Performance and Accountability Report FY 2016

November 15, 2016

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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 2016 Performance and Accountability Report (PAR). The Agency reviewed and assessed program performance and financial management systems in particular to guarantee that organizational stewardship aligns 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 the independent audit of SSS FY 2016 and FY 2015 financial statements found no material weaknesses, and received an unmodified ("clean") financial audit opinion.

Similarly, SSS met all mandates of the Federal Information Security Management Act (FISMA) audit, and independent auditors found no material weaknesses in the Agency's IT security program. This achievement is a direct reflection of the management effort that was focused on IT security improvement.

In sum, the financial statements contained herein fairly represent 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*.

Lawrence G. Romo
November 15, 2016

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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., 3801 *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 today, other components of our mission 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 System (SSS) 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 through the lottery, and arrange for their transportation to a Military Entrance Processing Station (MEPS) for testing and evaluation for military service.

Once notified of the results of his evaluation at the MEPS, a registrant may choose to file a claim for exemption, postponement, or deferment. If a claimant is re-classified by his 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 the 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. 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 76 years, SSS and the registration requirement for America's young men have served as a backup system to provide manpower to the U.S. Armed Forces during times of national crisis. In 1940, SSS was established as an independent federal civilian agency. Other than a brief suspension of the registration requirement from 1975 to 1980, registration has continued uninterrupted.

To accommodate the uncertainty of the future, the Agency has built flexibility into its programs, systems, and plans. The Agency has used its resources as efficiently and effectively as possible and appropriately adjusted program readiness to satisfy budgetary constraints and policy guidance.

Organization

The 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 local men seeking exemption or deferments, based on conscientious objection, hardship to dependents, or their status as ministers or ministerial students, as well as postponements for college students finishing their current semester or college seniors enrolling for their last full academic year. Additionally, several thousand uncompensated volunteer private citizens are participating in SSS registrar programs 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 statutory missions**.**

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 calendar year (CY) 2015, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 91 percent, up three percentage points from CY 2014, for men ages 18 through 25 who were required to be registered. For the 18 year of birth (YOB) group, the compliance rate was 72 percent, down one percentage point from CY 2014; the 19 YOB group was 88 percent, the same as CY 2014; and the 20 through 25 YOB groups (the draft-eligible groups) were 95 percent, up one percentage point from the previous year.

For FY 2016, 90 percent of all registrations were received through electronic processing. Of the three major areas of electronic registration, 43 percent were from driver's license registrations, 22 percent from the Department of Education, and 22 percent from the Internet (www.sss.gov).

Note: The SSS registration compliance rates are based on the previous Calendar Year (CY) data and not by Fiscal Year (FY). The SSS utilized population figures, established on CY data, from multiple data sources to estimate its annual registration compliance rates. When SSS is the sole data source, then calculations and estimates are by fiscal 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 registrants who have been selected by lottery; 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.

The SSS continues to provide training for its field personnel assets. This includes hard copy and web-based training for 11,000 Board Members 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, CO. 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), which will furnish the thousands of jobs for CO placement upon a return to conscription. This ongoing outreach is to the traditional CO constituency and to the many approved alternative service worker employer groups. Additionally, our State Directors and Reserve Force Officers (RFOs) will be prepared 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 responsive customer service.

Public service excellence is a major objective of the Agency. The SSS provides information pertaining to various legislative matters, policies, procedures, and information contained in specific records. Such information is provided to both individuals and to public and private institutions. Processing and responding to inquiries addressing SSS matters are important in an open, transparent government and warrant the highest level of customer service. In addition to maintaining an accurate database 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 management.

Far-reaching improvement efforts in the SSS Human Resources (HR) Office continued in FY 2016. The HR office addressed key staffing gaps that will support improved service to all SSS customers.

In the near term, the Agency conducted in-house recruiting actions, rather than contracting with other agencies during FY 2016. The HR staff learned the USA Staffing process; SSS also continued participating in the U.S. Department of Veterans Affairs' *VA for Vets* program and the

OPM's *Pathways Programs*. These programs support SSS in hiring veterans and students/recent graduates, respectively.

The Agency is taking significant steps forward in its overall performance. Based on the 2016 Federal Employee Viewpoint Survey (FEVS) results, more than 86 percent of Agency employees are satisfied with work/life balance programs, and over 65 percent know how their work relates to Agency goals and priorities. According to the 2016 FEVS report, 22 item ratings increased from 2015.

Objective 3 – Promote efficient and effective financial management.

Our integrated financial management system, Oracle Federal Financials (OFF), enabled the Agency to maintain a reliably consistent level of quality in its financial performance and reporting and continued to enhance budget, human capital, and performance integration. Furthermore, it improved management of the budget execution process, which resulted in an unmodified ("clean") financial audit opinion. The Agency's financial operations showed no material weaknesses and its financial statements were deemed free of any material misstatement. The SSS continued to update its Fiscal Manual, policies, and procedures to ensure compliance with evolving statutes, regulations, directives, and standards.

Objective 4 – Foster efficient and effective Information Technology management.

The independent FY 2016 Federal Information Security Management Act (FISMA) audit revealed no deficiencies and no material weaknesses. Also, the Agency continued to improve its continuous monitoring capabilities to ensure the data it's entrusted to protect remained secure.

The Agency also improved the Registration, Compliance, and Verification (RCV) system used to manage registration records of young men registering for a possible military draft. During FY 2016, this system was updated to ensure operational capabilities were maintained for the foreseeable future.

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

The Agency's public and intergovernmental affairs activities faced 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 6,300 young men turning 18 every day, SSS outreach to community leaders, other governmental and private entities, public and private influencers, and media was a major continuing strategy during FY 2016 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) 24 outreach initiatives; (3) social network expansion; and (4) 28 national exhibits. During FY 2016, SSS distributed 16 English and four Spanish radio news announcements to 12,000 stations, and six TV news announcements were released to 1,000 media outlets. "News spots" were sent to 7,000 radio stations. Additionally, the Agency distributed a national TV public service announcement. Six SSS news stories, all of which were translated into Spanish, were distributed to 10,000 English and Spanish language newspapers. SSS personnel traveled to six low-compliance cities and conducted 131 meetings with educators, media, immigrant services, churches, and social service organizations targeting the hard-toreach immigrants and out-of-mainstream youth. The SSS updated its YouTube and social network sites, to include enhancing its Facebook presence.

The Agency distributed 28,000 high school registration kits to principals and registrars across the nation. Further, SSS inaugurated the redesigned of its official website for implementation in FY 2016. Partnership activities were implemented with the National High School Coaches Association, five minor league baseball teams in low-compliance markets, the Distributive Education consortium, the National Federation of State High School Associations, Latino Magazine, U.S. Hispanic Leadership Institute, Harlem Globetrotters Street Basketball, the National Association of Social Workers, National Soccer Association, National Rugby Association, Facebook, Twitter, juvenile detention/probation agencies, and college readiness sites, and drive-in theaters. Finally, SSS focused its registration awareness messages through articles appearing in an array of publications by various education associations and local newspapers.

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.

Planning and Funding

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 2016 budget allocation was expended in support of the Agency's Strategic Goals and Objectives.

The SSS continues to refine its ability to link the amount of appropriated funds with particular program results in a given fiscal year. The Agency's integrated financial management system has helped to alleviate some of the complexity associated with this effort. In FY 2016, managers continued the practice of identifying specific program costs at their level, which assisted the effort of linking budget to performance within particular programs.

FINANCIAL HIGHLIGHTS

Financial Position

The SSS' audited financial statements are submitted to OMB in compliance with the Accountability of Tax Dollars Act 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 used all available resources to satisfy its previously 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. The GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

Limitations of the Financial Statements

The SSS management is responsible for the integrity and objectivity of the financial information presented in the financial statements. The accompanying financial statements are prepared to report the results of SSS financial policies and operations. While these financial statements have been prepared from SSS books and records, the statements are in addition to other financial reports used to monitor and control budgetary resources. The financial statements should be read with the realization that SSS is an agency in the Executive Branch of the United States Government. 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

The SSS' FY 2016 and FY 2015 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 $9.87 million in FY 2016. Fund balances with Treasury, mostly undisbursed cash balances from appropriated funds, comprised about 53 percent of the total assets.

47 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 2016, SSS had total liabilities of $4.23 million. The components of SSS liabilities were Federal Employee Compensation Act (FECA) of $2.03 million; accounts payable, employer contributions, and payroll taxes of $1.23 million. Accrued payroll and leave, plus unfunded leave, totals $0.97 million.

Net Position. SSS net position, which reflects the difference between assets and liabilities and represents the Agency's financial condition, totals $5.64 million. This amount is broken into two categories: unexpended appropriations (amounts related to undelivered orders and unobligated balances) at $3.90 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at $1.74 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 2016 net cost of operations was $26.44 million: $26.81 million in gross costs less $0.37 million in reimbursable revenues (DoD).

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. The SSS ended FY 2016 with a net position total of $5.64 million, decreased from FY 2015's position of $7.88 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). The SSS' FY 2016 budgetary resources totaled $25.29 million and were comprised of $22.70 million in budget authority, an unobligated balance of $1.59 million, and $1.00 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 2016. The FY 2016 independent audit showed no material weaknesses and disclosed no instance of noncompliance with laws or regulations. The Agency received an unmodified ("clean") audit opinion, The Agency continues to refine and enhance internal controls. The SSS continues to implement and improve financial management policies, processes, and procedures, and to document those changes in updates to the Agency's Fiscal Manual.

Director's FMFIA Statement of Assurance

THE DIRECTOR OF SELECTIVE SERVICE
Arlington, Virginia 22209-2425

DIRECTOR'S FMFIA STATEMENT OF ASSURANCE

Selective Service System's (SSS) management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982.

In accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, SSS conducted its annual assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations; and whether the financial management system conforms to applicable financial systems requirements.

Based on the results of this assessment, SSS provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations as of September 30, 2016, were operating effectively and that no material weaknesses were found in the design or operation of its internal controls. Some reporting officials identified areas for improvement in their individual assessments, which are being addressed internally and are not of a material nature.

Further, based on the assessment, the Agency determined that its financial management system conforms to applicable financial systems requirements.

Lawrence G. Romo
November 01, 2016

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 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 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.

The 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.

The SSS operates a broad internal control program to ensure compliance with FMFIA requirements, other laws, OMB Circular A-123, and OMB Circular A-127, *Financial Management Systems*. All SSS managers are responsible for ensuring that their programs operate efficiently, effectively, and in compliance with the aforementioned statutes and guidance. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements. The SSS has achieved, and is committed to maintaining, a fiscal and operational environment that is free of material weaknesses.

FY 2016 Results

In FY 2016, independent audits of the Agency's financial statements and FISMA program found both to be free of any material weaknesses. The following exhibit provides a summary of the negative report of 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	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	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 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	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	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 existed at the end of FY 2016.

New Material Weaknesses

There were no material weaknesses identified during FY 2016.

IT Security Program

Summary of Outstanding Material Weaknesses

Material Weakness Existing	SSS IT Security Program None
None	Planned Actions: NA
Planned Actions NA	

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 2016

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 2016 Performance

This FY 2016 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 men ages 18 through 25 is required.

Significant Activity:
At the end of FY 2016, a total of 40 states, four territories, and the District of Columbia had enacted driver’s license legislation (DLL) supporting Selective Service registration: 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, Wisconsin, Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico, the Virgin Islands, and the District of Columbia.

SSS set two performance goals for Objective 1.

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

FY 2016 Annual Performance Goal: Attain registration rate above 91 percent for eligible males 18-25.

Was the goal achieved? No

Results:
Projected: 93 percent (18-25 YOB Groups), Actual: 91 percent.

Discussion:
Registration remains 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) enacting and implementing driver's license legislation (DLL) encouraging registration with Selective Service to obtain a driver's license, driver's permit, or an identification card; (2) using online registration through Selective Service's website, www.sss.gov; (3) soliciting volunteer Selective Service registrars; (4) partnering with U.S. Postal Service offices, the only universal source of availability of Selective Service registration forms; and (5) focusing on cost-effective registration awareness initiatives and outreach efforts to inform educational and community leaders and groups.

***Impact*:**
For CY 2015, the Selective Service national overall estimated registration compliance rate was up three percentage points from CY 2014 for men ages 18 through 25 who were required to be registered. For the 18 YOB group, the compliance rate was 72 percent, down one percentage point from CY 2014; for the 19 YOB group the rate was 88 percent, the same as CY 2014; and the 20 through 25 YOB group (the draft-eligible group) was 95 percent, up one percentage point from CY 2014.

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

Planned Actions / Schedule:
For FY 2016, 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. The SSS' goal is 100 percent coverage of the nation's potential registrant population. Thus, as states enact and implement DLL 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 its registration compliance programs. The 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 2016 Annual Performance Goal: Obtain 85 percent of registrations electronically.

Was the goal achieved? Yes

Results:
Projected: 89 percent - Actual: 90 percent of total.

Discussion:
For FY 2016, 90 percent of all registrations were received through electronic processing. The three major areas of electronic registration were 43 percent from driver's license registrations, 22 percent from the Department of Education, and 22 percent from the Internet (www.sss.gov).

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, where 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 2016, SSS improved the infrastructure needed to manage a military draft.

Strategic Objective 1.2.1 Be prepared to deliver personnel when needed.

FY 2016 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:
The SSS continued its scheduled periodic reviews of all Agency Readiness Plans and associated Standard Operating Procedures to ensure currency and accuracy. An update was completed on the Agency National Readiness Plan. 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 Strategic Plan.

Impact:
Periodic updating of preparedness documents ensures that the Agency is able to initiate actions during a return to conscription. Integrating the National Headquarters (NHQ) reviews with the field reviews 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. In FY 2016, the Agency plans to conduct its internal self-assessment, which is a review, analysis, and evaluation of the Agency's policy, procedural, and operational functions, including all Agency Readiness Plans, Policy Manuals, and Operational Procedures. Results will determine whether the Agency is in compliance with applicable guidance, or a corrective action plan is required.

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 2016 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 was the 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 will be incorporated into the Agency's revised Integrated Mobilization Information System (IMIS) and the follow-on Central Registrant Processing Portal (CRPP).

The Agency continued to upgrade its web hosting capabilities and procured enhanced web-authoring software in FY 2016. The Agency developed and deployed electronic and web-based training in multiple formats and across multiple platforms 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 training materials to ensure the widest possible dissemination of information.

Discussion:
Annual training of RFOs 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 to ensure a fair and equitable return to conscription, should it be necessary.

Planned Actions / Schedule:
Periodic updating of training plans and materials 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).

Strategic Objective 1.3.1 Plan for timely job placement of Alternative Service Workers (ASWs) when needed.

<u>FY 2016 Annual Performance Goal</u>: Expand Alternative Service Employer Network (ASEN) training for State Directors and Reserve Force Officers (RFOs) at the local level.

Was the goal achieved? Yes

Results:
The Agency's strategy for ASEN expansion was re-evaluated and, as a consequence, underwent significant revision. Alternative Service Program (ASP) policy, procedures, and implementation documents were realigned to echo other agency priorities and goals. Revised ASP policy, procedures, and implementation documents reflect a shift from the focus on training State Directors and the agency's small cadre of RFOs to build the ASEN to a focus on the training of Region personnel to develop Region-centered ASEN development and implementation strategies. The training of Region staff to oversee the training of State Directors and RFOs to

develop the ASEN puts the responsibility for the development of strategies for the identification and recruitment of approved employers at the oversight level where it will be most effective.

Discussion:
It has long been a staple of ASP planning strategy that the peacetime training of SSS field elements to build the ASEN was the key to mobilization success. A re-examination of mobilization roles and responsibilities highlighted the weaknesses of this strategy and the need for the active involvement of Region staff in helping State Directors develop strategies for approved employer identification and recruitment. The focus of initial ASEN-building training has thus shifted from State Directors and RFOs to the Region staff. Once trained themselves, Region staff will assume responsibility for ensuring their State Directors and RFOs have the skills and abilities required to play their parts in peacetime and mobilization ASEN-building activities.

Impact*:*
The shift in training focus better ensures that ASEN-building proceeds more efficiently, effectively, and uniformly nationwide. Trained Region staff will provide better oversight of the State Directors who bear the brunt of responsibility for ASEN-building and Alternative Service Program implementation.

Region training activities focused on ASEN development ensures the Agency is prepared to act as the vital national security insurance policy it has become and, at the same time, be the protector of the rights of those conscientiously opposed to participation in war.

Planned Actions / Schedule:
The realignment of Alternative Service Program policy, procedures, and implementation documents in FY 2016 show clearer lines of authority and responsibility for ASEN-building activities and nationwide Alternative Service Program operations. In addition to training field elements to help identify and recruit ASEN members, the Agency has revised all of its existing ASP readiness training.

As opposed to actively seeking to recruit approved employers, Selective Service will now assume a more passive posture; it will consider signing "provisional" employer agreements in peacetime when approached by an approved employer. To date, SSS has executed provisional agreements with three Federal agencies and Woodcrest Service Committee, Inc., the United Church Board for Homeland Ministries, Mennonite Voluntary Service (an agency of the Network and the Mennonite Church), the Brethren Volunteer Service (an organ of the Church of the Brethren), the Old Order Amish, the Methuselah Foundation, and the Christian Aid Ministries' Conservative Anabaptist Service Program (CASP).

Strategies for the identification of approved employers nationwide will be developed as part of the new ASP training modules. In addition, Selective Service continues to work toward establishing an agreement 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 ready access to a pool of approved employers 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 – Offer responsive Customer Service.

SSS implemented technology upgrades to its hardware, software, security, and systems development processes.

The Agency's website (https://www.sss.gov) permits men to register with the SSS and to verify a registration online. This site is operational 24/7, 365 days a year with the exception of scheduled maintenance windows that normally occur for just a few hours per week. Online registration makes it easy for a young man to meet his obligation to register for a possible military draft ensuring he remains eligible for Federal student loans, job training, and other benefits tied to the registration requirement.

The Agency continues to work with the Department of Homeland Security to improve its security posture through implementation of new continuous monitoring capabilities. Data security is a top-priority concern for the Agency – it maintains one of the largest Federal database containing personally identifiable information.

Objective 2 – Ensure efficient and effective human resource management.

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

For FY 2016, SSS set the performance goal of completing implementation of the Strategic Human Capital Management plan (HCMP).

FY 2016 Annual Performance Goal: Complete implementation of the Strategic Human Capital Management plan.

Was the goal achieved? Yes

Results:
The 2016 HCMP was completed and distributed to the Agency's leadership, including regional offices. The HCMP ensures across-the-board strategic alignment with the Agency's mission, promotes a results-oriented work culture, and enables the Agency's leadership to attain measurable performance results.

Discussion:
The HCMP is structured around five elements identified in the Human Capital Assessment and Accountability Framework (HCAAF) that OPM established under 5 U.S.C. 1103(c). The architecture is:

Element 1 – Strategic Alignment
Element 2 – Leadership and Knowledge Management
Element 3 – Results-Oriented Performance Culture
Element 4 – Talent Management
Element 5 – Accountability

Impact:
These elements support the Agency's human capital and help us focus on:

- Improving morale,
- Improving communications,
- Improving the work environment,
- Increasing the emphasis on responsibility and accountability,
- Enhancing employee training opportunities,
- Increasing efficiency through state-of-the art technology, and
- Shaping the workforce.

All of these elements are interrelated and serve the common purpose of producing and supporting a workforce to meet the Agency's mission.

Planned Actions / Schedule:
The SSS already has in place a wide variety of programs, activities, and tools to address issues identified during the development of the HCMP, such as the flexible and compressed work schedule option, and a telework program that covers nearly 67 percent of all employees. The Agency highlighted a number of goals that merit special emphasis where the expenditure of resources can be expected to yield the greatest benefits.

These are organized under the five HCAAF elements listed above and include supporting activities and broad key efforts linked to the specific human capital goals. Measures and expected outcomes are identified for each of the key efforts as well.

The implementation of these solutions will greatly enhance the Agency's ability to manage its human capital.

Verification and Validation:
The 2016 Federal Employee Viewpoint Survey indicated improvement in several key human capital management areas. Any shortfalls are being addressed with corrective actions.

Objective 3 – Promote efficient and effective financial and logistics 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 2016 Annual Performance Goal: Complete ongoing updates of the Fiscal Manual.

Was the goal achieved? Yes

Results:
The Fiscal Manual continued to provide needed policy and procedures guidance across a broad spectrum of financial management and procurement topics.

Discussion:
None.

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 Financial Management (FM) staff members.

Verification and Validation:
As envisioned at its inception, the SSS Fiscal Manual is a "living document" that will continue to be updated. Future changes or adjustments will be incorporated as necessary, but a periodic review will be performed at least annually. It was accomplished during FY 2016.

Strategic Objective 2.3.2 Align budgeted funds with performance expectations.

FY 2016 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.

Strategic Objective 2.3.3 Fully implement the HSPD-12 program.

FY 2016 Annual Performance Goal: Expand the use of 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 made further progress in fully implementing the HSPD-12 program during FY 2016. Implementation is approximately 95% complete toward full compliance.

Impact:
The impact of not achieving this goal was minimal. Since each field location is at a military facility, physical security is controlled at each location and there have been no security issues. The Agency's Information Technology Office has provided close oversight of the information security aspects of HSPD-12.

Planned Actions / Schedule:
The Agency will continue to implement the HSPD-12 program, both for physical and information security. This includes the activation and use of HSPD-12 card readers at the National Headquarters and at all field locations.

Verification and Validation:
It is expected that by the end of CY 2016, all full-time employees will use their issued HSPD-12 card for physical and information security access to SSS-controlled spaces during normal business hours.

Objective 4 – Foster efficient and effective Information Technology management.

SSS continued to update its technical environment to satisfy security and program requirements. The Registration, Compliance, and Verification (RCV) system used to manage SSS registrations was updated this year to a newer version of the database software used to manage the system's records. This will ensure the system can be maintained for the foreseeable future.

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

For FY 2016, 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 personally identifiable information entrusted to SSS.

FY 2016 Annual Performance Goal: Continue the development and implementation of registration modernization.

Was the goal achieved? Yes

Results:
The SSS installed new computer hardware to improve security. FY 2016 saw a major push to improve continuous monitoring capabilities. Also, the FY 2016 FISMA audit determined that the Agency was in compliance with FISMA requirements, had no deficiencies, and had zero material weaknesses.

Discussion:
The Agency awarded a contract to sustain and continue enhancements to the registration system during FY 2016. This work is ongoing, and will put 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 that data remains secure. The Agency is fully compliant with continuous monitoring mandates, and it is working closely with the Department of Homeland Security (DHS) to improve information security capabilities.

Impact:
Partnership between SSS, DHS, and the prime contractor for the SSS registration system resulted in better network security monitoring reduced and operational capabilities this year.

Planned Actions / Schedule:
The SSS achieved these goals by the end of FY 2016.

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

FY 2016 Annual Performance Goal: Ensure compliance with FISMA requirements and reporting tasks as well as protecting personally identifiable information entrusted to SSS.

Was the goal achieved? Yes

Results:
The FY 2016 audit determined that SSS was in compliance with FISMA requirements and had zero material weaknesses.

Discussion:
FISMA audits occur each year, and under current SSS and Information Technology

leadership, special emphasis continues to be placed upon ensuring compliance.

Impact:
Improved FISMA compliance, an improved audit report, and improved network security.

Planned Actions / Schedule:
FY 2016 again witnessed the Agency in compliance with zero material weaknesses and no deficiencies. This was the fourth such report the Agency received over the last ten years. Continued emphasis on FISMA compliance will help ensure the security and efficiency of IT programs.

Verification and Validation:
N/A

Objective 5 – Promote 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 2016, the Agency's Public and Intergovernmental Affairs staff responded to a steady 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 continued national economic recovery and general movement to retrain and retool one's skills. Additionally, news outlets both print and broadcast, contacted SSS for general interviews or specific information.

Further, SSS distributed 16 radio spot public service announcements in English and Spanish and announcer-read scripts for live radio public service announcements to all major media markets. The SSS produced public service messages for TV, radio, and newspapers. The Agency manned 28 national exhibits; participated in 131 outreach meetings and initiatives; and developed social media network internet tools promoting registration.

FY 2016 Annual Performance Goal: Improve response times 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:
Data Management Center (DMC)

Registration Processing: Target 18 days; Actual: 5 days

Registrant Status Information Letters: Target 15 days; Actual: 8 days

Compliance Mailings: Target 10 days; Actual: 15 days [1]

Other Center Mailings: Target 10 days; Actual: 7 days

Public & Intergovernmental Affairs (PIA) Directorate

Assorted Inquiries: Target 10 days; Actual: 2 days or less

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

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

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[1] Increased workloads and longer lead times to fill high turnover positions caused an increase in response times. Paper based receipts increased 23 percent, while the amount of outbound letters mailed increased 10 percent.

Freedom of Information Requests /Privacy Act Correspondence: Target 20 days; Actual: 3 days or less

Discussion:
Remarkable turnaround times were maintained during FY 2016. DMC and PIA have in place internal controls to monitor turnaround times, in addition to customer feedback. Whenever a feasible programmatic fix is available, it is evaluated for adoption where economical and practical. Increased workloads and longer lead times to fill high turnover positions caused an increase in response times. Paper based receipts increased 23 percent, while the amount of outbound letters mailed increased 10 percent.

Impact:
Acceptable customer service levels have again been achieved in responding to written inquiries. Overall, both the DMC and PIA are outperforming most of their response time goals. As positions are filled and personnel trained, additional improvements should be seen in customer service response times.

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

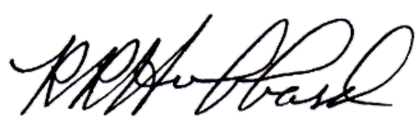
MESSAGE FROM THE CHIEF FINANCIAL OFFICER (CFO)

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

In FY 2016**,** 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*. For the eighth year in a row, I am pleased to report that as of September 30, 2016, SSS received an unmodified ("clean") financial audit opinion.

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
November 15, 2016

Selective Service System

Audit of Financial Statements

As of and for the Years Ended
September 30, 2016 and 2015

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 financial statements of Selective Service System (SSS), which comprise the balance sheet as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the SSS's internal control over financial reporting, and tested the SSS's compliance with certain provisions of applicable laws, regulations, and certain provisions of contracts.

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, 2016 and 2015, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, the report contains no findings. SSS officials advised us that since there were no findings a written response would not be provided.

Our tests of compliance with certain provisions of laws, regulations, and significant provisions of contracts, disclosed no instance of noncompliance that is required to be reported under Government Auditing Standards and the Office of Management and Budget (OMB) audit bulletin.

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, 2016 and 2015, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States; and OMB Bulletin 15-02, *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 professional 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. 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 on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SSS as of September 30, 2016 and 2015, 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 require that Management's Discussion and Analysis (MDA) 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 of America, which 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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, 2016 and 2015, 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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness.

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. 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, we noted no instance of noncompliance that is required to be reported according to *Government Auditing Standards* and the OMB audit bulletin guidelines. No other matters 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. 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. 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, PC

Leon Snead & Company, P.C.
Rockville, MD
November 8, 2016

Status of Prior Year Recommendations

Recommendation	Status
1. Provide in-house refresher training to OCFO personnel on internal control and operating processes established in the SSS fiscal manual concerning the issues noted in this report.	Closed
2. Strengthen SSS operating policies and procedures relating to contracting actions. Ensure that processes are established relating to contract documentation requirements, and FAR requirements are adhered to when providing advances to contractors.	Closed
3. Provide training to contracting personnel on FAR requirements.	Closed
4. Perform a comprehensive review of contract operations to ensure that agency policies and processes adhere to FAR requirements.	Closed

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 Change 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, 2016 and 2015
(in dollars)

	2016	2015
Assets:		
Intragovernmental:		
Fund Balance with Treasury **(Note 2)**	5,267,210	5,980,433
Total Intragovernmental	5,267,210	5,980,433
Accounts Receivable, net **(Note 3)**	54	756
General Property, Plant and Equipment, Net **(Note 4)**	4,602,259	6,231,776
Total assets	9,869,523	12,212,965
Liabilities		
Intragovernmental:		
Accounts Payable **(Note 5)**	391,354	109,922
Other	-	-
Employer Contributions and Payroll Taxes Payable **(Note 5)**	98,668	69,533
Unfunded FECA Liability **(Notes 5 and 6)**	335,198	360,362
Other Unfunded Employment Related Liability	508	1,976
Liabilities for Non-Entity Assets	-	-
Total Intragovernmental	825,728	541,793
Accounts Payable **(Note 5)**	480,975	892,276
Federal Employee & Veteran Benefits **(Notes 5 and 6)**	1,698,209	1,815,876
Other	-	-
Accrued Funded Payroll and Leave **(Note 5)**	380,167	274,429
Employer Contributions and Payroll Taxes Payable **(Note 5)**	13,545	9,704
Unfunded Leave **(Note 5)**	830,342	795,111
Liabilities for Non-Entity Assets	-	-
Total Liabilities	4,228,966	4,329,189
Net Position:		
Unexpended Appropriations - Other Funds	3,902,499	4,624,567
Cumulative Results of Operations - Other Funds	1,738,057	3,259,207
Total Net Position	5,640,557	7,883,775
Total Liabilities and Net Position	9,869,523	12,212,964

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

For the Period Ended September 30, 2016 and 2015
(in dollars)

Program costs:	**2016**	**2015**
Salaries and Expenses:		
Gross Costs **(Note 8)**	$ 26,811,663	$ 26,130,174
Less: Earned Revenue **(Note 9)**	(370,000)	(365,181)
Net Program Costs	26,441,663	25,764,993
Net Cost of Operations	$ 26,441,663	$ 25,764,993

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF CHANGES IN NET POSITION
For the Period Ended September 30, 2016 and 2015
(in dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	$ 3,259,207	$ 4,001,236
Adjustments:	-	-
Beginning balance, as adjusted	3,259,207	4,001,236
Budgetary Financing Sources:		
Appropriations used	22,848,310	22,880,175
Non-exchanged Revenue	-	-
Other Financing Sources (Non-Exchange):		
Imputed financing	2,072,203	2,142,789
Other	-	-
Total Financing Sources	$ 24,920,513	$ 25,022,964
Net Cost of Operations	(26,441,663)	(25,764,993)
Net Change	(1,521,150)	(742,029)
Cumulative Results of Operations	$ 1,738,057	$ 3,259,207
Unexpended Appropriations:		
Beginning Balance	$ 4,624,568	$ 5,407,660
Adjustments:	-	-
Beginning Balance, as adjusted	4,624,568	5,407,660
Budgetary Financing sources:		
Appropriations received	22,703,000	22,500,000
Other adjustments	(576,758)	(402,916)
Appropriations Used	(22,848,310)	(22,880,175)
Total Budgetary Financing Resources	$ (722,068)	$ (783,091)
Total Unexpended Appropriations	$ 3,902,499	$ 4,624,567
Net Position	$ 5,640,557	$ 7,883,775

Selective Service System
STATEMENT OF BUDGETARY RESOURCES
For the Period Ended September 30, 2016 and 2015
(in dollars)

	2016	2015
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	$ 2,165,830	$ 2,043,697
Recoveries of Prior Year Unpaid Obligations	621,681	1,616,967
Unobligated Balance, Other Balances Withdrawn to Treasury	(576,758)	(402,916)
Other Change in Unobligated Balance	6,219	-
Unobligated Balance from Prior Year Budget Authority, Net	2,216,972	3,257,748
Appropriations	22,703,000	22,500,000
Spending Authority from Offsetting collections	370,000	372,767
Total Budgetary Resources	$ 25,289,972	$ 26,130,515
Status of Budgetary Resources:		
Obligations Incurred :	$ 23,160,281	$ 23,964,685
Unobligated Balance, End of Year		
Apportioned	115,704	76,682
Unapportioned	2,013,988	2,089,148
Total Unobligated Balance, End of Year	2,129,692	2,165,830
Total Budgetary Resources	$ 25,289,972	$ 26,130,515
Change in Obligated Balance:		
Unpaid Obligation, Brought Forward, October 1	$ 3,814,603	$ 4,517,103
Obligations Incurred **(Note 10)**	23,160,281	23,964,685
Outlays (Gross)	(23,215,684)	(23,050,218)
Recoveries of Prior Year Unpaid Obligations	(621,681)	(1,616,967)
Unpaid Obligations, End of Year	$ 3,137,518	$ 3,814,603
Uncollected Payments:		
Uncollected Customer Payments from Federal Sources	$ -	$ -
Memorandum (non-add) Entries:		
Obligated Balance, Start of Year	3,814,603	4,517,103
Obligated Balance, End of Year	3,137,518	3,814,603
Budget Authority and Outlays, Net		
Budget Authority, Gross	23,073,000	22,872,767
Actual Offsetting Collections	(376,219)	(372,767)
Change in Uncollected Customer Payments from Federal Sources	-	-
Budget authority, net	$ 22,696,781	$ 22,500,000
Outlays, Gross	23,215,684	23,050,218
Actual Offsetting Collections	(376,219)	(372,767)
Agency Outlays, Net	$ 22,839,465	$ 22,677,451

SELECTIVE SERVICE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

As of and for the Periods ended September 30, 2016 and 2015

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. SSS 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 October 7, 2016).

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 PP&E to and from a location suitable for its intended use. The SSS PP&E 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 $50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is $100,000. 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 employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. For employees participating in CSRS, the SSS withheld 7% of based pay earnings and provided a matching contribution equal to the sum of the withholding. For employees covered by FERS, the SSS withheld .8% of the based pay earnings and provided the agency contribution. The majority of SSS employees hired after December 31, 1983 are automatically covered by FERS.

Effective January 1, 2003, the Middle Class Tax Relief and Job Creation Act of 2012 created a new FERS retirement category, Revised Annuity Employees (RAE) for new federal employees hired in calendar year (CY) 2013 or thereafter. In FY 2016, The FERS-RAE employee contribution rate was 3.1%. Effective January 1, 2014, the Bipartisan Budget Act of 2013 introduced a new FERS retirement category, further revised Annuity Employees (FRAE) for new federal employees hired in CY 2014 and thereafter. In FY 2016, the FERS-FRAE employee contribution rate was 4.4%. FERS contributions made by employer agency and covered employees are comparable to the Federal Government's estimated service costs.

For FERS covered employees, the SSS made contribution of 13.2% of based pay for FY 2016. For both FERS-RAE and FERS-FRAE covered employees, the SSS made contribution of 11.1% of based pay for FY 2016. Employees participating in FERS are covered under the Federal Insurance Contribution Act (FICA), for which the SSS contributed 6.2% to social security Administration in FY 2016.

Effective in FY 2012 FERS and CSRS-Offset employees were granted a 2% decrease in Social Security for tax year (CY) 2012 under the Temporary Payroll Tax Cut Continuation Act of 2011; and H.R. 3630, the Middle Class Tax Act Relief and Job Creation Act of 2012. During FY 2013, employees contributed 4.2% to Social Security through December 31, 2012. Effective January 1, 2013, the employee contribution rate is 6.20%.

(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 2016 and 2015 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 (Illinois), Region II (Georgia), Region III (Colorado) 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 exchange revenue that is recognized when earned (i.e., when services are 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.

(o) Contingent Liabilities

Contingencies where any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred should be disclosed. SFFAS No. 5, as amended by SFFAS No.12, contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, the following commitments will also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements, which may require future financial obligations. SSS legal counsel determined that there was no circumstance involving any uncertainty as to possible loss.

NOTE 2 – FUND BALANCE WITH TREASURY

Fund Balance with Treasury consisted of the following at September 30, 2016 and 2015:

Fund Balance:	2016	2015
Appropriated Funds (general)	$ 5,267,210	$ 5,980,433
Total Fund Balance with Treasury	$ 5,267,210	$ 5,980,433
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	$ 115,704	$ 76,682
Unavailable	2,013,988	2,089,148
Obligated Balance Not Yet Disbursed	3,137,518	3,814,603
Total Status of Fund Balance with Treasury	$ 5,267,210	$ 5,980,433

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.

(in dollars)	2016	2015
Accounts Receivable from the Public		
Current		
1-180 Days Past Due	$ 108	$ 1,511
181-365 Days Past Due	-	-
1 to 2 Years Past Due	-	2,571
Over 2 Years Past Due	1,578	56
Total Billed Accounts Receivable - Public	$ 1,686	$ 4,138
Unbilled Accounts Receivable	-	-
Total Accounts Receivable – Public	$ 1,686	$ 4,138
Allowance for Doubtful Accounts – Public	(1,632)	(3,382)
Total Accounts Receivable – Public, Net	$ 54	$ 756

NOTE 4 – GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

SSS policy is to capitalize individual purchases of property and equipment with a cost of $50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is $100,000. 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 $50,000 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, 2016 and 2015:

(in dollars)	Service Life	Acquisition Value	Accumulated Depreciation	2016 Net Book Value	2015 Net Book Value
Equipment	3-7 years	$1,437,632	$1,377,716)	$59,916	$227,247
Information Technology Software	3 years	564,914	(519,819)	45,095	103,017
Information Technology Software	5 years	475,919	(78,584)	397,335	378,919
Information Technology Software	7 years	11,142,005	(7,879,562)	3,262,433	4,746,174
Information Technology Software	10 years	474,284	(110,666)	363,617	411,046
Internal Use Software in Development		473,852	-	473,852	365,373
Asset Cleaning Accounting					
Total		$14,568,606	$(9,966,347)	$4,602,259	$6,231,776

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on Selective Service System's Balance Sheet as of September 30, 2016, 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, 2016 and 2015 is as follows:

(in dollars)	2016	2015
Intragovernmental:		
Unfunded FECA liabilities	$ 335,198	$ 360,362
Permanent deductions	-	-
Other unfunded employment related liabilities	-	-
Liability for non-entity assets	-	-
Total Intragovernmental	$ 335,198	$ 360,362
Public Liabilities:		
Federal employee and Veteran benefit-FECA actuarial liability	$ 1,698,209	$ 1,815,876
Unfunded annual leave	830,342	795,111
Other unfunded employment related liabilities	508	1,976
Total Liabilities Not Covered by Budgetary Resources	$ 2,864,257	$ 2,973,325
Total Liabilities Covered by Budgetary Resources	1,364,710	1,355,864
Total Liabilities	$ 4,228,966	$ 4,329,189

OTHER INFORMATION

Unfunded FECA 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 2015, and again in 2016, 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 $1,698,209 and $1,815,876 as of September 30, 2016 and 2015, respectively, is reported on SSS' Balance Sheet. SSS also recorded amounts paid to claimants by DOL as of September 30, 2016 and 2015, of $335,198 and $360,362 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. SSS has executed one long-term leases for office space. The leases is National Headquarters in Arlington, Virginia.

As a cost saving measure, in June 2014 Region II Headquarters relocated from its leased space to Dobbins Air Reserve Base (ARB) in Marietta, Georgia. In lieu of rent, Region II Headquarters will pay only operating costs and no rental costs for Georgia.

The previous lease for SSS Region III Headquarters was a five-year lease, initiated in January 2006 and extended in September 2010. It officially expired on December 31, 2015. SSS was billed for the final quarter of the lease in FY 2016. The total cost of the FY 2016 final bill was $23,506. In January 2016, as a cost saving measure, Region III relocated to Buckley AFB, Colorado where the Region currently only pays for utilities.

Office space for National Headquarters is obtained from General Services Administration (GSA) via a new Occupancy Agreement (OA) which became effective on October 28, 2013 to October 27, 2018.

The total cost of this three years and one month lease term is $3,113,151. The cost for FY 2016 is $1,012,601. Historically, base rent has escalated from 1% to 2% each year and is adjusted annually for operating cost (3%) and real estate taxes. Because Monday Properties had not increased the Headquarters' OA cost for several years, the most recent adjustment increased OA costs by 43 percent. The future year payments remaining under the new OA are as follows:

(in dollars)

Fiscal Year	**2016**	**2015**
2016	$ -	$1,012,601
2017	998,020	998,020
2018	1,007,213	1,007,213
2019 (Oct 2018 only)	95,317	95,317
Total Future Lease Payments	$2,100,550	$3,113,151

NOTE 8 – Intragovernmental Costs

(in dollars)	**2016**	**2015**
Intragovernmental Costs		
Intragovernmental costs	$10,590,533	$10,308,165
Public costs	16,221,130	15,822,009
Total Program Costs	26,811,663	26,130,174
Intragovernmental earned revenue	370,000	365,181
Public earned revenue	-	-
Total Program Earned Revenue	$370,000	$365,181

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 2016 and 2015, SSS earned $ 370,000 and $365,181 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 FY 2016 and FY 2015 consisted of the following:

(in dollars)	Apportionment Category	2016 Obligations	2015 Obligations
Obligations Incurred:			
Direct obligations	A	$22,790,281	$23,599,504
Reimbursable obligations	B	370,000	365,181
Total Obligations Incurred		$23,160,281	$23,964,685

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders are purchase orders issued by SSS during FY 2016 or FY 2015 that have not had delivery of required product or service as of September 30, 2016 or 2015, respectively. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during Fiscal Year 2016 or Fiscal Year 2015.

(in dollars)	2016	2015
Undelivered Orders		
Undelivered orders	$1,772,809	$2,458,738
Total Undelivered Orders	$1,772,809	$2,458,738

NOTE 12 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US 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 2015 amounts, was released in February 9, 2016. The President's Budget, with the actual FY 2016 amounts, is estimated to be released in February 2017. Both can be found at the OMB website (*http://www.whitehouse.gov/omb*). As such, the actual amounts for FY 2016 in the President's Budget have not been published at the time these financial statements were prepared.

A comparison of FY 2015 Statement of Budgetary Resources to the President's Budget is shown in the following table:

FY 2015 **($Millions)**	**Budgetary Resources**	**Obligation Incurred**	**Net Outlay**
Combined Statement of Budgetary	$ 26.00	$ 24.00	$ 23.00
Unobligated Balance not Available	(2.00)	(1.00)	-
Net increase from Unobligated Balance from prior year budget authority	(1.00)	-	-
Total Adjusted Balance	23.00	23.00	23.00
Budget of the US Government [1]	$ 23.00	$ 23.00	$ 23.00
Difference	-	-	-

[1] Unobligated balance not available ($2.0 million) and recoveries from prior year unpaid obligations ($1.0 million) are not included in the amounts 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 2016 and Fiscal Year 2015 quarters that ended September 30 are shown in the table below.

For the Period Ended September 30, 2016 and 2015

(In Whole Dollar)

Budgetary Resources Obligated		**FY 2016**		**FY 2015**
Obligations Incurred	$	23,160,281	$	23,964,685
Less: Spending Authority from Offsetting Collections and Recoveries		(627,901)		(1,624,553)
Obligations Net of Offsetting Collections and Recoveries	$	22,532,380		22,340,132
Less: Offsetting Receipts		(370,000)		(365,181)
Net Obligations	$	22,162,380		21,974,951
Imputed Financing from Costs Absorbed by Others		2,072,203		2,142,789
Net Other Resources Used to Finance Activities		2,072,203		2,142,789
Total Resources Used to Finance Activities	$	24,234,583		24,117,740
Resources Used to Finance Items Not Part of the Net Cost of Operations				
Change in Undelivered Orders		(685,930)		(905,224)
Resources that Fund Expenses Recognized in Prior Periods		144,299		413,647
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities		151,036		549,378
Other Resources that do not Affect Net Cost of Operations		0		0
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	$	(390,595)		57,801
Total Resources Used to Finance the Net Cost of Operations	$	24,625,178		24,059,939
Components Requiring or Generating Resources in Future Periods				
Increase/Decrease in Annual Leave Liability		35,231		17,191
Increase in Exchange Revenue Receivable from the Public		2,452		2,794
Other		0		0
Total Costs that will Require or Generate Resources in Future Periods	$	37,683		19,985
Components not Requiring or Generating Resources				
Depreciation and Amortization		1,834,996		1,784,676
Revaluation of Assets or Liabilities		(54,443)		(96,941)
Bad Debt		(1,750)		(2,665)
Other (Unfunded Leave and FECA Actuarial)		0		0
Total Components of Net Cost that will not Require or Generate Resources	$	1,778,802		1,685,070
Total Components of net Cost that will not Require or Generate Resources in the Current Period		1,816,485		1,705,055
Net Cost of Operations		26,441,663		25,764,994
Statement of Net Cost	$	26,441,663	$	25,764,994

APPENDIX

FY 2016 Performance Chart

Agency-wide Annual Performance Results and Targets

Performance Goals	Objective	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Attain registration rate above 90 percent for eligible males 18-25.	1.1.1	100%	100%	100%	100%	100%	100%
Obtain 85 percent of registrations electronically.	1.1.2	100%	100%	100%	100%	100%	100%
Maintain the Agency's Readiness Plans which include the Call and Deliver, Reclassify, Alternative Service, and the Lottery Standard Operating Procedures.	1.2.1	100%	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	100%	100%	100%	100%	100%	100%
Prepare and plan for an Alternative Service Network for the timely job replacement of ASWs.	1.3.1	NA	NA	NA	NA	NA	
Complete implementation of the Strategic Human Capital Management Plan.	2.2.1	85%	25%(1)	25%	25%	100%(3)	100%(3)
Improve the financial and logistics management activities.	2.3.1	100%	100%	100%	100%	100%	100%
Continue Performance and Budget Integration.	2.3.2	100%	100%	100%	100%	100%	100%
Complete implementation of the Homeland Security Presidential Directive (HSPD-12) initiative.	2.3.3	100%	70%(1)	70%	80%	90%	90%
Continue the development and implementation of the registration modernization project.	2.4.1	100%	100%	100%	100%	100%	100%
Ensure compliance with FISMA requirements and reporting tasks as well as protecting personal identification information entrusted to SSS.	2.4.1	50%	100%	100%	100%	100%	100%

(1) FY 2012 results adjusted downward based on FY 2013 improved analysis of actual status.
(2) The Fiscal Manual update is complete. There will be ongoing revisions as improvements are identified.
(3) Reflects a concerted effort to complete the implementation of the HCMP, which would in turn facilitate the accomplishment of other Agency objectives.

FY 2016 Performance Chart

Agency-wide Annual Performance Results and Targets

Performance Goals	Objective	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
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	21 days	18 days	4 days	2 days	2 days	10 days[1]
PIA: Congressional, media, Freedom of Information Act and Privacy Act customers, registrants, the general public:		2 days	2 days	2 days	2 days	2 days	2.2 days

[1] As previously noted, increased workloads and longer lead times to fill high turnover positions caused an increase in response times. Paper based receipts increased 23 percent, while the amount of outbound letters mailed increased 10 percent.

GLOSSARY

Abbreviations and Acronyms

Air Reserve Base	ARB
Alternative Service Employer Network	ASEN
Alternative Service Worker	ASW
Alternative Service Program	ASP
Annual Performance Plan	APP
Corporation for National and Community Service	CNCS
Central Registrant Processing Portal	CRPP
Calendar Year	CY
Conscientious Objector	CO
Department of Defense	DoD
Department of Homeland Security	DHS
Department of Interior	DOI
Department of Labor	DOL
Driver’s License Legislation	DLL
Federal Accounting Standards Advisory Board	FASAB
Federal Employee Compensation Act	FECA
Federal Information Security Management Act	FISMA
Federal Managers’ Financial Integrity Act	FMFIA
Financial Management	FM
Fiscal Year	FY
Generally Accepted Accounting Principles	GAAP
Government Accountability Office	GAO
Government Performance and Results Act	GPRA
General Services Administration	GSA
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
National Headquarters	NHQ
Occupancy Agreement	OA
Office of Management and Budget	OMB
Office of Personnel Management	OPM
Oracle Federal Financials	OFF
Performance and Accountability Report	PAR
President’s Management Approach	PMA
Registration Compliance Statistical Information	RCSI
Reserve Force Officer	RFO
Selective Service System	SSS
State Director	SD
Statement of Budgetary Resources	SBR
Statement of Federal Financial Accounting Standards	SFFAS
Strategic Plan	SP