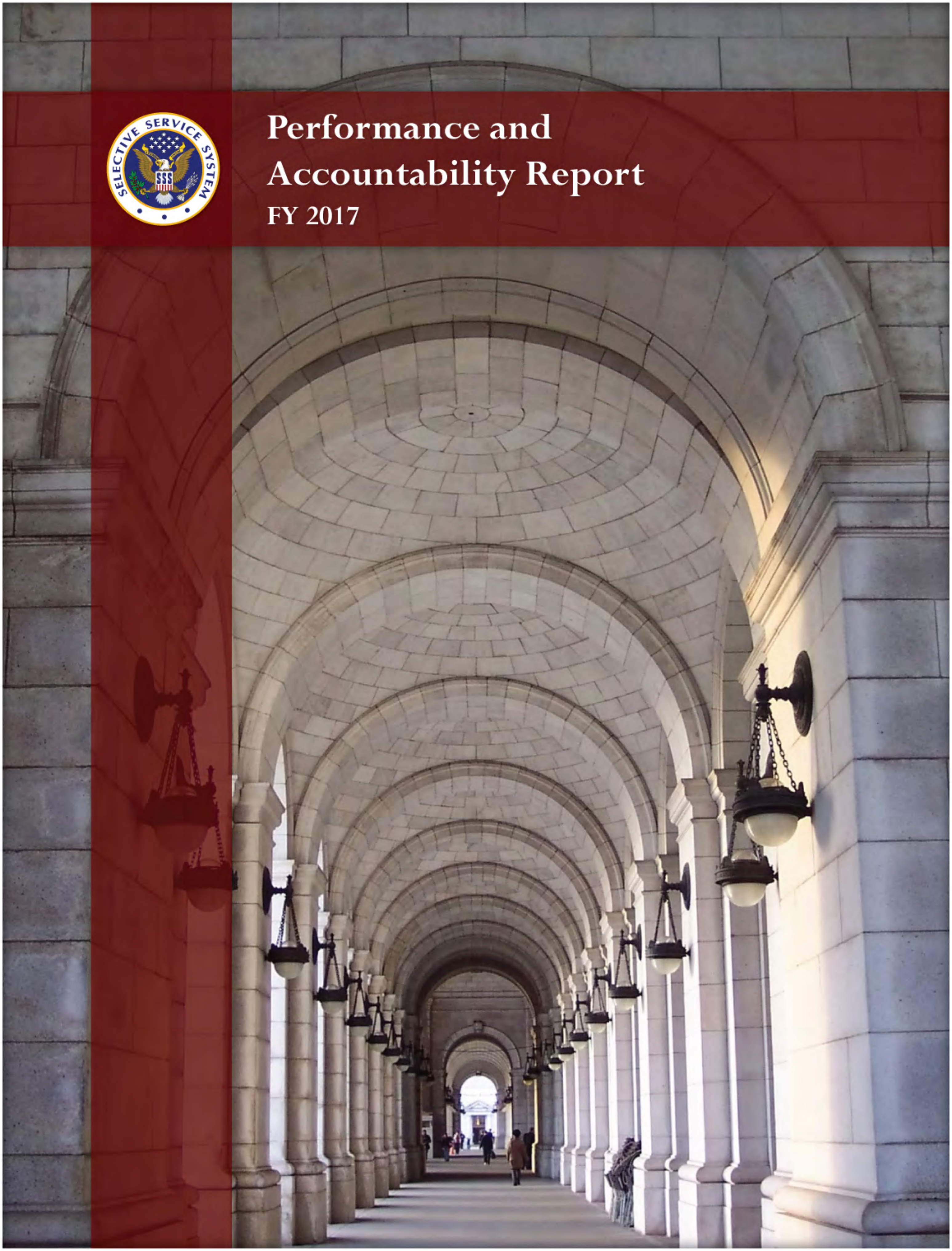

Performance and Accountability Report

FY 2017

SELECTIVE SERVICE SYSTEM

November 15, 2017

To obtain copies of this report,

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

Telephone:
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703-605-4055

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fm-accounting@sss.gov *or*
information@sss.gov

Web:
https://www.sss.gov/Reports/Financial-Reports

From the Director

The Selective Service System (SSS) documents responsibility and accountability through the implementation of our Strategic Plan, Performance Budget, and the 2017 Performance and Accountability Report (PAR). Leadership and staff reviewed and assessed program performance and financial management systems and gave particular emphasis to assure that Agency 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 2017 and FY 2016 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. I believe this achievement to be a direct reflection on our managers' efforts and focus on IT security improvements.

In sum, the financial statements contained herein properly represent the Agency's financial position. They were prepared consistent with generally accepted accounting principles and in accordance with Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

Donald M. Benton

Donald M. Benton
November 15, 2017

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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 be prepared to provide trained and untrained personnel to the DoD in the event of a national emergency and to be prepared to implement an Alternative Service Program for registrants classified as conscientious objectors.

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.

The primary 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 100 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 1917, The Selective Service Act established SSS as an independent federal civilian agency while the Selective Training and Service Act of 1940 and initiated the first draft to conscript during peacetime. 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 volunteer 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 three 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) 2016, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 92 percent, up one percentage point from CY 2015, for men ages 18 through 25 who were required to be registered. For the 18 year of birth (YOB) group, the compliance rate was 71 percent; for the 20 YOB group the rate was 92 percent, and for the 25 YOB group the annual compliance rate sat at 97percent.

For FY 2017, over 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 in a timely manner.

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 U.S. 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 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 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.

In FY 2017, the SSS Human Resources (HR) office addressed key staffing gaps.

The HR staff implemented the new OPM USA Staffing system designed to improve the recruitment and hiring processes.

The Agency invested in USA Performance, part of the Office of Personnel Management's (OPM) "USA Suite" of end-to-end talent management systems. Using USA Performance, Selective Service can automate and streamline the performance appraisal process throughout the entire performance rating cycle.

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 annual audit identified two areas for improvement: accounting for internal use software, and accounting transaction accuracy – particularly with upward adjustments. The audit also identified a management focus area in the accrual process for its military reservists. 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 2017 Federal Information Security Management Act (FISMA) audit revealed 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 2017, 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.

With over 6,300 young men turning 18 every day, the Agency's outreach to community leaders, other governmental and private entities, public and private influencers, and media was a major continuing strategy during FY 2017 to increase registration awareness and foster public understanding of the Agency's mission.

Strategic Planning and Reporting

The SSS Strategic Plan is in the process of being revised and updated and is an outgrowth of internal evaluations of the Agency's statutory responsibilities viewed in light of new challenges, fiscal issues, and the needs of Agency's 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 2017 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 2017, 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 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 operations and policies. 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 2017 financial statements report the Agency's financial position and results of operations on an accrual basis. 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 footnotes, which provide a clear description of the Agency, its mission and 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 which have future economic benefits. SSS assets totaled $9.36 million in FY 2017. Fund Balances with Treasury, mostly undisbursed cash balances from appropriated funds, comprised about 54 percent of the total assets.

Forty-six percent of SSS assets were comprised of general property, plant, and equipment. SSS does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving funds or trust funds.

Liabilities. Liabilities are recognized when incurred regardless of coverage by budgetary resources. In FY 2017, SSS had total liabilities of $4.05 million. The components of liabilities were Federal Employee Compensation Act (FECA) of $2.13 million; accounts payable, employer contributions, and payroll taxes of $0.67 million. Accrued payroll and leave, plus unfunded leave totaled at $1.25 million.

Net Position. SSS net position reflects the difference between assets & liabilities while also representing the Agency's financial position totaling $5.31 million. The amount is divided into two categories: unexpended appropriations (amounts related to undelivered orders and unobligated balances) at $3.99 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at $1.32 million.

Consolidated Statement of Net Cost

The Consolidated Statement of Net Cost represents the cost to operate the Agency. Net costs are comprised of gross costs less earned revenues.

FY 2017 net cost of operations was $24.75 million: $25.12 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 changes in net position during the reporting period. The SSS ended FY 2017 with a net position total of $5.31 million, decreased $0.34 million from FY 2016's position of $5.64 million.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources focuses on available appropriations and reimbursables, their status (obligated or unobligated) at the end of the reporting period, and the relationship between the available appropriations and reimbursables and the corresponding outlays (collections and disbursements). Selective Service's FY 2017 budgetary resources totaled $25.16 million and were comprised of $23.3 million in budget authority, and an unobligated balance of $1.90 million.

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 2017. The FY 2017 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, 2017, 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.

Donald M. Benton
November 02, 2017

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

Additionally, 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, the Federal Financial Management Improvement Act, OMB Circular A-123 Appendix C (*Requirements for Effective Estimation and Remediation of Improper Payments*), OMB Memorandum M-15-02, OMB Memorandum M-13-23, and other applicable laws, regulations, and circulars. 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 2017 Results

In FY 2017, 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 2017.

New Material Weaknesses

No new material weaknesses were identified during FY 2017.

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 2017

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
- Integrated Mobilization Information System

Program evaluations were scheduled and conducted for the following areas:

- Registration and Registration Compliance Programs
- Registrar Program

FY 2017 PERFORMANCE

This FY 2017 Performance and Accountability Report (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 2017, 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.

Note: *Two performance goals established 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 2017 Annual Performance Goal: Attain registration rate above 91 percent for eligible males 18-25.

Was the goal achieved? Yes

Results:
Projected: 93 percent (18-25 YOB Groups), Actual: 92 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 2017, the Selective Service national overall estimated registration compliance rate was up one percentage point from CY 2016 for men ages 18 through 25 who were required to be registered. For the 18 YOB group, the compliance rate was 71 percent; for the 20 YOB group the rate was 92 percent, and the entire draft eligible 18 through 25 YOB group compliance rate sat at 92 percent.

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

Planned Actions / Schedule:

For FY 2018, 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 2017 Annual Performance Goal: Obtain 85 percent of registrations electronically.

Was the goal achieved? Yes

Results:

Projected: 89 percent - Actual: more than 90 percent of total.

Discussion:

For FY 2017, more than 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 cost to the Agency.

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 in a timely manner.

Significant Activity:
During FY 2017, SSS improved the infrastructure needed to manage a military draft.

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

FY2017 Annual Performance Goal: Enhance Agency mission readiness through capability and capacity assessment, exercise, and evaluation.

Was the goal achieved? Yes

Results:
In response to an extensive evaluation of Agency training and readiness processes, procedures, and material, SSS developed, new training directives, materials, and directives for all Agency employees, RFO's, and uncompensated employees. Updates to several capstone standing training policies and directives were made.

In FY2017 the Selective Service developed an exercise strategy that combines enhanced planning, innovative training, and realistic exercises to strengthen Agency national preparedness and response capabilities. Exercise planning is underway for all Call and Deliver phased functions – Lottery, Induction, and Reclassification and Deferment.

SSS also assessed, validated, and matured key operational requirements for the Agency's three main IT systems: Central Registrant Processing Portal (CRPP), Integrated Mobilization Information System (IMIS), and the Registration, Compliance, and Verification (RCV) database. These systems are critical to the Agency's steady-state registration activities as well as mobilization activities if a draft was initiated.

The SSS Continuity of Operations (COOP) Program has been in revision since the beginning of CY 2017 in accordance with updated Presidential and FEMA directives. Efforts to revise and improve COOP have included the establishment of an Agency COOP working group, participation in interagency working groups, and participation in external Continuity Exercises. SSS has revised COOP to increase capability and versatility by identifying Mission Essential Functions in accordance with FEMA directives, while establishing proper reporting procedures via FEMA's Readiness Reporting System.

Discussion:
Assessment, exercise, and evaluation of core competencies and critical capabilities ensure organizational mission readiness and align with the Agency's Strategic Plan.

Impact:
The review of SSS core competencies and critical capabilities - their associated processes and procedures and current Agency assessment, exercise, and evaluation methodologies - assure organizational mission readiness. Coordination, alignment, and prioritization of these efforts ensure the Agency is able to initiate actions during a return to conscription.

Planned Actions/Schedule:
Using the Selective Service System Exercise and Evaluation Program (SSSEEP), the organization will develop, execute, and evaluate exercises that address mission requirements and specified priorities. The Selective Service Two-Year Exercise Plan will be the roadmap to accomplish the priorities described in the Agency's Strategic Plan.

Tailored exercise evaluation(s) will assess the ability of targeted organizational elements to meet established objectives and will critically evaluate core and enabling capabilities by documenting strengths, areas for improvement, capability performance, and necessary corrective actions.

Additionally, a comprehensive approach to personal development and organizational training will be employed to ensure core capability competency throughout the Agency.

Throughout FY 2018, the Agency plans to conduct an internal COOP exercise utilizing the supporting contract in parallel with FEMA's National Lottery Exercise (NLE) 2018 requirements. In FY 2018, the Agency plans to expand this internal self-assessment, which is a review, analysis, and evaluation of the Agency's policies, procedures, and operational functions, to include all Agency NHQ and state Readiness Plans, Policy Manuals, and Operational Procedures.

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 2017 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 2017. 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 updates 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 placements of Alternative Service Workers (ASWs) in a mobilization, when needed.

FY 2017 Annual Performance Goal: Expand Alternative Service Employer Network (ASEN) training for State Directors and Reserve Force Officers (RFOs) at the local level.

Was the goal achieved? Yes: the first step in the process was achieved.

Results:
A prior report explained that Alternative Service Program (ASP) policy, procedure, and implementation documents had been realigned to echo other Agency priorities and goals. Accordingly, in Fiscal Year 2017, Region personnel used RHQ-1, developing an Employer Network, the first Region readiness training guidance document, to develop preliminary strategies for building employer networks in areas under their supervision. These newly trained Region staff, now understand the magnitude of the effort required and can now properly oversee the ASEN-related training of State Directors and RFOs and guide them in to developing State-focused ASEN building plans. Region oversight of State Director efforts puts responsibility for the effective and efficient planning of development of strategies at the oversight level where it will be most effective.

Discussion:
The new ASP mobilization planning strategy places Region personnel front and center in the building of state, local, and federal Alternative Service Worker (ASW) employer networks.

Shifting the focus of that planning one level up, from the State Directors and RFOs to the Region, lends the planning process the higher level of authority it requires to be more effective and efficient. Information sharing and symmetry in design and thinking are now automatic where they were previously difficult to ensure because the foundations of mobilization planning were being laid in dozens of separate and not inter-related offices instead of one. In this instance benefits are derived from the control inherent in top-down planning.

National Headquarters, through its continuous coordination with the Region Managers and staff, is now in a better position to ensure effective mobilization planning is taking place and to approve and understand the various local and Regional schemes proposed to accomplish the mission.

Impact:
The shift in training focus has re-energized ASP-related Region mobilization planning. Region managers and staff have taken to heart the significance of their newly defined roles in ASP-related planning. Region staff now provides better guidance to, and oversight of, the State Directors whose responsibility it will be to build the state and local ASW employer networks

The Agency is now better prepared to be the national security insurance policy and protector of the rights of those conscientiously opposed to participation in war.

Planned Actions / Schedule:
In FY 2018 the Alternative Service Program will continue to strengthen its policy, procedure, and implementation documents. It will continue to assist and influence the development of Region ASW employer identification mobilization planning. It will prepare to test the strengthened procedure and implementation documents. In addition, ASP will facilitate the sharing of Region strategies for the identification of approved employers developed in 2017.

Verification and Validation:
Management reports/program evaluations.

FY 2018 Annual Performance Goal: Region personnel trained using RHQ-1 will continue to train State Directors and Reserve Force Officers (RFOs) at the local level and be prepared to test the efficacy and understanding of the plans.

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 databases 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.

FY 2017 Annual Performance Goal: Monitor, evaluate, and revise the Strategic Human Capital Management plan to ensure an effective workforce with the right people, in the right place, at the right time, doing the right work across the entire Agency.

Was the goal achieved? Yes

Results:
The 2017 HCMP was monitored and evaluated. No revisions were required during 2017. Many of the same trends that impacted the workforce when the HCMP was implemented were still factors in 2017, such as information systems and technology, development of employees, loss of institutional knowledge, and performance culture.

The Agency will continue to require our IT Specialists to identify critical skills gaps, seek innovative ways to reduce the gaps, and improve the culture of performance. 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:

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 greatly enhances the Agency's ability to manage its human capital.

Verification and Validation:
The 2017 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 and funds management. The Agency is committed to achieving a "clean" audit opinion under the auspices of the Accountability of Tax Dollars Act of 2002.

FY 2017 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:
Not Applicable

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 will be continuously revised and improved in perpetuity. Previous updates include detailed process maps for key financial functions; and inclusion of desk procedures documenting roles & responsibilities, critical tasks of individual Financial Management staff members as well as audit requirements.

Verification and Validation:
The fiscal manual was updated, finalized, and published on SSS's intranet during FY 2017. However, revisions could result from periodic reviews performed at least annually. In addition, future changes or adjustments will be incorporated as necessary.

Strategic Objective 2.3.2 Align budgeted funds with performance expectations.

FY 2017 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's goals and objectives.

Strategic Objective 2.3.3 Fully implement the HSPD-12 program.

FY 2017 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? Yes

Results:
SSS was successful in achieving this goal.

Discussion:
The Agency made further progress in fully implementing the HSPD-12 program during FY 2017. Implementation is 100% in full compliance.

Impact:
The Agency's ability to implement the HSPD-12 program was achieved. 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 through-out the Agency.

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:
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. To ensure system sustainability through the year 2020, the Operations Information Technology Directorate (OP/IT) reviewed the Registration, Compliance, and Verification (RCV) system used to manage registration records. OP/IT reviewed code, system requirements, and improvement recommendations to ensure the RCV system can meet the Agency's performance goals through efficient IT systems that enhance mission readiness. The Agency also made a significant financial investment to update other IT resources – new laptops, software, and security tools were purchased to foster sustainability in coming years.

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

For FY 2017, 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 requirements while protecting personally identifiable information entrusted to SSS.

FY 2017 Annual Performance Goal #1: Continue the development and implementation of registration modernization.

Was the goal achieved? Yes

Results:

OP/IT reviewed the RCV system ensuring the system will remain operational through the year 2020. The Agency is confident this mission-critical system can meet operational requirements and is sustainable for the next three years.

Discussion:
The SSS needed to ensure the RCV system was capable of supporting registration management for the foreseeable future. Information technology is constantly evolving; without periodic system reviews, the RCV might not meet the strategic goal of maintaining adequate registration rates, compliance with the Military Selective Service Act, and established performance goals.

Impact:
The SSS recently completed the RCV review, and is confident the RCV system is sustainable for the foreseeable future.

Planned Actions / Schedule:
The SSS achieved these goals by the end of FY 2017, and through FY 2018, the Agency will continue work to comply with any new FISMA-related security requirements.

Verification and Validation:
All contract terms and deliverables were met and verified by the project manager. OP/IT also completed a formal project closeout during which project goals were validated, and the project was deemed successful.

FY 2017 Annual Performance Goal #2: 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 2017 audit determined that SSS was in compliance with FISMA requirements and had zero material weaknesses. For the fifth consecutive year, SSS had a deficiency-free audit.

Discussion:
FISMA audits occur each year, and under current SSS and Information Technology leadership, special emphasis continues to be placed upon ensuring compliance.

The Agency also worked closely with the Department of Homeland Security (DHS) to implement continuous data monitoring (CDM). Improved CDM capabilities enhanced network security and helped ensure PII remained secure in transit and at rest.

Impact:
SSS maintains one of the largest federal databases containing personally identifiable information (PII) – the Agency takes data security seriously and will continue efforts to ensure the data it's entrusted to protect remains secure and viable. FISMA compliance validates the Agency is achieving this goal, and improved CDM capabilities help ensure PII data remains secure.

Planned Actions / Schedule:
Full CDM implementation efforts are currently underway and will continue with the DHS during FY 2018. The Agency will work closely with the DHS to ensure the program is successful.

Verification and Validation:
The FY 2017 FISMA validated security practices are compliant with current security

requirements, and the FY 2018 audit will verify CDM was implemented successfully.

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 2017, 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.

FY 2017 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

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

Discussion:

Remarkable turnaround times were maintained during FY 2017. 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.

[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.

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 2017, 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, 2017, 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, 2017

Selective Service System

Audit of Financial Statements

As of and for the Years Ended September 30, 2017 and 2016

Submitted By

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

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Independent Auditor's Report

DIRECTOR, SELECTIVE SERVICE SYSTEM

We have audited the accompanying financial statements of the Selective Service System (SSS), which comprise the balance sheet as of September 30, 2017 and 2016, 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 significant 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, 2017 and 2016, are presented fairly and, 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 two items that we consider significant deficiencies in internal controls over financial reporting. SSS officials provided a response to the audit, agreed with the findings and recommendations, and provided a timeframe for development of a comprehensive corrective action plan.

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 the SSS, which comprise the balance sheets as of September 30, 2017 and 2016, 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 17-03, *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, 2017 and 2016, 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, 2017 and 2016, 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. As discussed below, we identified deficiencies in internal control that we consider to be significant deficiencies.

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.

Findings and Recommendations

1. Improvements Needed in Accounting for Internal Use Software

SSS needs to develop additional accounting and operating procedures on identifying and reporting the costs of internal use software. We have reported similar issues in prior financial statement audit reports. During our FY 2017 audit, we reviewed the controls and processing procedures relating to internal use software. While our testing confirmed that the value of internal use software was fairly presented in the financial statements, we identified issues that need to be addressed.

The Office of the Chief Financial Officer (OCFO), in response to prior audit recommendations, added policies in its accounting manual relating to internal use software. However, these procedures are not sufficient to ensure that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis, and to ensure that appropriate accounting processes were followed consistently in the agency. Operating procedures need to be developed to ensure that:

- New and updated Information Technology (IT) project plans include a determination as to whether the work would meet the FASAB Statements of Federal Financial Accounting Standards (SFFAS) No. 10, *Internal Use Software*, accounting standards[1]. These determinations need to be provided to OCFO personnel so that appropriate tracking and follow-up can be performed to ensure costs are properly recorded to the general ledger.
- Overhead rates[2] are reviewed and updated periodically, and applied to internal use software projects that meet SSFAS No. 10 and agency capitalization thresholds.
- Personnel costs (hours) are routinely captured and charged to specific projects and/or enhancements by all direct charge personnel, and the accumulation of these costs in monthly "project cost worksheets" are provided to OCFO personnel. These worksheets would ensure that sufficient information is available to enable the processing of

[1] These standards provide guidance on capitalization of internal use software.

[2] For internally developed software, capitalized cost should include the full cost (direct and indirect cost). For a full discussion of direct and indirect cost, see SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, pars. 90-92.

transactions in accordance with the U.S. Standard General Ledger (USSGL) posting models for internal use software.

- Contractor costs associated with internal use software that meet SFFAS No. 10 and agency capitalization thresholds, are identified and provided to the OCFO staff for entry into the general ledger.
- OCFO personnel are notified when projects are placed in operation so that accounting entries are posted to the general ledger to begin depreciation of project costs.
- Monitoring processes relating to the identification and reporting of internal use software are developed, as required by OMB Circular A-123.

Recommendations:

1. Develop detailed operating procedures to ensure that SSS meets accounting standards relating to internal use software. Ensure that these procedures are applied to new system development and "enhancement" projects, as discussed in SFFAS No. 10.
2. Provide training to appropriate SSS personnel on the procedures and applicable accounting standards that must be followed relating to internal use software.
3. Develop methods to capture and calculate overhead rates for the agency that need to be applied to personnel costs associated with internal use software. Update these rates periodically.
4. Develop a system for capturing personnel costs associated with projects or "enhancements[3]" that meet the SFFAS No. 10 standards, and agency capitalization thresholds.
5. Ensure that OMB Circular A-123 monitoring processes include assurance that the agency is adhering to SFFAS No. 10 standards, and agency requirements relating to accounting and reporting on internal use software.

2. Controls over Processing Accounting Transactions

Controls over the processing of selected accounting transactions to SSS's general ledger need to be further strengthened by development of more comprehensive processing guidance in the OCFO's accounting manual. Our audit identified transactions that were incorrectly processed to the general ledger (GL), and for some transactions tested, attempts to correct the errors by SSS accounting personnel increased the amount of the problem transactions instead of correcting the transactions.

We statistically sampled expense transactions to test the support for expenses processed to SSS's GL. Included in our samples were two transactions for approximately $20,160,000 each. Our testing identified that the transactions (invoices) were incorrectly input into the GL

[3] SFFS No. 10 provides that the acquisition cost of enhancements to existing internal use software (and modules thereof) should be capitalized when it is more likely than not that they will result in significant additional capabilities. For example, in an instance where the federal entity adds a capability or function to existing software for making ad hoc queries, the cost would be capitalized. Enhancements normally require new software specifications and may require a change of all or part of the existing software specifications as well. The cost of minor enhancements resulting from ongoing systems maintenance should be expensed in the period incurred.
Also, the purchase of enhanced versions of software for a nominal charge are properly expensed in the period incurred.

using the purchase order PO number, which was 20160xxx, as the invoice or payment amount. GL reports we obtained showed that the entries were processed to accounts payable and expense accounts, but the other related postings for revenue and budgetary accounts were not posted to the GL. Also, the transaction details showed the two entries were reversed the same date and time for no net effect to the general ledger or financial statements.

We obtained additional information from SSS accounting and service provider personnel about the edit process in the accounting system for the transaction discussed above. For these specific transactions, the system did not process the entire transaction when the purchase order (obligation) was for a lesser amount, and reversed the first entries and maintained this information in the transaction database for historical support[4]. Therefore, it appears that the accounting system edits worked as designed and prevented a significant error from occurring because the obligating document did not contain the same type of mistake. However, the errors illustrate that the controls over the input of transactions within the OCFO need to be strengthened, and training needs to be provided to personnel who input transactions.

During our testing of upward adjustments, we selected a non-statistical sample of larger dollar value of upward adjustments made to prior year obligations. Our review of the documentation showed that the upward adjustment transactions processed for our samples were in error. Details of what we found are discussed below:

- Errors were made in recording the FY 2017 obligations in our sample as FY 2016 activity.[5] SSS accounting personnel researched this issue at our request, and we were advised that there were 16 instances, in total, where this error was made. SSS accounting personnel also advised us that these errors have now been corrected.
- When SSS began receiving invoices for these obligations, there were no funds to pay the invoices in the current FY 2017, as the funding was in FY 2016. When SSS personnel began to research the reason(s) funds were not available, it noted that errors were made in inputting the accounting string, and the wrong FY was used as the funding source for the purchase. However, when SSS attempted to correct these errors, it processed entries to post "upward adjustments".[6] Instead of correcting the errors, the entries duplicated the errors. SSS should have cancelled the obligations and re-obligated the purchase in FY 2017. SSS had corrected these processing errors.

Our analysis showed that staffing levels in the OCFO were significantly impacted during the time period these errors were made. For example, key accounting and supervisory personnel were vacant for most or all of the periods these errors were made.

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[4] Had a similar error been made in the obligating document, this edit may not have prevented this or another transaction from being processed into the GL.
[5] These errors, if not corrected, would have resulted in anti-deficiency act violations. SSS ultimately moved these erroneous obligations from FY 2016 funds to FY 2017 funds, and remediated this potential issue.
[6] Prior year unobligated balances may be available to enter into new obligations during the current year and for upward adjustments of obligations that were properly incurred against the account during the unexpired period.

Recommendations:

6. Develop, as part of the OCFO accounting manual, for key financial transactions a processing checklist that would detail the steps and processes that need to be followed to process these financial transactions. Provide sufficient analytical detail to ensure that the transaction processed is supported by the source documentation.
7. Perform additional reviews to attempt to identify the reason(s) prior year appropriations were incorrectly used to fund current year activity[7], and implement additional control processes based upon this review.
8. Request the accounting service provider to establish controls that would prohibit processing of any transaction, (obligation, payment of an invoice) without the specific prior authorization of the CFO above a certain dollar threshold.
9. Provide training to OCFO personnel on processing upward adjustments, and other key accounting transactions.

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

[7] During our review, we were advised that accounting system errors caused the conditions noted, service provider personnel discounted that cause and offered that "default" accounting codes were not updated to reflect current year appropriations, and other "causes" were also noted as possibilities to the auditors.

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.

AGENCY'S RESPONSE

The SSS's response to the audit report, which has been summarized in the body of this report, is included in its entirety as Attachment 1. The SSS's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Leon Snead & Company, P.C.

Leon Snead & Company, P.C.
Rockville, MD
November 7, 2017

Attachment 1

Selective Service System

National Headquarters / Arlington, Virginia 22209-2425

http://www.sss.gov

November 6, 2017

MEMORANDUM FOR THE DIRECTOR

FROM: CHIEF FINANCIAL OFFICER

THRU: DEPUTY DIRECTOR ayc 11/6/2017

SUBJECT: FY 2017 Corrective Action Plan in Response to the Audit of Financial Statements for the Period Ending September 30, 2017 and 2016

Executive Summary

The audit of Selective Service System's financial statements for the years ended September 30, 2017 and 2016 conducted by Leon Snead & Company, PC, identified two significant deficiencies in internal controls over financial reporting. 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. Below summarizes the finding, its root cause, the auditor's recommendations and agency corrective action plan to resolve findings.

I. Improvements Needed in Accounting for Internal Use Software

a. Finding: SSS needs to develop additional accounting and operating procedures on identifying and reporting the costs of internal use software. Current procedures are not sufficient to ensure that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis, and to ensure that appropriate accounting processes were followed consistently in the agency.

b. Root Cause Analysis:

i. New and updated Information Technology (IT) project plans include a determination as to whether the work would meet the FASAB Statements of Federal Financial Accounting Standards (SFFAS) No. 10, Internal Use Software, accounting standards[1]. These determinations need to be provided to Office of the Chief Financial Officer (OCFO) personnel so that appropriate tracking and follow-up can be performed to ensure costs are properly recorded to the general ledger.

ii. Overhead rates[2] are not reviewed and updated periodically, and applied to internal use software projects that meet SSFAS No. 10 and agency capitalization thresholds.

[1] These standards provide guidance on capitalization of internal use software.

[2] For internally developed software, capitalized costs should include the full cost (direct and indirect). For a full discussion of direct and indirect cost, see SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, paras. 90-92.

iii. Personnel costs (hours) are routinely captured and charged to specific projects and/or enhancements by all direct charge personnel, and the accumulation of these costs in monthly "project cost worksheets" are provided to OCFO personnel. These worksheets would ensure that sufficient information is available to enable the processing of transactions in accordance with the U.S. Standard General Ledger (USSGL) posting models for internal use software.

iv. Contractor costs associated with internal use software that meet SFFAS No. 10 and agency capitalization thresholds, are not being identified and provided to the OCFO staff for entry into the general ledger.

v. OCFO personnel are not being notified when projects are placed in operation so that accounting entries are posted to the general ledger to begin depreciation of project costs.

vi. SSS has not developed monitoring processes relating to the identification and reporting of internal use software, as required by OMB Circular A-123.

c. Auditor Recommendations:

i. Develop detailed operating procedures to ensure that SSS meets accounting standards relating to internal use software. Ensure that these procedures are applied to new system development and "enhancement" projects, as discussed in SFFAS No. 10.

ii. Provide training to appropriate OCFO and OCIO personnel on the procedures and applicable accounting standards that must be followed for internal use software.

iii. Develop methods to capture and calculate overhead rates for the agency that need to applied to personnel costs associated with internal use software. Update these rates periodically.

iv. Develop a system for capturing personnel costs associated with at least those projects or "enhancements3" that meet the capitalization thresholds.

v. Ensure that OMB Circular A-123 monitoring processes include assurance that the agency is adhering to SFFAS No. 10 standards, and agency requirements relating to accounting and reporting on internal use software.

d. Corrective Action Plan: Implement auditor recommendations as detailed in paragraph I.c. above, no later than December 30, 2017.

II. Controls Over Processing Accounting Transactions

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[3] SFFS No. 10 provides that the acquisition cost of enhancements to existing internal use software (and modules thereof) should be capitalized when it is more likely than not that they will result in significant additional capabilities. For example, in an instance where the federal entity adds a capability or function to existing software for making ad hoc queries, the cost would be capitalized. Enhancements normally require new software specifications and may require a change of all or part of the existing software specifications as well. The cost of minor enhancements resulting from ongoing systems maintenance should be expensed in the period incurred. Also, the purchases of enhanced versions of software for a nominal charge are properly expensed in the period incurred.

a. Finding: Controls over the processing of selected accounting transactions to SSS's general ledger need to be further strengthened by development of more comprehensive processing guidance in the OCFO's accounting manual. Controls over the input of transactions within the OCFO need to be strengthened, and training needs to be provided to personnel who input transactions.

b. Root Cause Analysis:

   i. Upward adjustment transactions, as processed, were in error. In 16 instances (since corrected), FY 2017 obligation transactions were recorded as FY 2016 activity.[4]

   ii. Errors were made when initially inputting the accounting data – the wrong FY was used as the funding source for the purchase. When the Accounting branch attempted to correct these errors, it processed entries to post "upward adjustments". Instead of correcting the errors, the entries duplicated the errors.

   iii. During the time period these errors were made, the OCFO was significantly impacted by persistent vacancies in key senior accounting positions.

c. Auditor Recommendations:

   i. Develop, as part of the OCFO accounting manual for key financial transactions, a processing checklist that details the steps and processes that need to be followed to process these financial transaction(s). Provide sufficient analytical detail to ensure that the transactions processed are supported by the source documentation.

   ii. Perform additional reviews to attempt to identify the reason(s) prior year appropriations were incorrectly used to fund current year activity, implement additional control processes based upon this review.

   iii. Request the accounting service provider to establish controls that would prohibit processing of any transaction (obligation, invoice payment, etc.) above a certain dollar threshold without the specific prior authorization of the CFO.

   iv. Provide training to OCFO personnel on processing upward adjustments, and other key accounting transactions.

d. Corrective Action Plan: Implement auditor recommendations as detailed in the above paragraph II.c. no later than December 30, 2017.

Roderick R. Hubbard

[4] These errors, if not corrected, would have resulted in anti-deficiency act violations. The erroneous obligations were moved from FY 2016 funds to FY 2017 funds, and remediated this potential issue.

OVERVIEW OF FINANCIAL STATEMENTS

Purpose of the financial statements is to present the following information:

- The ***Balance Sheet*** presents the combined amounts available for use (assets) versus the amounts owed (liabilities) and the residual amounts after liabilities were subtracted from assets (net position).

- The ***Statement of Net Cost*** presents the annual cost of operations and determined by the Agency's gross costs less any earned revenue.

- The ***Statement of Changes in Net Position*** presents accounting items causing the net position section of the balance sheet to change from the beginning to the end of the fiscal year.

- The ***Statement of Budgetary Resources*** presents how budgetary resources were made available for use during the fiscal year and the status of those resources at the end of the fiscal year.

Selective Service System
Balance Sheet
As of September 30, 2017 and 2016
(in dollars)

		FY 2017		FY 2016
Assets				
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	5,089,737	$	5,267,210
Total Intragovernmental		5,089,737		5,267,210
Accounts receivable, net (Note 3)		164		54
General property, plant and equipment, net (Note 4)		4,270,338		4,602,259
Total Assets	**$**	**9,360,239**	**$**	**9,869,523**
Liabilities				
Intragovernmental:				
Accounts Payable (Note 5)	$	241,953	$	391,354
Employer contributions and payroll taxes (Note 5)		100,003		98,668
Unfunded FECA liability (Notes 5 and 6)		324,261		335,198
Other unfunded employment related liability		-		508
Total Intragovernmental		666,217		825,728
Accounts Payable (Note 5)		313,347		480,975
Federal employee and veteran benefits (Notes 5 and 6)		1,810,308		1,698,209
Accrued funded payroll & leave (Note 5)		434,347		380,167
Employer contributions and payroll taxes (Note 5)		14,698		13,545
Unfunded leave (Note 5)		815,944		830,342
Total Liabilities	$	4,054,861	$	4,228,966
Net Position				
Unexpended appropriations	$	3,985,388	$	3,902,500
Cumulative results of operations		1,319,990		1,738,057
Total Net Position		5,305,378		5,640,557
Total Liabilities and net position	**$**	**9,360,239**	**$**	**9,869,523**

The accompanying notes are an integral part of these statements

Selective Service System
Statement of Net Cost
For the Years Ended September 30, 2017 and 2016
(in dollars)

	FY 2017	FY 2016
Gross Program Costs:		
Program A:		
Gross costs (Note 8)	$ 25,122,015	$ 26,811,663
Less: earned revenue (Note 9)	(370,000)	(370,000)
Net cost of operations	**$ 24,752,015**	**$ 26,441,663**

The accompanying notes are an integral part of these statements

Selective Service System
Statement of Changes in Net Position
For the Years Ended September 30, 2017 and 2016
(in dollars)

	FY 2017	FY 2016
Cumulative Results of Operations:		
Beginning Balance	$ 1,738,057	$ 3,259,207
Beginning balance, as adjusted	1,738,057	3,259,207
Budgetary Financing Sources:		
Appropriations used	22,299,173	22,848,310
Other Financing Sources:		
Imputed financing	2,034,775	2,072,203
Total Financing Sources	24,333,948	24,920,513
Net Cost of Operations	(24,752,015)	(26,441,663)
Net Change	(418,067)	(1,521,150)
Cumulative Results of Operations	**1,319,990**	**1,738,057**
Unexpended Appropriations		
Beginning Balance	3,902,500	4,624,567
Adjustments: Corrections of errors	-	-
Beginning balance, as adjusted	3,902,500	4,624,567
Budgetary Financing Sources:		
Appropriations received	22,900,000	22,703,000
Other adjustments	(517,939)	(576,758)
Appropriations used	(22,299,173)	(22,848,310)
Total Budgetary Financing Sources	82,888	(722,068)
Total Unexpended Appropriations	3,985,388	3,902,500
Net Position	**$ 5,305,378**	**$ 5,640,557**

The accompanying notes are an integral part of these statements

Selective Service System
Statement of Budgetary Resources
For the Years Ended September 30, 2017 and 2016
(in dollars)

	FY 2017	FY 2016
Budgetary Resources		
Unobligated balance brought forward, October 1	$ 2,129,692	$ 2,165,830
Recoveries of unpaid prior year obligations	280,973	621,681
Other changes in unobligated balance	(516,718)	(570,539)
Unobligated balance from prior year budget authority, net	1,893,947	2,216,972
Appropriations	22,900,000	22,703,000
Spending authority from offsetting collections:	370,000	370,000
Total budgetary resources	**$ 25,163,947**	**$ 25,289,972**
Status of budgetary resources		
New obligations and upward adjustments	$ 23,263,159	$ 23,160,280
Unobligated balance, end of year		
Apportioned	138,271	115,704
Unapportioned	1,762,517	2,013,988
Total unobligated balance, end of year	1,900,788	2,129,692
Total budgetary resources	**$ 25,163,947**	**$ 25,289,972**
Change in obligated balance		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	$ 3,137,518	$ 3,814,603
New obligations and upward adjustments	23,263,159	23,160,281
Outlays (gross)	(22,930,755)	(23,215,684)
Recoveries of prior year unpaid obligations	(280,973)	(621,681)
Unpaid obligations, end of year	3,188,949	3,137,519
Uncollected payment:		
Change in uncollected payments, Federal sources	-	-
Obligated balance, start of the year	**$ 3,137,518**	**$ 3,814,603**
Obligated balance, end of year	**$ 3,188,949**	**$ 3,137,518**
Budget authority and outlays, net		
Budget authority, gross	$ 23,270,000	$ 23,073,000
Actual offsetting collections	(371,222)	(376,219)
Anticipated offsetting collections	1,222	6,219
Budget authority, net	**$ 22,900,000**	**$ 22,703,000**
Outlays, gross	$ 22,930,755	$ 23,215,684
Actual offsetting collections and outlays	(371,222)	(376,219)
Agency outlays, Net	**$ 22,559,533**	**$ 22,839,465**

The accompanying notes are an integral part of these statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

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

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

(b) Basis of Accounting and Presentation

The financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources in accordance with U. S. Generally Accepted Accounting Principles (GAAP) and Financial Reporting Requirements of the Office of Management and Budget (OMB) prescribed in OMB Circular A-136, Financial Reporting Requirements (as revised August 15, 2017).

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 2017, 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 2017, 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 11.9 % of based pay for FY 2017. For both FERS-RAE and FERS-FRAE covered employees, the SSS made contribution of 9.6 % of based pay for FY 2017. 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 2017.

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 2017 and 2016 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, 2017 and 2016:

Fund Balance:		**2017**		**2016**
Appropriated Funds (general)	$	5,089,737	$	5,267,210
Total Fund Balance with Treasury	$	5,089,737	$	5,267,210
Status of Fund Balance with Treasury				
Unobligated Balance:				
Available	$	138,271	$	115,704
Unavailable		1,762,517		2,013,988
Obligated Balance Not Yet Disbursed		3,188,949		3,137,518
Total Status of Fund Balance with Treasury	$	5,089,737	$	5,267,210

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

NOTE 3 – ACCOUNTS RECEIVABLE, NET

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

Accounts Receivable from the Public consist of the following:

(in dollars)		2017		2016
Account Receivable from the Public				
Current				
1-180 Days Past Due	$	164	$	108
181-365 Days Past Due		-		-
1 to 2 Years Past Due		-		-
Over 2 Years Past Due		1,187		1,578
Total Billed Accounts Receivable-Public	$	1,351	$	1,686
Unbilled Accounts Receivable		-		-
Total Accounts Receivable-Public		1,351		1,686
Allowance for Doubtful Accounts-Public		(1,187)		(1,632)
Total Accounts Receivable-Public, Net	$	164	S	54

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, 2017 and 2016:

(in dollars)	Service Life		Acquisition Value		Accumulated Depreciation		2017 Net Book Value		2016 Net Book Value
Equipment	3-7 years	$	2,050,820	$	(1,503,044)	$	547,776	$	59,916
Information Technology Software	3 years		564,914		(564,914)		-		45,095
Information Technology Software	5 years		1,356,944		(203,135)		1,153,809		397,335
Information Technology Software	7 years		11,142,005		(9,363,293)		1,778,712		3,262,443
Information Technology Software	10 years		474,284		(158,095)		316,189		363,618
Internal Use Software In Development			473,852		-		473,852		473,852
Asset Clearing Accounting									-
Total		$	16,062,819	S	(11,792,481)	$	4,270,338	S	4,602,259

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on Selective Service System's Balance Sheet as of September 30, 2017, 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, 2017 and 2016 is as follows:

(in dollars)		2017		2016
Intragovernmental:				
Unfunded FECA Liabilities	$	324,261	$	335,198
Total Intragovernmental	$	324,261	$	335,198
Public Liabilities:				
Federal Employee and Veteran Benefit-FECA Actuarial Liability	$	1,810,308	$	1,698,209
Unfunded Annual Leave		815,944		830,342
Other Unfunded Employment related Liability		-		508
Total Liabilities Not Covered by Budgetary Resources	$	2,950,513	$	2,864,257
Total Liabilities Covered by Budgetary Resources		1,104,349		1,364,710
Total Liabilities	$	4,054,862	$	4,228,966

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 2016, and again in 2017, 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 $1,810,308 and $1,698,209 as of September 30, 2017 and 2016, respectively, is reported on SSS' Balance Sheet. SSS also recorded amounts paid to claimants by DOL as of September 30, 2017 and 2016, of $324,261 and $335,198 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 lease for office space. The lease 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, 2016. SSS was billed for the final quarter of the lease in FY 2017. The total cost of the FY 2017 final bill was $23,506. In January 2017, 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 cost for FY2017 is $ 998,020. 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		2017		2016
2017		0		998,020
2018		1,007,213		1,007,213
2019 (Oct 2018 only)		95,317		95,317
Total Future Lease Payments	$	1,102,530	$	$2,100,550

NOTE 8 – Intragovernmental Costs

(in dollars)

		2017		2016
Intragovernmental costs				
Intragovernmental Costs	$	9,809,057	$	10,590,533
Public Costs		15,312,958		16,221,130
Total Program Cost		25,122,015		26,811,663
Intragovernmental Earned Revenue		370,000		370,000
Total Program Earned Revenue	$	370,000	$	370,000

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 2017 and 2016, SSS earned $ 370,000 and $370,000 under an agreement with the U.S. Department of Defense. The DoD reimbursed SSS for the indirect labor costs that SSS incurred in mailing DOD materials as inserts along with SSS Acknowledgments and in managing and reporting on this annual reimbursable agreement. SSS was also reimbursed for the difference between what they were paying to lease equipment for the mailing and the increase in lease costs for the additional equipment necessary to insert the materials for DOD.

NOTE 10 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT vs REIMBURSABLE OBLIGATIONS

Obligations incurred reported on the Statement of Budgetary Resources in fiscal year 2017 and fiscal year 2016 consisted of the following:

(in dollars)	Apportionment Category	2017 Obligations	2016 Obligations
Obligations incurred:			
Direct Obligations	A	$ 22,893,159	$ 22,790,281
Reimbursable Obligations	B	370,000	370,000
Total Obligations incurred		$ 23,263,159	$ 23,160,281

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders are purchase orders issued by SSS during fiscal year 2017 or fiscal year 2016 that have not had delivery of required product or service as of September 30, 2017 or 2016, respectively. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during fiscal year 2017 or fiscal year 2016.

(in dollars)	2017	2016
Undelivered Orders:		
Undelivered Orders	$ 2,084,599	$ 1,772,809
Total Undelivered Orders	$ 2,084,599	$ 1,772,809

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 2016 amounts, was released in February 9, 2017. The President's Budget, with the actual FY 2017 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 2017 in the President's Budget have not been published at the time these financial statements were prepared.

A comparison of FY 2016 Statement of Budgetary Resources to the President's Budget is shown in the following table:

FY2016		Budgetary Resources (millions)	Obligation Incurred (millions)	Net Outlay (millions)
Combined Statement of Budgetary	$	25.00	23.00	23.00
Unobligated Balance not Available		(2.00)	-	-
Total Adjusted Balance	$	23.00	23.00	23.00
Budget of the US Government	$	23.00	23.00	23.00
Difference	$	-	-	-

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

For the Period Ended September 30, 2017 and 2016

(In Whole Dollar)

Budgetary Resources Obligated		FY17		FY16
Obligations Incurred	$	23,263,159	$	23,160,281
Less: Spending Authority from Offsetting Collections and Recoveries		(282,195)		(627,901)
Obligations Net of Offsetting Collections and Recoveries	$	22,980,964		22,532,380
Less: Offsetting Receipts		(370,000)		(370,000)
Net Obligations	$	22,610,964		22,162,380
Imputed Financing from Costs Absorbed by Others		2,034,775		2,072,203
Net Other Resources Used to Finance Activities		2,034,775		2,072,203
Total Resources Used to Finance Activities	$	24,645,739		24,234,583
Resources Used to Finance Items Not Part of the Net Cost of Operations				
Change in Undelivered Orders		311,791		(685,930)
Resources that Fund Expenses Recognized in Prior Periods		(100,654)		144,299
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities		1,494,213		151,036
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	$	1,705,349		(390,595)
Total Resources Used to Finance the Net Cost of Operations	$	22,940,389		24,625,178
Components Requiring or Generating Resources in Future Periods				
Increase/Decrease in Annual Leave Liability		(14,398)		35,231
Increase in Exchange Revenue Receivable from the Public		335		2,452
Total Costs that will Require or Generate Resources in Future Periods	$	(14,063)		37,683
Components not Requiring or Generating Resources				
Depreciation and Amortization		1,831,447		1,834,996
Revaluation of Assets or Liabilities		(5,313)		(54,443)
Bad Debt		(445)		(1,750)
Total Components of Net Cost that will not Require or Generate Resources	$	1,825,689		1,778,802
Total Components of net Cost that will not Require or Generate Resources in the Current Period		1,811,626		1,816,485
Net Cost of Operations		24,752,015		26,441,663
Statement of Net Cost	$	24,752,015	$	26,441,663

fiscal year 2017 and fiscal year 2016 quarters that ended September 30 are shown in the table below.

PERFORMANCE DETAILS

Program Evaluation

The Improper Payments and Information Act of 2002 (IPIA) requires federal agencies to provide for estimates and reports of improper payments. Congress amended IPIA in 2010 with the Improper Payments Elimination and Recovery Act (IPERA) and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) in 2013. IPIA, as amended, requires the head of each Agency to periodically review, identify, estimate and report on all programs and activities that may be susceptible to significant improper payments.

This legislation lists specific requirements for agencies to comply with this legislation: publishing the annual financial statements for the most recent fiscal year; conducting a program specific risk assessment; publishing improper payments estimates for programs and activities identified as susceptible to significant improper payments; publishing programmatic corrective action plans; publishing reduction targets for programs assessed to be at risk; and a report on an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under IPIA. SSS's risk assessment concluded its programs were low risk during FY2017 and any recapture efforts are not cost effective.

APPENDIX

FY 2017 Performance Chart

Agency-wide Annual Performance Results and Targets

Performance Goals	Objective	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017
Achieve and maintain registration rate of at least 91 percent or above for eligible males 18-25.	1.1.1	100%	100%	100%	100%	100%	100%
Increase the percentage of electronic registrations.	1.1.2	100%	100%	100%	100%	100%	100%
Be prepared to deliver personnel when needed.	1.2.1	100%	100%	100%	100%	100%	100%
Be prepared to ensure timely and consistent handling of claims	1.2.2	100%	100%	100%	100%	100%	100%
Plan for the timely job placements of Alternative Service Workers (ASWs) in a mobilization when needed.	1.3.1	NA	NA	NA	NA	NA	NA
Improve efficient and effective human capital management.	2.2.1	25%(1)	25%	25%	100%	100%(3)	100%
Improve the efficiency and effectiveness of financial and logistics management activities.	2.3.1	100%	100%	100%	100%(2)	100%	100%
Align budgeted funds with performance expectations.	2.3.2	100%	100%	100%	100%	100%	100%
Fully implement the HSPD-12 program.	2.3.3	70%(1)	70%	80%	90%	90%	100%
Improve the efficiency and effectiveness of technical operations.	2.4.1	100%	100%	100%	100%	100%	100%
Provide accurate communications with diverse customers in a timely manner	2.5.1	100%	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 was completes. There will be ongoing revisions as improvements are identified.*

FY 2017 Performance Chart

Agency-wide Annual Performance Results and Targets

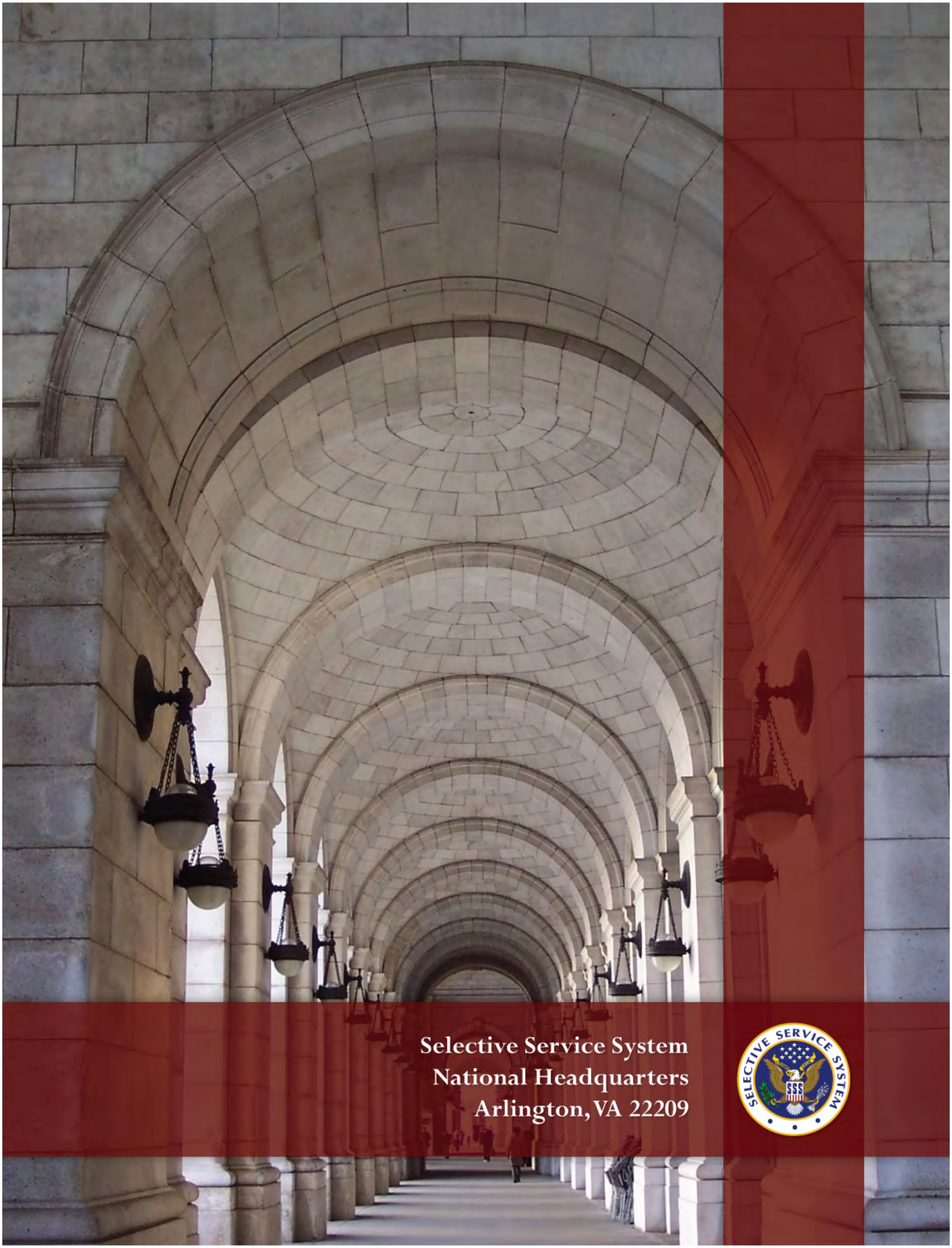
Performance Goals	Objective	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017
DMC: Improve response times, in accordance with provisions of the Agency's Administrative Services Manual, for all types of responses (SIL, Compliance receipts, Reg. processing, all other correspondence):	2.5.1	4 days	2 days	2 days	10 days(1)	10 days
PIA: Congressional, media, Freedom of Information Act and Privacy Act customers, registrants, the general public:		2 days	2 days	2 days	2.2 days	2.2 days

(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.

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
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



Selective Service System
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Arlington, VA 22209