in the internal controls over financial reporting and is continuing to document new, effective, and improved procedures in the updated Fiscal Manual.

Director’s Integrity Act Statement
for Fiscal Year 2013

SSS 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 control over financial reporting meet the objectives of FMFIA.

As of September 30, 2013, independent auditors conducted an assessment of the financial management systems and internal control over (1) the effectiveness/efficiency of operations and compliance with applicable laws and regulations, and (2) financial reporting, including safeguarding 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 sixth year in a row, the financial management systems conform with the objectives of FMFIA, the internal controls were operating effectively, and no 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, 2013, and (2) financial reporting as of September 30, 2013.

The FY 2013 independent audit of our IT security program determined that SSS was in substantial compliance with FISMA requirements. All previous material weaknesses have been resolved, and the Agency is addressing the identified suggestions currently.

I am determined to provide the best service possible to the nation. SSS stands ready to play its part if called upon during a national emergency. Within constrained resources I will continue to upgrade the Agency’s processes and talent pool. My focus is to achieve unblemished audits which will document that we are ready in all aspects to answer that call.

Lawrence G. Romo

December 16, 2013

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; and
- 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.

Additionally, 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 and to efficiently correct them.

SSS is committed to reduce and eliminate the risks associated with any identified shortfalls and to operate efficiently and effectively its programs in compliance with FMFIA.

FY 2013 Results

At the beginning of FY 2012, SSS had two FISMA material weaknesses. During FY 2012, SSS resolved one and resolved the second in FY 2013. The audit provides a qualified assurance that SSS' 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)

Statements of Assurance Qualified Statement of Assurance

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
IT Security	2	0	2	0	0	0
Total Material Weaknesses	2	0	2	0	0	0

Financial Management System (FMFIA Section 4)

Statements of Assurance Qualified Statement of Assurance

Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
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)

Statements 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 Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control Over IT Security (FMFIA 2)

Statements of Assurance	Unqualified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security	2	0	2	0	0	0
Total Material Weaknesses	2	0	2	0	0	0

Conformance with Financial Management System Requirements (FMFIA 4)

Statements of Assurance	Unqualified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-conformances	0	0	0	0	0	0

Outstanding Material Weaknesses

No outstanding material weaknesses remained at the end of FY 2013.

New Material Weaknesses

There were no material weaknesses identified during FY 2013.

IT Security Program

Summary of Outstanding Material Weaknesses

Material Weakness Existing	None
Planned Actions: N/A	

President's Management Approach

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. Each of these changes will improve programmatic accuracy and efficiency and avoid contracting expenses in the future.

During FY 2013, SSS completed work to resolve pending FISMA issues, to improve data security, to meet the President's management agenda, and to replace a temporary resource management information system. Progress is being made. FY 2014 will see the majority of this work completed – putting SSS in a better position to meet its strategic goals.

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

Performance Details

Program Evaluation

The program evaluations for this report were systematic reviews conducted to assess how well programs were working and to determine 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 2013

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

The Agency also conducted an internal self-assessment of all major functional areas to assess compliance with Agency policies and regulations.

- Registration Compliance and Verification
- General Support Network
- Integrated Mobilization Information System

Program evaluations were scheduled and conducted for the following areas:

- Registration and Registration Compliance Programs
- Registrar Program

FY 2013 Performance

This FY 2013 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 the capacity to provide timely manpower to DoD during a national emergency.

Objective 1 – Strive to maintain acceptable registration compliance rates.

Maintaining an ongoing Registration Program of men ages 18 through 25 is fundamental to mission success. To implement a "fair and equitable" draft, a 91 percent 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 2013, a noted increase in Driver's License Legislation (DLL) occurred with the addition of one new state with enacted and implemented legislation and two states pending implementation. A total of 40 states, four territories, and the District of Columbia have enacted driver's license laws supporting Selective Service registration. The following states and territories have enacted DLL: Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, 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, Washington, West Virginia, and Wisconsin, Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico, the Virgin Islands, and the District of Columbia.

For FY 2013, the SSS set two performance goals for Objective 1.

Strategic Objective 1.1.1. Achieve and maintain registration rate of at least 91% or above for eligible males 18-25.

FY 2013 Annual Performance Goal:

Attain registration rate above 91 percent for eligible males 18-25.

Was the goal achieved? Yes

Results:

Projected: 92 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) 2012, the year group registration rate was 91 percent. (See note on page 11).

Discussion:

Registration is a crucial component of any future induction or draft to furnish personnel to the Department of Defense. The primary factors contributing to registration compliance include: (1) the enactment and implementation in states and territories of DLL requiring registration with the SSS to obtain a motor vehicle driver's license or state identification card; (2) continued use of online Internet registration via the SSS Web site (www.sss.gov); (3) emphasis on soliciting volunteer SSS High School Registrars; (4) increased liaison with U.S. Postal Service offices – the only nationally distributed source of Selective Service registration forms; and (5) focused, cost-effective registration awareness initiatives and outreach efforts to educational and community leaders and groups. However, some of these important registration awareness initiatives/efforts were limited this fiscal year due to funding constraints.

Impact:

For CY 2012, the Selective Service national overall estimated registration compliance rate was up one percentage point over CY 2011 for men ages 18 through 25 who were required to be registered. For the 18 YOB group, the compliance rate was 70 percent, up three percentage points from CY 2011; for the 19 YOB group the rate was 89 percent, up two percentage points; and the 20 through 25 YOB group (the draft-eligible group) was 96 percent, the same as for CY 2011.

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

Planned Actions/Schedule:

For FY 2014, primary registration improvement emphasis will continue to be to assist states and territories in their efforts to enact legislation requiring SSS registration 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 1.1.2. Increase the percentage of electronic registrations.

FY 2013 Annual Performance Goal:

Obtain 85 percent of registrations electronically.

Was the goal achieved? Yes

Results:

Projected: 85 percent; Actual: 89 percent of total.

Discussion:

Eighty-nine percent of all registrations for FY 2013 were received through electronic means – unchanged from the prior year. DLL, Internet registration at www.sss.gov, and data exchanges with various federal agencies make up the bulk of electronic registrations.

Impact:

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

Planned Actions/Schedule:

Continue to maintain automated registration programs and expand where possible. 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:

Employ statistical reports that measure processing timelines and evaluate program results periodically.

Objective 2 – Maintain ability to call, classify, and deliver personnel timely.

Significant Activity:

During FY 2013 SSS improved the infrastructure needed to manage a military draft.

Strategic Objective 1.2.1. Be prepared to deliver personnel when needed.

FY 2012 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:

SSS continued its scheduled periodic reviews of all Agency Readiness plans and associated Standard Operating Procedures to ensure currency and accuracy with an update and revision completed on the Agency Lottery Standard Operating Procedures. All plans remain available via electronic format on the Agency's intranet. In addition, the Agency conducted a thorough and comprehensive self-assessment of policy, procedural, and operational functions that included all Agency Readiness Plans, Policy Manuals, and Operational Procedures. Results showed the Agency was well within compliance with corrective action plans developed for any areas that may need addressing.

Discussion:

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

Impact:

Periodic updating of preparedness documents ensures the Agency is able to initiate actions during a return to conscription. Integrating the NHQ reviews with the field reviews now synchronizes planning efforts and addresses issues in a more effective manner.

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 satisfied by managerial and staff review.

Strategic Objective 1.2.2. Be prepared to ensure timely and consistent handling of claims.

FY 2013 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:

All relevant Agency elements participated in a Personnel and Logistics framework project. The project analyzed and synchronized personnel and logistics requirements needed for mobilization. A major part of the project is the conduct of a workload study that matches current national demographics with the Agency's Board Member structure. The workload study updates how board demographics should look in addition to determining where boards and supporting logistics functions would have to be placed based on current population statistics. The information derived from this study is now being incorporated into the Agency's revised Integrated Mobilization Information System (IMIS) and the follow-on Central Registrant Processing Portal (CRPP).

The Agency upgraded its Web hosting capabilities and procured enhanced Web-authoring software this fiscal year. This allowed the Agency to better develop and deploy electronic and Web-based training to field personnel who would activate field offices as well as those who would adjudicate and process reclassification claims. In addition to electronic and Web-based training, the Agency continued to develop and provide training to personnel in multiple formats, to include hard copy group and self-study to ensure the widest possible dissemination of information.

Discussion:

Annual training of Reserve Force Officers and local board members is fundamental to the ability to be prepared to process any claims in the event of a return to conscription.

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 of training plans as necessary.

Verification and Validation:

Routine training evaluations are utilized to improve content delivery.

Objective 3 – Be prepared to administer a fair and equitable program of civilian alternative service in lieu of military service for registrants classified as conscientious objectors (COs) by SSS.

Strategic Objective 1.3.2. Plan for timely job placement of ASWs when needed.

FY 2013 Annual Performance Goal:

Increase Alternative Service Employer Network (ASEN) training for State Directors and Reserve Force Officers (RFOs) at the local level.

Was the goal achieved? No

Results:

The plan for ASEN has been the responsibility of NHQ personnel since the Agency's revitalization in the 1980s. The initiative to expand ASEN training to Agency field elements was delayed to ensure development of the training was precise and met sensitive issues regarding the ASEN. Eventually, State Directors and RFOs must have training in this area since they will be the initial personnel responsible for creating the ASEN in the event of a mobilization. Development of this field expertise was to be ensured by a complete overhaul of the readiness training provided to field staff. As a consequence, 2013 has been devoted to the development of new electronic and other format training modules that will train our personnel how to create an ASEN strategy for their location only in the event of a mobilization. Additionally, discussion and participation of the field elements is needed to ensure their understanding of this operational procedure.

Discussion:

By training field elements how to add to the ASEN in a mobilization, SSS will be able to expand civilian service options for conscientious objectors required to perform alternate service in lieu of military service in the event the draft is reinstated. A concerted training effort must be exerted each year to ensure the ASEN is capable of providing the number of placements required to fulfill this second mission of the Selective Service System in the event of a mobilization.

Impact:

The inability to add employers to the ASEN will cripple the readiness of the ASP. Training personnel how to add members to the ASEN is a significant milestone in the history of the ASP and signals a renewed Agency commitment to readiness to fulfill its two-part mission.

Coupled with the Agency's growing reputation for honesty and fairness among its CO-advocacy constituency, activities train how to develop the ASEN moves the agency forward and ensures it is prepared to act as that vital national security insurance policy and, at the same time, be the protector of the rights of those conscientiously opposed to participation in war.

Planned Actions/Schedule:

In addition to training field elements how to help create and add members to the ASEN during a mobilization, SSS will continue to seek "provisional" agreements for membership in the ASEN upon mobilization through outreach to the traditional conscientious objector constituency and with many other approved alternative service worker employer groups. To date, SSS has executed provisional agreements with several organizations. They include: Woodcrest Service Committee, Inc., United Church Board for Homeland Ministries, Mennonite Voluntary Service (an agency of the Network and the Mennonite Church), Brethren Volunteer Service (an organ of the Church of the Brethren), and the Christian Aid Ministries' Conservative Anabaptist Service Program.

Currently, provisional agreements for ASEN membership upon mobilization are pending with four other potential religious employers. SSS is also working to establish agreements with the Corporation for National and Community Service (CNCS). An agreement with CNCS would be a significant addition to the ASEN upon mobilization because of its potential to place thousands of alternative service workers throughout the country.

Verification and Validation:

Management reports/program evaluations.

Goal 2: Ensure Management Excellence by promoting economy, efficiency, and effectiveness in the management of SSS programs and supporting operations.

Objective 1 – World Class Customer Service.

SSS implemented technology upgrades of the Agency's hardware, software, security, and systems development processes. Efforts continue to align and integrate human capital management, financial, operational, information technology, and logistical processes, including cost accounting based on strategic goals.

Objective 2 – Ensure efficient and effective resource and procurement management.

Strategic Objective 2.2.1. Improve the efficiency and effectiveness of human capital management.

For FY 2013, the SSS set the performance goal of completing implementation of the Strategic Human Capital Management Plan (HCMP) for Strategic Objective 2.2.1.

FY 2013 Annual Performance Goal:

Complete implementation of the Strategic Human Capital Management Plan.

Was the goal achieved? No

Results:

Although the Agency did not achieve this goal, it discovered that its HCMP was outdated – it was valid for only 2008-2012 – and it took steps necessary to address critical deficiencies in its Human Resources (HR) Office to allow for the eventual development and implementation of an updated HCMP.

Discussion:

SSS experienced numerous personnel challenges in HR during FY 2013, which stemmed from: significant turnover and staffing gaps that started during the middle of FY 2012 and went unresolved for a number of months; longstanding performance and conduct challenges, which have now been fully addressed by senior leadership; and training deficiencies.

Impact:

The lack of a fully implemented HCMP has not adversely affected the Agency's performance. First, the existing HCMP is outdated and needs to be updated and aligned with the Agency's strategic plan and senior leader priorities. Second, the Agency's efforts to undertake an HR turnaround became the top HR priority during much of FY 2013.

Planned Actions/Schedule:

Once the Agency's new HR Officer is appointed, this senior manager will work with the Agency's senior leaders on a plan to develop an updated HCMP that aligns with the Agency's strategic plan. Upon HCMP completion, the HR Officer will undertake implementation efforts. This does not mean that strategic human capital efforts have been put on hold. They have been carried out in earnest throughout FY 2013, and their benefits are expected to begin to accrue in FY 2014.

For instance, HR will continue to evolve improved hiring practices. A recent development in FY 2013 was expanding the pool of qualified veteran applicants available to the Agency through the "VA for Vets" program led by the U.S. Department of Veterans Affairs. Additionally, HR will continue to work towards the completion of a Pathways Memorandum of Understanding with the U.S. Office of Personnel Management, which will allow it to participate in programs that are geared toward students and recent graduates.

Also, despite the absence of an HCMP, SSS has taken an aggressive approach to ensuring that its staff is trained and prepared. For example, the Agency's senior leaders have set aside training funds, frequently communicated training opportunities, and actively encouraged supervisors to assess and address each of their staff members' training needs in a cost-effective manner.

Verification and Validation:

The Federal Employee Viewpoint Survey and *Best Places to Work* results will show that SSS has made a significant improvement in its ranking among small government agencies by FY 2015.

FY 2013 Annual Performance Goal:

Expand the use of the Homeland Security Presidential Directive (HSPD-12) identification cards to include authentication security for all electronic activity and building access.

Was the goal achieved? No

Results:

SSS was partially successful in achieving this goal.

Discussion:

The Agency took steps to implement HSPD-12 during FY 2013, including the installation of access point HSPD-12 card readers at field locations and the purchase of and planning efforts for the use of a lightweight credentialing system at all Agency locations.

Impact:

The impact of not achieving this goal was minimal. Physical security is controlled at each field location and there has not been a security issue. The Agency's Information Technology Office has provided close oversight of information security aspects of HSPD-12.

Planned Actions/Schedule:

The Agency will continue to implement the HSPD-12 program. This includes the activation and use of HSPD-12 card readers at the National Headquarters and field locations.

SSS purchased a lightweight credentialing system that will allow the Agency to create its own cards on site. Each field office now has access to one of these credentialing systems, which will allow more rapid provision of HSPD-12 cards when fully implemented during FY 2014.

Verification and Validation:

It is expected that employees will use their issued HSPD-12 cards for all physical and information security access to SSS-controlled spaces by FY 2015. Due to planned field location moves to save money and resources, and a distributed civilian/military workforce, there have been a number of challenges in fully implementing HSPD-12 throughout the Agency.

Objective 3 – Efficient and effective financial management:

Strategic Objective 2.3.1. Improve the efficiency and effectiveness of financial activities.

A major focus for the entire Agency is controlling costs. The Agency is committed to achieving a "clean audit" opinion under the auspices of the Accountability of Tax Dollars Act of 2002.

FY 2013 Annual Performance Goal:

Complete an update of the Fiscal Manual.

Was the goal achieved? Yes

Results:

The Agency accomplished an important goal with completion of a comprehensive update to its Fiscal Manual. The Fiscal Manual provided needed policy and procedures guidance across a broad spectrum of financial management and procurement topics.

Discussion:

Until the update was completed, the Agency operated by guidelines established in the previous financial manual, and supplemented them with other internal and external operational directives and procedures. Most of these procedures had not undergone periodic review, nor been formally incorporated into the Fiscal Manual. The new Fiscal Manual now serves as the "overarching" document that guides day-to-day FM operations.

Impact:

The electronic format and more concisely written chapters made the manual more accessible and readable for non-financial management personnel, as well more easily modified – which will facilitate more frequent updates. Additionally, developing and publishing the revised manual addressed a long-standing audit requirement to document critical policies and procedures, and formally codify management internal controls.

Planned Actions/Schedule:

The Fiscal Manual is considered a "living" document that will be continuously revised and improved. Planned updates already include the addition of detailed process maps for key financial functions; and inclusion of desk procedures that document the roles, responsibilities, and critical tasks of individual FM staff members.

Verification and Validation:

The Fiscal Manual has been updated and published. Future changes or adjustments will be incorporated as necessary, but a periodic review will be performed at least annually.

Strategic Objective 2.3.2. Align budgeted funds with performance expectations.

FY 2013 Annual Performance Goal:

Continue Performance and Budget integration.

Was the goal achieved? Yes

Results:

The Oracle Federal Financials (OFF) system provides an integrated financial system that ties budget execution to the goals and objectives contained in the Strategic Plan.

Discussion:

The Agency's budget and strategic planning documents were aligned by organization codes and project codes in accordance with the Strategic Plan. The Agency could properly display execution of resources for the Budget submissions and tie those resources to specific goals and initiatives.

Impact:

The Agency's ability to apply activity-based-costing principles has been achieved. As changes to the Agency's Strategic Plan occur, budgetary resources will be aligned to the Strategic Plan.

Planned Actions/Schedule:

The Agency will continue to refine its performance and budget integration by developing metrics that will demonstrate the link between invested resources to outcomes achieved. When properly developed and accurately interpreted, these metrics will inform decision making and lead to a more efficient application of Agency resources toward its goals and objectives.

Verification and Validation:

Financial reports reflect execution alignment with the Agency goals and objectives.

Objective 4 – Efficient and effective Information Technology management.

SSS continued to update its technical environment to facilitate satisfying security and program requirements.

Information security continued to be a major focus during this fiscal year, and the Agency retired one outstanding FISMA issue. It will continue efforts to resolve the four remaining issues quickly, thus ensuring the network remains secure.

Strategic Objective 2.4.1 Improve the efficiency and effectiveness of technical operations.

For FY 2013, SSS set two performance goals for Strategic Objective 2.4.1.

- 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 2013 Annual Performance Goal:

Continue the development and implementation of the registration modernization.

Was the goal achieved? Yes

Results:

SSS now has an improved registration management system with enhancements made during FY 2013. In addition, the FY 2013 FISMA audit determined that the Agency was in substantial compliance with FISMA requirements.

Discussion:

The Agency awarded a contract to enhance the registration system during the fiscal year. This work was completed, successfully putting the Agency in a better position to manage the registration and compliance program.

FISMA-related efforts also improved the Agency's information security program, which is needed to ensure data remains secure.

Impact:

Partnership between SSS, the Department of Homeland Security (DHS), and the prime contractor for the SSS registration system resulted in improved network security monitoring, and reduced intrusions.

Planned Actions/Schedule:

SSS sought to meet these goals by the end of FY 2013. Also, these projects were managed following standard project management techniques such as Earned Value Management.

Verification and Validation:

All contract terms and deliverables were met and verified by the project manager.

FY 2013 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? Yes

Results:

The FY 2013 audit determined that SSS was in substantial compliance with FISMA requirements. Also, a FY 2012 FISMA-related material weakness pertaining to personally identifiable information management was eliminated.

Discussion:

FISMA audits occur each year, and under new SSS and Information Technology leadership, special emphasis was placed upon the corrections of known deficiencies.

Impact:

Improved FISMA compliance and an improved audit report.

Planned Actions/Schedule:

The fiscal year witnessed a major push to eliminate past deficiencies resulting in a final audit report concluding that the Agency was in substantial compliance with FISMA requirements.

Verification and Validation:

N/A

Objective 5 – Efficient and effective management of public communications and registration awareness of Agency programs.

Strategic Objective 2.5.1. Provide accurate communications with diverse customers in a timely manner.

Significant Activity:

During FY 2013, the Agency's Public and Intergovernmental Affairs staff responded to an increasing influx of inquiries, correspondence, and phone calls relating to one's registration status to qualify for an assortment of government benefits and programs. This was driven by the national economic situation, high rate of unemployment, and general movement to retrain and retool one's skills. Additionally, numerous news outlets, both print and broadcast, contacted SSS for general interviews or specific information.

Further, SSS distributed its new radio package, "Just the Facts: For Young Men Turning 18," with a compilation of 18 radio spot public service announcements in English and Spanish and announcer-read scripts for live radio public service announcements to all major media markets. SSS produced public service "news" messages for TV, radio, and newspapers. We manned 14 national exhibits; participated in 107 outreach meetings and initiatives; and developed social media network Internet tools promoting registration.

FY 2013 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? Yes

Results:

<u>Data Management Center</u>

- Registration Processing: Target 18 days; Actual: 5 days
- Status Information Letters for Registrants: Target 15 days; Actual: 4 days
- Compliance Mailings: Target 10 days; Actual: 3 days
- Other Center Mailings: Target 10 days; Actual 4 days

<u>Public & Intergovernmental Affairs (PIA) Directorate</u>

- Assorted Inquiries: Target 10 days; Actual; 2 days
- White House Correspondence: Target 5 days; Actual: 1 day
- Congressional Inquiries: 10 days; Actual: 2 days or less
- Freedom of Information Requests/Privacy Act Correspondence: Target 20 days; Actual: 3 days or less

Discussion:

Remarkable turnaround times were achieved and maintained during FY 2013. Like the DMC, the PIA has in place internal controls to monitor turnaround times, in addition to customer feedback. Whenever a feasible management fix is available, it is evaluated for improvement where economical and practical.

Impact:

Acceptable customer service levels have again been achieved in responding to written inquiries. Both the DMC and the PIA Directorate are now exceeding their response time goals presently.

Planned Actions/Schedule:

Actively monitor workload for measurable change and be prepared to adjust staffing and/or employ other management options.

Verification and Validation:

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

Financial Details

Message from the Chief Financial Officer (CFO)

The Agency is committed to fulfilling the requirements of the Government Performance and Accountability Act, the Government Management and Reform Act, and the Federal Manager's Financial Integrity Act.

As the Agency's CFO, I am dedicated to the performance and accountability mandates put forward by the President and Congress. I am also keenly aware of the importance of my fiduciary responsibility to effectively manage taxpayer resources by maintaining strong financial systems and internal controls. This ensures accountability, integrity, and reliability in the Agency's financial management program.

For the sixth year in a row, I am pleased to report that as of September 30, 2013, SSS received an unqualified financial audit opinion. In FY 2013, independent auditors conducted an annual assessment of the Agency's financial management systems and internal control over (1) the effectiveness/efficiency of operations and compliance with applicable laws and regulations, and (2) financial reporting including safeguarding 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."

To ensure compliance with the Federal Managers' Financial Integrity Act and the financial systems requirements of the Federal Financial Management Improvement Act, I remain dedicated to providing sound management of the resources under my stewardship.

Roderick R. Hubbard
December 16, 2013

Selective Service System

Audit of Financial Statements

As of and for the Years Ended September 30, 2013 and 2012

Submitted By

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

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& COMPANY, P.C.

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Independent Auditor's Report

DIRECTOR, SELECTIVE SERVICE SYSTEM

We have audited the accompanying balance sheet of Selective Service System (SSS), as of September 30, 2013 and 2012, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources (financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of these 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, regulations, and contracts that could have a direct and material effect on these 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, 2013 and 2012, 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. Our testing of internal control identified no material weaknesses in financial reporting; however, we did note other control issues that we have reported in a separate letter to SSS, dated December 12, 2013.

As a result of our tests of compliance with certain provisions of laws, regulations, and significant provisions of and contracts, nothing came to our attention that caused us to believe that SSS failed to comply with applicable laws, regulations, or significant provisions of laws, regulations, and contracts that have a material effect on the financial statements insofar as they relate to accounting matters.

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.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of SSS, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Such responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Bulletin 14-02, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the SSS's internal control or its compliance with laws, regulations, and significant provisions of contracts. Accordingly, no opinion is expressed. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SSS as of September 30, 2013 and 2012, and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States. This consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The performance measures and other accompanying information are presented for the purposes of additional analysis and are not required parts 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 do not express an opinion or provide any assurance on it.

Other Auditor Reporting Requirements

Report on Internal Control

In planning and performing our audit of the financial statements of SSS as of and for the years ended September 30, 2013 and 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the SSS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. Our testing of internal control identified no material weaknesses in financial reporting; however, we did note other control issues that we have reported in a separate letter to SSS, dated December 12, 2013.

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 deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A summary of the status of prior year recommendations is included as Attachment 1.

Report on Compliance

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 the OMB audit bulletin. 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.

In connection with our audit, nothing came to our attention that caused us to believe that SSS failed to comply with applicable laws, regulations, or significant provisions of laws, regulations, and contracts that have a material effect on the financial statements insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the SSS's noncompliance with applicable laws, regulations, or significant provisions of laws, regulations, and contracts insofar as they relate to accounting matters.

Restricted Use Relating to Reports on Internal Control and Compliance

The purpose of the communication included in the sections identified as "Report on Internal Control" and "Report on Compliance" is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or effectiveness of the SSS's internal control over financial reporting or its compliance with laws, regulations, or provisions of contracts or grant agreements. The two sections of the report referred to above are integral parts of an audit performed in accordance with *Government Auditing Standards* in considering the SSS's internal control over financial reporting and compliance. Accordingly, those sections of the report are not suitable for any other purpose.

Leon Snead & Company, P.C.
Rockville, Maryland
December 12, 2013

Attachment 1

Status of Prior Year Recommendations

Rec. No.	Audit Recommendations	Status as of September 30, 2013
1.	Develop detailed operational procedures and policies to cover all aspects of RFO administrative operations, especially the process for developing initial budget estimates, and the projection of RFO costs for the remaining of the fiscal year.	Closed.
2.	Develop SSS policies and procedures that establish a process for reviewing and certifying by SSS personnel the validity of undelivered orders on a quarterly basis.	Closed.
3.	Require the OCFO to review and validate the reviews of undelivered orders, and prepare documentation that would support the certifications SSS officials provide to OMB.	Closed.
4.	Use IMIS cost data to assist in the preparation of RFO budget estimates, to eliminate unnecessary manual spreadsheet preparation, and to assist in the determination of valid RFO undelivered orders.	SSS officials have advised us that although IMIS is undergoing redevelopment, which will improve its functionality, the system design will not support budget forecasting capability. However, until alternative actions are proposed, this recommendation remains open.
5.	Develop a project plan with user input to modify IMIS so that it better supports SSS's needs relating to RFO operations.	Closed.
6.	Develop a project plan with milestone dates to ensure that the fiscal and funds control manuals are updated, approved and placed on the agency intranet.	Closed.

Response To Fiscal Year 2013 Audit Report

The Selective Service System acknowledges and accepts the unqualified opinion and single recommendation contained in the audit report of December 12, 2013. The Agency is developing a corrective action plan to implement the auditor's recommendation.

Recommendation: Use IMIS cost data to assist in the preparation of RFO budget estimates, to eliminate unnecessary manual spreadsheet preparation, and to assist in the determination of valid RFO undelivered orders.

SSS Response: After extensive research, the Agency has determined that although upgrades necessary to improve IMIS functionality are in progress, the basic system design will not support the forecasting capability that would be needed to resolve this issue. SSS will identify alternatives, which in addition to IMIS, will assist in the preparation of RFO budget estimates, eliminate unnecessary spreadsheet preparation, and assist in the the determination of valid RFO undelivered orders.

Roderick R. Hubbard
Chief Financial Officer
December 12, 2013

OVERVIEW OF FINANCIAL STATEMENTS

Purpose of the financial statements:

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

Selective Service System
BALANCE SHEET
As of September 30, 2013 and 2012
(In Dollars)

Assets	2013	2012
Intragovernmental		
Fund Balance with Treasury Note 2	$6,577,570	$5,814,204
Total Intragovernmental	6,577,570	5,814,204
Accounts Receivable, Net Note 3	1,834	2,292
General Property, Plant, and Equipment, Net Note 4	8,210,209	9,344,682
Total Assets	$14,789,613	$15,161,178

Liabilities	2013	2012
Intragovernmental		
Accounts Payable Note 5	$338,207	$133,399
Other		
Employer Contributions and Payroll Taxes Payable Note 5	138,873	124,300
Unfunded FECA Liability Notes 5 & 6	444,281	507,408
Other Unfunded Employment Related Liability	-	-
Liabilities for Non-Entity Assets	-	-
Total Intragovernmental	$921,361	$765,107
Accounts Payable Note 5	961,842	339,162
Federal Employee and Veteran Benefits Notes 5 & 6	2,508,550	2,618,044
Other		
Accrued Funded Payroll and Leave Note 5	571,625	558,702
Employer Contributions and Payroll Taxes Payable	17,599	15,808
Unfunded Leave Note 5	731,046	689,486
Liabilities for Non-Entity Assets	-	-
Total Liabilities	$5,712,023	$4,986,309

Net Position	2013	2012
Unexpended Appropriations - Other Funds	4,549,423	4,642,834
Cumulative Results of Operations - Other Funds	4,528,167	5,532,035
Total Net Position	$9,077,590	$10,174,869
Total Liabilities and Net Position	$14,789,613	$15,161,178

The accompanying notes are an integral part of these statements.

Selective Service System

STATEMENT OF NET COST

As of September 30, 2013 and 2012

(In Dollars)

Program Costs	2013	2012
Program A		
Gross Costs Note 8	$25,742,892	$24,658,300
Less: Earned Revenue Note 9	(370,000)	(366,838)
Net Program Costs	25,372,892	24,291,462
Net Cost of Operations	$25,372,892	$24,291,462

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF CHANGES IN NET POSITION
As of September 30, 2013 and 2012
(In Dollars)

Cumulative Results of Operations	2013	2012
Beginning Balances	$5,532,035	$5,218,380
Adjustments	-	-
Beginning Balance, as Adjusted	$5,532,035	$5,218,380
Budgetary Financing Sources	**2013**	**2012**
Appropriations Used	$21,859,324	$21,875,284
Non-Exchanged Revenue	-	-
Other Financing Sources (Non-Exchange)	**2013**	**2012**
Imputed Financing	$2,509,700	$2,729,833
Other	-	50
Total Financing Sources	$24,369,023	$24,605,117
Net Cost of Operations	($25,372,892)	($24,291,462)
Net Change	($1,003,869)	$313,655
Cumulative Results of Operations	**$4,528,167**	**$5,532,035**
Unexpended Appropriations	**2013**	**2012**
Beginning Balance	$4,642,834	$4,635,084
Adjustments	-	-
Beginning Balance, as Adjusted	$4,642,834	$4,635,084
Budgetary Financing Sources	**2013**	**2012**
Appropriations Received	$23,984,000	$23,984,000
Other Adjustments	(2,218,087)	(2,100,966)
Appropriations Used	(21,859,324)	(21,875,284)
Total Budgetary Financing Resources	($93,411)	$7,750
Total Unexpended Appropriations	$4,549,423	$4,642,834
Net Position	$9,077,590	$10,174,869

Selective Service System
STATEMENT OF BUDGETARY RESOURCES
As of September 30, 2013 and 2012
(In Dollars)

Budgetary Resources	2013	2012
Unobligated Balance, Brought Forward, October 1:	$1,432,453	$2,843,957
Recoveries of Prior Year Unpaid Obligations	939,433	298,275
Other Change in Unobligated Balance	(287,901)	(2,100,966)
Appropriation	22,053,814	23,984,000
Spending Authority from Offsetting Collections (gross)	370,717	380,046
Total Budgetary Resources	$24,508,517*	$25,405,312
Status of Budgetary Resources	**2013**	**2012**
Obligations Incurred Note 10	$22,668,677	$23,972,859
Unobligated Balance, End of Year		
Apportioned	144,602	181,009
Unapportioned	1,695,238	1,251,444
Subtotal Unobligated Balance, End of Year	1,839,840	1,432,453
Total Budgetary Resources	$24,508,517	$25,405,312
Change in Obligated Balance	**2013**	**2012**
Unpaid Obligated Balance, Brought Forward, October 1	$4,381,751	$4,291,663
Obligations Incurred, net Note 10	22,668,677	23,972,859
Gross Outlays	(21,373,265)	(23,584,496)
Change in Uncollected Customer Payments from Federal Sources	-	-
Recoveries of Prior-Year Unpaid Obligations, Actual	(939,433)	(298,275)
Obligated Balance, Net, End of Period		
Unpaid Obligations, End of Year (Gross)	4,737,730	4,381,751
Uncollected Customer Payments from Federal Sources	-	-
Total, Unpaid Obligated Balance, Net End of Period	$4,737,730	$4,381,751
Obligated Balance, Start of Year	$4,381,751	$4,291,663
Obligated Balance, End of Year	$4,737,730	$4,381,751
Budget Authority and Outlays, Net	**2013**	**2012**
Budget Authority, Gross	$22,424,531	$24,364,046
Actual Offsetting Collections	(370,717)	(380,046)
Change in Uncollected Customer Payments from Federal Sources	-	-
Budget Authority, Net	$22,053,814	$23,984,000
Outlays, Gross	$21,373,265	$23,584,496
Offsetting Collections	(370,717)	(380,046)
Outlays, Net	$21,002,548	$23,204,450

The accompanying notes are an integral part of these statements.

*Rounded up to the nearest dollar

NOTE 1 - Summary of Significant Accounting Policies

(a) Reporting Entity

The Selective Service System (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, it 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 registrants classified as conscientious objectors. The Alternative Service Program would provide public work assignments in America's communities in lieu of military service.

SSS' 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 August 03, 2012).

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 obligations. 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. See Note 3 for additional information.

(f) Property, Plant, and Equipment

The basis for recording purchased general Property, Plant, and Equipment (PPE) is full costs, including all costs incurred to bring the PPE to and from a location suitable for its intended use. The SSS PPE consists of equipment, software, and internal use software in development. 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. 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 5 for information on "Liabilities Not Covered by Budgetary Resources" 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. See Note 6 for additional information.

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 the full cost of providing other retirement benefits. The SSS also recognizes an expense and liability for Other Post-Employment Benefits (OPEB). This includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. During fiscal years 2013 and 2012, the cost factors relating to FEHBP were $5,190 and $5,817 respectively, per employee enrolled. During fiscal years 2013 and 2012, the cost factor relating to FEGLI was .02% 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 2013 and 2012 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 Reserve Force Officer (RFO) services from the U.S. Army Reserves, the U.S. Marine Corps Reserves, and the Army National Guard.

(l) Revenues and Other Financing Sources

SSS' 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 Cost and imputed financing for these costs is recognized in the Statement of Changes in 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 Treasury

Fund Balance with Treasury consisted of the following at September 30, 2013 and 2012:

	2013	2012
Fund Balance (In Dollars)		
Appropriated Funds (General)	$6,577,570	$5,814,204
Total Fund Balance with Treasury	$6,577,570	$5,814,204
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$144,602	$181,009
Unavailable	1,695,238	1,251,444
Obligated Balance Not Yet Disbursed	4,737,730	4,381,751
Total Status of Fund Balance with Treasury	$6,577,570	$5,814,204

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The amounts shown on the Balance Sheets represent SSS' right to draw on Treasury for valid expenditures. The fund balance as shown on SSS' records are reconciled monthly with Treasury's records.

Note 3 - Accounts Receivable, Net

Due from the Public, Net. Accounts receivable due from the Public generally is related to employee payroll debt. Substantial receivables related to current employees are considered to be collectible, as there is no credit risk. Allowance for doubtful accounts is used only in instances where an employee has separated from duty prior to collection of their debt. Selective Service System takes its aged schedule of Accounts Receivable due from the Public and applies different rates, depending on the ages of the accounts receivable, to calculate allowances for uncollectible accounts. Selective Service System applies a 50% rate to the current uncollectible balances that are less than 366 days old and 100% rate to balances that are more than 365 days old.

Accounts Receivable from the Public consists of the following:

	2013	2012
Accounts Receivable from the Public (In Dollars)		
Current		
1-180 Days Past Due	$73	$4,584
181-365 Days Past Due	3,595	-
1 to 2 Years Past Due	7,187	996
Over 2 Years Past Due	-	2,373
Total Billed Accounts Receivable - Public	$10,855	$7,953
Unbilled Accounts Receivable	-	-
Total Accounts Receivable - Public	$10,855	$7,953
Allowance for Doubtful Accounts - Public	(9,021)	(5,661)
Total Accounts Receivable - Public, Net	$1,834	$2,292

Note 4 - General 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 of the following as of September 30, 2013 and 2012:

(In Dollars)	Service Life	Acquisition Value	Accumulated Depreciation	2013 Net Book Value	2012 Net Book Value
Equipment	3-7 Years	$1,008,739	($852,200)	$156,539	$248,271
Information Technology Software	3 Years	391,147	(359,205)	31,942	107,498
Information Technology Software	7 Years	11,142,005	(3,428,368)	7,713,637	8,988,913
Internal Use Software	7 Years	308,090	-	308,090	-
Total		$12,849,982*	($4,639,773)	$8,210,209*	$9,344,682

*Rounded up to the nearest dollar

Note 5 - Liabilities Not Covered by Budgetary Resources

The liabilities on Selective Service System's Balance Sheet as of September 30, 2013, 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, 2013 and 2012 is as follows:

(In Dollars)	2013	2012
Intragovernmental		
Unfunded Payroll Liabilities	$444,281	$507,408
Total Intragovernmental	$444,281	$507,408
Public Liabilities		
Federal Employee and Veteran Benefits - FECA Actuarial Liability	$2,508,550	$2,618,044
Unfunded Annual Leave	731,046	689,486
Other Unfunded Employment Related Liability	-	-
Total Liabilities Not Covered by Budgetary Resources	$3,683,877	$3,814,938
Total Liabilities Covered by Budgetary Resources	2,028,146	1,171,371
Total Liabilities	$5,712,023	$4,986,309

(b) Other Information

Unfunded Payroll Liabilities consists of workers' compensation claims payable to the Department of Labor (DOL), which will be funded in a future period, and an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. The actuarial calculation is based on benefit payments made over 12 quarters, and calculates the annual average of payments. For medical expenses and compensation this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded Annual Leave represents a liability for earned leave and is reduced when leave is taken. At year end, the balance in the accrued annual leave account is adjusted to reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave are expensed as taken.

All other liabilities are considered to be covered by budgetary resources.

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 2012, and again in 2013, 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 $2,508,550 and $2,618,044 as of September 30, 2013 and 2012, respectively, is reported on SSS' Balance Sheet. SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2013 and 2012, of $444,281 and $507,408, respectively, but not yet reimbursed to DOL by SSS.

Note 7 - 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 January 2004 and expiring in January 2014. The annual rent of $69,654 in 2004 escalates between 6% and 4% each year to $105,820 in 2014. Total remaining payment of $26,455.14 is expected to cover from October to December 2013. Starting January 2014, the lease will be on a month-to-month basis. Current Agency calls for Region II to move on board a military facility at Dobbins Air Force Base. The move has not been finalized, but is expected to occur in the 2nd or 3rd quarter of FY 2014.

The lease for the Region III Headquarters is a five-year lease initiated in January 2006 and extended in September 2010 to expire December 31, 2015. The current plan is to move to Buckley AFB in 2016, which will reduce monthly rent expenses. 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 2013 the monthly cost for Region III lease is $7,835.

Office space for National Headquarters is obtained from General Services Administration (GSA) via an Occupancy Agreement (OA) which expired in October 2013. SSS projects to have a new lease in December 2013. The October base rent is $51,452. Historically, base rent has escalated from 1% to 2% each year. This trend is expected to continue with the future lease agreement.

Fiscal Year (In Dollars)	2013	2012
2013	$ -	$762,862
2014	744,652	172,020
2015	724,959	94,023
2016	660,751	23,506
2017	643,618	-
2018	650,054	-
Total Future Lease Payments	$3,424,034	$1,052,411

Note 8 - Intragovernmental Costs

Intragovernmental Costs (In Dollars)	2013	2012
Intragovernmental Costs	$10,287,092	$10,733,115
Public Costs	15,455,800	13,925,185
Total Program Costs	$25,742,892	$24,658,300
Intragovernmental Earned Revenue	$370,000	$366,838
Public Earned Revenue	-	-
Total Program Earned Revenue	$370,000	$366,838

Intragovernmental costs are those expenses paid by SSS to other federal government entities. They include, but are not limited to, the U.S. Postal Service, the Office of Personnel Management, the U. S. Navy, the Department of Defense, the 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. Exchange revenues (See Note 9) are those that derive from transactions in which SSS is reimbursed for services performed for other Federal agencies.

Note 9 - Exchange Revenue

The Statement of Federal Financial Accounting Standards (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, defines exchange revenue as inflows of resources to a governmental entity that the entity has earned. They arise from exchange transactions that occur when each party to the transaction sacrifices value and receives value in return. Exchange revenue is earned for services provided to other government agencies through reimbursable agreements. SSS recovers the full cost of services. Amounts are earned at the time the expenditures are incurred against the reimbursable order. During fiscal years 2013 and 2012, SSS earned $370,000 and $366,838 under an agreement with the

U.S. Department of Defense. The DoD reimbursed SSS for the indirect labor costs that SSS incurred in mailing DoD materials as inserts along with SSS Acknowledgments and in managing and reporting on this annual reimbursable agreement. SSS was also reimbursed for the difference between what they were paying to lease equipment for the mailing and the increase in lease costs for the additional equipment necessary to insert the materials for DoD.

Note 10 - Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations incurred reported on the Statement of Budgetary Resources in Fiscal Year 2013 and Fiscal Year 2012 consisted of the following:

(In Dollars) Obligations Incurred	Apportionment Category	FY 2013 Obligations	FY2012 Obligations
Direct Obligations	A	$22,298,677	$23,606,021
Reimbursable Obligations	B	370,000	366,838
Total Obligations Incurred		$22,668,677	$23,972,859

Note 11 - Undelivered Orders at the End of the Period

Undelivered orders are purchase orders issued by SSS during Fiscal Year 2013 or Fiscal Year 2012 that have not had delivery of required product or service as of September 30, 2013 or 2012, respectively. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during Fiscal Year 2013 or Fiscal Year 2012.

(In Dollars)	2013	2012
Undelivered Orders	$2,709,584	$3,210,381
Total Undelivered Orders	$2,709,584	$3,210,381

Note 12 - Explanation of Differences Between the SBR and the Budget of the U.S. Government

SFFAS No. 7 calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). The President's Budget with the actual FY 2012 amounts was released in February 2013, and the President's Budget with the FY 2013 amounts is estimated to be released in February 2014, and both can be located at the OMB Web site (http://www.whitehouse.gov/omb). As such, the actual amounts for FY 2013 in the President's Budget have not been published at the time these financial statements were prepared.

A comparison of FY 2012 Statement of Budgetary Resources to the President's Budget is shown in the following table:

FY 2012 (In Dollars)	Budgetary Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources	$25,000,000	$24,000,000	$23,000,000
Unobligated Balance Not Available	1,000,000	-	-
Total Adjusted Balance	24,000,000	24,000,000	23,000,000
Budget of the U.S. Government [1]	24,000,000	24,000,000	23,000,000
Difference	-	-	-

[1] Unobligated balances not available are not included in the amount presented in the President's Budget

Note 13 - Reconciliation of Net Cost to Budget (Statement of Financing)

Details of the relationship between budgetary resources obligated and the net costs of operations for the Fiscal Year 2013 and Fiscal Year 2012 quarters that ended September 30 are shown in the table below.

Budgetary Resources (In Whole Dollars)	FY 2013	FY 2012
Obligations Incurred	$22,668,677	$23,972,859
Less: Spending Authority from Offsetting Collections and Recoveries	(940,151)	(311,484)
Obligations Net of Offsetting Collections and Recoveries	21,728,526	23,661,375
Less: Offsetting Receipts	(370,000)	(366,838)
Net Obligations	21,358,526	23,294,538
Imputed Financing from Costs Absorbed by Others	2,509,700	2,729,833
Other	-	-
Net Other Resources Used to Finance Activities	2,509,700	2,729,833
Total Resources Used to Finance Activities	$23,868,226	$26,024,371
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Undelivered Orders	($500,797)	$1,419,253
Resources that Fund Expenses Recognized in Prior Periods	-	-
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	267,265	1,825,532
Other Resources that do not Affect Net Cost of Operations	-	-
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(233,532)	3,244,785
Total Resources Used to Finance the Net Cost of Operations	$24,101,758	$22,779,586
Components Requiring or Generating Resources in Future Periods		
Increase/Decrease in Annual Leave Liability	$41,559	($128,224)
Increase in Exchange Revenue Receivable from the Public	(2,903)	(1,803)
Other	-	-
Total Costs that will Require or Generate Resources in Future Periods	$38,656	($130,027)
Components not Requiring or Generating Resources		
Depreciation and Amortization	$1,743,311	$1,671,899
Revaluation of Assets or Liabilities	(341,573)	(75,184)
Bad Debt	3,360	152
Other (Unfunded Leave and FECA Actuarial)	(172,620)	45,036
Total Components of Net Cost that will not Require or Generate Resources	1,232,478	1,641,903
Total Components of Net Cost that will not Require or Generate Resources in the Current Period	1,271,134	1,511,876
Net Cost of Operations	$25,372,892	$24,291,462
Statement of Net Cost	$25,372,892	$24,291,462

Appendix

FY 2013 Performance Chart

Agency-wide Annual Performance Results and Targets

Performance Goals	Objective	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013
Maintain the Agency's Readiness Plans which include the Call and Deliver, Reclassify, Alternative Service, and the Lottery Standard Operating Procedures.	1.2.1	N/A	100%	100%	100%	100%	100%
Be prepared to activate State Headquarters, Area Offices, and SSS Board Members to timely, fairly, and equitably process reclassification claims.	1.2.2	N/A	N/A	100%	100%	100%	100%
Attain registration rate above 91 percent for eligible males 18-25.	1.1.1	N/A	N/A	100%	100%	100%	100%
Obtain 85 percent of registrations electronically.	1.1.2	100%	100%	100%	100%	100%	100%
Complete implementation of the Strategic Human Capital Management Plan.	2.2.1	80%	85%	85%	85%	25%[1]	25%
Complete Implementation of the Homeland Security Presidential Directive (HSPD-12) initiative.	2.2.1	5%	5%	100%	100%	70%[1]	70%
Update the Fiscal Manual.	2.3.1	20%	60%	60%	60%	60%	100%[2]
Continue Performance and Budget integration.	2.3.2	70%	75%	100%	100%	100%	100%
Continue the development and implementation of the registration modernization project.	2.4.1	7%	10%	25%	100%	100%	100%
Ensure compliance with FISMA requirements and reporting tasks as well as protecting personal identification information entrusted to the SSS.	2.4.1	7%	10%	25%	50%	100%	100%

[1] FY 2012 results adjusted downward based on FY 2013 analysis of actual status.

[2] The Fiscal Manual update is complete. There will be ongoing revisions as improvements are identified.

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Performance Goals	Objective	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013
DMC: Improve response times, in accordance with provisions of the Agency's Administrative Services Manual, for all types of responses (SIL, Compliance receipts, Reg. processing, all other correspondence).	2.5.1	14 Days	27 Days	40.75 Days	21 Days	18 Days	4 Days
PIA: Congressional, media, Freedom of Information Act and Privacy Act customers, registrants, the general public, etc.	2.5.1	10 Days	8 Days	2.7 Days	2 Days	2 Days	2 Days

Glossary

Abbreviations and Acronyms

Terminology	Acronym
Alternative Service Employer Network	ASEN
Alternative Service Program	ASP
Alternative Service Worker	ASW
Annual Performance Plan	APP
Calendar Year	CY
Central Registrant Processing Portal	CRPP
Chief Financial Officer	CFO
Civil Service Retirement System	CSRS
Conscientious Objector	CO
Continuity of Operation Plans	COOP
Corporation for National and Community Service	CNCS
Data Management Center	DMC
Department of Defense	DoD
Department of Homeland Security	DHS
Department of Labor	DOL
Driver's License Legislation	DLL
Federal Accounting Standards Advisory Board	FASAB
Federal Employee Compensation Act	FECA
Federal Employees Health Benefit Program	FEHBP
Federal Employees Retirement System	FERS
Federal Group Life Insurance Program	FEGLIP
Federal Information Security Management Act	FISMA
Federal Managers' Financial Integrity Act of 1982	FMFIA
Federal Payroll Personnel System	FPPS
Fiscal Year	FY
General Service Administration	GSA
Generally Accepted Accounting Principles	GAAP
Government Accountability Office	GAO
Government Performance and Results Act	GPRA
Homeland Security Presidential Directive	HSPD-12
Human Capital Management Plan	HCMP
Human Resources	HR
Integrated Mobilization Information System	IMIS
Interactive Voice Response System	IVR
Local Board	LB
Local Board Member	LBM
Military Entrance Processing Station	MEPS
Military Selective Service Act	MSSA
Occupancy Agreement	OA

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Abbreviations and Acronyms *(Continued)*

Terminology .... Acronym

Office of Management and Budget.. OMB
Oracle Federal Financials... OFF
Other Post-Employment Benefits .... OPEB
Performance and Accountability Report .... PAR
President's Management Approach.. PMA
Personal Identifiable Information .... PII
Property, Plant, and Equipment.. PPE
Public and Intergovernmental Affairs... PIA
Registration Compliance Statistical Information .... RCSI
Reserve Force Officers.. RFO
Selective Service System .... SSS
State Director... SD
Statement of Budgetary Resources .... SBR
Statement of Federal Financial Accounting Standards.. SFFAS
Strategic Plan .... SP
Year of Birth... YOB

Selective Service System
National Headquarters
Arlington, VA 22209