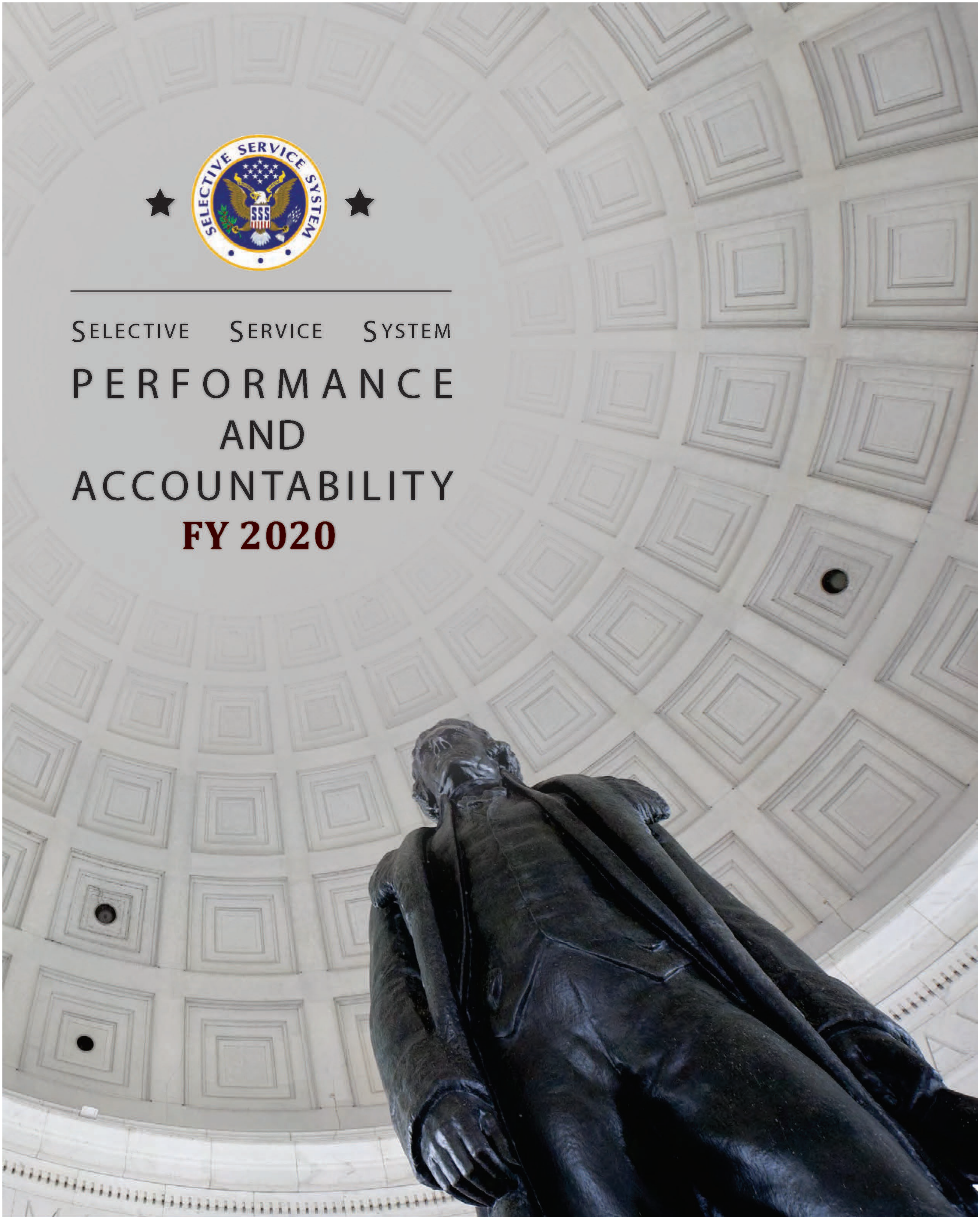

SELECTIVE SERVICE SYSTEM

PERFORMANCE AND ACCOUNTABILITY

FY 2020

SELECTIVE SERVICE SYSTEM

November 16, 2020

To obtain copies of this report,

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From the Director

The Selective Service System (SSS) documents responsibility and accountability through the implementation of our Strategic Plan, Performance Budget, and the FY 2020 Performance and Accountability Report (PAR). Agency leadership and staff reviewed and assessed program performance and financial management systems to assure the Agency's alignment with the Government Performance and Results Act, the Government Management Reform Act, and the Federal Managers' Financial Integrity Act.

Although FY 2020 was a challenging year for everyone, we at the Selective Service System continued to implement the goals and objectives laid out in our Strategic Plan with great success.

The Agency has had successful audits of our 2017-2019 financial statements. They found that our financial statements were fairly presented and contained no material misstatements. This year our audit helped us discover some weaknesses in our processes directly related to the recently departed CFO and Accounting Officer. Our new finance team has already moved to put a plan in place to improve those processes.

In FY 2020, a substantial percentage of our appropriation was dedicated to sustaining newly replaced or upgraded hardware and software, and to making substantial investments that will move us to the forefront of cyber-threat deterrence, prevention, and detection. In FY 2021, our primary goal is to continue work on our resiliency, user testing and feedback, and updating our internal use software.

Donald M. Benton

Donald M. Benton
November 16, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AGENCY AT A GLANCE

VISION

We are a trusted, actively engaged National Defense partner, and the sole source of conscripted talent for national security in the event of a national emergency.

MISSION

To register men and maintain a system that, when authorized by the President and Congress, rapidly provides personnel in a fair and equitable manner while managing an alternative service program for 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. Providing more accessible ways for electronic registrations (through sources such as driver's license legislation, the Internet, and interactive voice recognition by phone) 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 Congress and directed by the President. In this event, SSS will hold a national draft lottery, contact those registrants selected through the lottery process, and transport them 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 mission, 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 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.

As the bipartisan National Commission on Military, National, and Public Service stated in their March 2020 report to the President and Congress: "Maintain a military draft mechanism in the event of national emergencies: To meet military personnel needs in the face of future threats and to demonstrate America's resolve to international allies and adversaries, the Nation needs the Selective Service System to remain a viable U.S. national security institution."

ORGANIZATION

The SSS has a diverse cadre of full-time civilian employees, part-time state directors and 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 pool of approximately 11,000 volunteers. These volunteers are civilian men and women who serve as local, district, and national appeals board members. When activated, these citizen volunteers will determine the classification status of men within their community seeking exemption or deferment, 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.

PERFORMANCE HIGHLIGHTS

GOALS OVERVIEW

The SSS has five strategic goals directed toward the achievement of its statutory mission.

Goal 1: Provide timely manpower to the Department of Defense.

Goal 2: Maintain a robust structure for managing alternative service for conscientious objectors (COs).

Goal 3: Ensure management excellence by promoting economy, efficiency, and effectiveness throughout Selective Service System programs and supporting operations.

Goal 4: Ensure all internal Agency systems are modernized, operationally ready and are appropriately scalable, capable, and optimized to meet national security requirements with maximum efficiency and minimum cost.

Goal 5: Create and maintain a high-performance culture.

GOAL 1: Provide timely manpower to the Department of Defense.

Objective 1 – Increase registration and improve data integrity.

Registration is a critical component of Selective Service's readiness and a key part of our mission during peacetime. The intent of this objective is to reach out to young men and their key influencers to emphasize the message that registration is the law while ensuring the data we receive is accurate and securely managed. Ultimately, this effort will continue to raise the overall rate of registration, in particular for the demographic of 18 year olds. The higher the national registration compliance rate, the more fair and equitable any future draft would be for each registered individual. The Agency performs multiple registration awareness activities, together with automated compliance endeavors, to: (1) identify non-registrants and remind them of their obligation to register, and (2) inform young men that they need to register to remain eligible for federal and state student financial aid, job training, government employment, and U.S. citizenship for male immigrants.

For Calendar Year (CY) 2019, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 92 percent, an increase over CY 2018 for men ages 18 through 25 who were required to be registered. For the 18-year-old group, the compliance rate was 72 percent, a growth of 7 percentage points; for the 20-year-old group, the rate was 91 percent; and for the 25-year-old group, the annual compliance rate was 98 percent.

Objective 2 – Improve the ability to call, classify, and deliver manpower to DoD when required.

The Agency's primary mission is to manage a conscription program for the Department of Defense, if authorized by Congress and directed by the President. To accomplish this mission, SSS has to be ready to execute a national draft lottery, contact registrants selected through the lottery process, and arrange for their transportation to a Military Entrance Processing Station (MEPS) for testing and evaluation before induction for military service. Once notified of the results of his evaluation at MEPS, a registrant receiving induction orders would then have the opportunity to file a claim for deferment, exemption, or postponement.

If the President and Congress agree that a return to conscription is required, SSS will undergo a massive expansion. The Agency must rapidly hire personnel, procure equipment, and expand its presence to hold a draft lottery; issue orders for induction; and reclassify inductees. To do that, current plans rely on a series of agreements with key partners, a network of military Reservists and local and district appeals board volunteers.

In FY 2020, SSS continued its Exercise Program, diving deeper into the Agency's capability of holding a fair and equitable lottery while performing a number of the required tasks remotely.

FY 2020 also saw SSS complete the second phase of overhauling our board member training website as we shift to an entirely digital delivery of 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 – Update relationships with stakeholders.

The SSS, of course, does not operate in a vacuum. We have dozens of partners at the federal, state, and local levels. We leverage these relationships every day, and the codification of these relationships becomes critical in an expansion scenario. In the event of a national emergency, SSS will rely on the many partnerships the Agency has established over the course of almost 80 years of operations.

In FY 2020, the Agency held outreach sessions with multiple government partners, including the Department of State, the Department of Education, and several entities within the Department of Defense. Additionally, the Agency partnered with cadets at the U.S. Coast Guard Academy on a capstone project.

Goal 2: Maintain a robust structure for managing alternative service for conscientious objectors.

Objective 1 – Refine the alternative service employer network structure.

A second but equally important part of the SSS mission is to provide employment that is important to the Nation for those who conscientiously object to serving in the military. Whereas those inductees who are mentally, morally, and physically fit to serve in the military and do not request further reclassification are managed by DoD, SSS is responsible for the entire scope of the Alternative Service Program: identification of potential employers that comply with federal law, placement, monitoring, reassignment if required, and reclassification once work is complete. The Alternative Service Program relies heavily on peacetime agreements with federal, state, and corporate entities. These memoranda of understanding (MOUs) create the relationship that will be further defined if there is a return to induction.

The SSS continues to sign MOUs with new federal agencies, and added multiple state agencies as well.

Objective 2 – Improve the ability to execute an Alternative Service Program (ASP) when required.

If an inductee was to be reclassified as a conscientious objector (CO) by his local board, he has a requirement to serve in a non-military capacity for two years. The SSS would place these alternative service workers into its Alternative Service Program with non-military employers and track their fulfillment of two years of service in the Alternative Service Employment Network. In effect, SSS would act as a national (and potentially international) employment service for COs. This mission aspect requires detailed plans to comply with the Military Selective Service Act's requirement that SSS be in "active standby."

In FY 2020, the Agency began an end-to-end review of the program that will be completed in FY 2021.

GOAL 3: Ensure management excellence by promoting economy, efficiency, and effectiveness throughout Selective Service System programs and supporting operations.

Objective 1 – Provide courteous, timely, and accurate customer service to internal and external customers.

In addition to maintaining an accurate database that would serve as the foundation for induction and appeals in the event of a national emergency, accurate and timely processing of public inquiries provides assistance to men applying for benefits associated with the registration requirement, such as federal student financial aid, job training, government employment, and U.S. citizenship for male immigrants.

Significant advances were made in 2020 towards the enhanced stability of the registrant database by upgrading to the latest Microsoft platforms.

Public service excellence is a major objective of the Agency. For external customers, 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.

Objective 2 – Provide collaborative, efficient, and effective financial management.

In FY 2020, SSS employed a robust set of effective policies, practices, processes, and systems (via a Shared Service Provider) for planning, programming, budgeting, and executing its annual appropriation. This enabled agency programs to effectively and efficiently manage funds according to established statutes, regulations, and best practices, and to execute organizational objectives in accordance with the Strategic Plan.

The Agency continued its adherence to, and strengthening of, internal controls. These actions prevented any loss, improper payment, or other misuse of funds that might have led to a statutory violation. An independent audit of the Agency's financial statements found multiple material misstatements. A similar review of the Agency's payments using statistical sampling found SSS's risk for improper payments to be low. The Agency's annual self-assessment, conducted in accordance with OMB Circular No. A-123, also identified material weaknesses in internal controls. Those improvements will be undertaken in FY 2021.
SSS continued development of a more effective, functional, and user-friendly Budget

Formulation Tool. This tool maximizes the functionality inherent in commercial off-the-shelf (COTS) software, which requires no customization.

Lastly, Selective Service continued to build on the significant progress made maturing its enterprise risk management (ERM) infrastructure during FY 2019. The Agency educates all employees on the importance (and basic tenets) of a robust and mature risk management culture that employs ERM principles at every decision-making level.

Objective 3 – Manage and promote Agency programs through effective public / intergovernmental communications and outreach.

Since its inception in 1940, the SSS has remained a crucial insurance policy for the national defense of our country. In peacetime, registration and readiness have been the focal objectives of the Agency in preparation for a mobilization of manpower in the event of a national emergency. However, there is a dwindling understanding of the general public's awareness of the SSS and its registration mission. In addition to many young men and their potential influencers being less aware of the SSS, people often bypass or do not understand the registration message to register. The Public and Intergovernmental Affairs Directorate's (PIA's) mission is to communicate to key audiences the federal requirement that men ages 18 through 25 must register and that registration can make a positive difference in their lives and in the communities where they live.

To inform the public of the registration requirement and convey the consequences of failing to register, PIA has taken an aggressive approach to reorient our advertising and marketing efforts to reach today's youth. Our strategic, integrated effort aims to increase awareness and educate youth and those who influence them about the importance of registration and compliance with federal law to ensure men protect their future and eligibilities for benefits and programs contingent upon their registration compliance with SSS. Our marketing focus is to reach as many eligible young men and their influencers as possible. It is the singular most important initiative behind SSS's efforts to increase registration compliance – particularly in regions with lower than average rates.

Our outreach efforts are essential as we face significant challenges in today's society. This year was especially challenging with the COVID-19 pandemic canceling the face-to-face outreach. Otherwise, the basic and foremost is generally the perceived lack of relevancy. The civic act of registration has not received much attention in the past 45 years and as a result is less known to Generation Z[1]. This is compounded by an increasingly fragmented media environment and competing new technologies vying for the attention of today's youth. To meet these challenges, PIA shifted available funds to create impactful campaigns to emphasize the importance of registration and the value this Agency brings to our national readiness.

To maximize effectiveness, our advertising strategy incorporates a mix of both traditional and non-traditional mediums, with unified messaging and visuals from one medium to the next. Instead of approaching our advertising plan as digital vs. traditional, we work it as an interplay between the two. Our print, out-of-home, and other traditional advertising outlets are mirrored with a digital campaign so that we reach readerships consistently both in print and online as youth browse other websites. Thus, the ad saturation will reach the same market multiple times, which is now more necessary than ever before.

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[1]Generation Z, or Gen Z for short, is the demographic cohort after the Millennials. Demographers and researchers typically use the mid- to late-1990s as starting birth years.

Our integrative approach involves extensive outreach to states and territories by agency leadership, national headquarters and regional staff, and local board and state resource volunteers. Our field presence augments the advertising component of the outreach strategy overcoming citizen complacency and increasing registration awareness. In addition to advertising and its social media presence, PIA disseminated the registration message through its speakers' bureau program, exhibit program, direct-mail distribution project, and ongoing updates to the public website, with a focus on targeting states of high density populations with low registration rates.

Objective 4 – Ensure resource management systems and personnel structure are scalable for mobilization.

The SSS has effective systems in place for our everyday operations. It is critical that the Agency retains and exercises the capability to rapidly scale all enabling functions (Logistics, Human Resources, Information Technology, etc.) in the event of a national emergency.

In FY 2020, SSS continued a complete review of current operational plans to identify areas that can become more effective and efficient. Plans will continue to be rewritten throughout FY 2021 and subsequently exercised.

Objective 5 – Collect and share insights and experiences, institutional knowledge, and innovative ideas across the organization.

Collectively known as knowledge management practices, SSS will enhance employee effectiveness by increasing the ease and assurance of locating critical knowledge and leveraging all forms of operational data as a strategic asset towards the Agency's organizational and business objectives.

In FY 2020, the Agency issued contracts to both update the knowledge management system and create specific tools to facilitate usage.

Objective 6 – Establish an SSS Strategic Alignment and Compliance Board.

The SSS is a small agency on a very tight budget. And, like many agencies, there is more work to be done than there are people to do it. To ensure the Agency continues along the correct path in executing the Strategic Plan, the Director holds quarterly meetings to validate that key agency efforts and investments align with the Strategic Plan.

GOAL 4: Ensure all internal Agency systems are modernized, operationally ready and are appropriately scalable, capable and optimized to meet national security requirements with maximum efficiency and minimum cost.

Objective 1 – Update and modernize the Agency's technology infrastructure to deliver day-to-day capabilities as well as the necessary capabilities for mobilization.

The SSS continues to make intelligent capital investments in its IT infrastructure to sustain 24/7/365 operational excellence, ensure the highest standards of cybersecurity, while continually preparing for the execution of our potential mobilization mission. The Office of the Chief Information Officer (OCIO) is strategically migrating to cost effective 'Cloud Smart' solutions to support emerging requirements and sustain all operational needs for the Agency's mission.

We are executing our IT Modernization Plan to mature our enterprise architecture, IT governance, and IT business processes to better provide enterprise solutions and align IT risked-based decision-making to mission outcomes. We will deliver to our employees the technology designed to create a more collaborative organization and reshape our applications to enhance mobility options for both our employees and other stakeholders. The benefits of such modernization include improved collaboration and knowledge sharing, enhanced data integrity, reduced paper file storage or manual archiving/disposition requirements, and empowered a more mobile workforce with secure, reliable IT solutions for mission success. The end-state result is to leverage the Agency's information systems and data as strategic assets to enable SSS to make better, faster decisions and to improve overall operational efficiency throughout the Agency's national enterprise.

In FY 2020, the Agency began a comprehensive IT modernization initiative that delivered transformational improvements to its aging network and systems infrastructure. These substantial improvements included replacement of all network hardware to improve performance, data transport, and storage security encryption. The infrastructure upgrades to firewalls and commensal circuits at National Headquarters (NHQ) and the Data Management Center (DMC) were completed with rigorous project planning and execution to deliver a new era of IT service on schedule and with cost efficiencies. We purchased and replaced end-of-life NHQ and DMC core routers and upgraded all CISCO switches in the entire enterprise.

The OCIO is also upgrading 13 servers from Microsoft Server 2008 to 2016. The purchase and implementation of hardware (for backup and recovery) also represents the Agency's first success in implementing a FedRAMP-certified Amazon Web Services (AWS) Simple Storage Service (S3) Cloud storage.

We completed upgrades to the NHQ phone system to PolyCom voice over internet protocol (VOIP). Additionally, we purchased NetApp, Dell servers, and VMWare for DMC to replace virtualization infrastructure addressing critical storage issues, network stability, and client-server speed performance limitations.

Objective 2 – Improve delivery of Agency technology services.

As international and domestic threat actors continually pose major cybersecurity threats to National Security, a core mission of IT is to cyber harden the SSS' enterprise network, high value assets (HVAs), critical systems, and sensitive data from both internal and external cyberattacks. SSS will continuously mature the techniques set forth in policy and strategies to enable a strong cybersecurity posture in full compliance with Federal Information Security Management Act (FISMA), Department of Homeland Security (DHS), and Office of Management and Budget (OMB) Directives.

Additionally, the Agency will create a high-performing IT workforce through an IT Workforce Certification Program, which will ensure baseline capabilities meet the current and future needs of the Agency. The program will strictly follow National Institute of Standards and Technology (NIST) Special Publication 800-181 National Initiative for Cybersecurity Education (NICE). SSS will acquire, develop, and retain a highly qualified, blended federal and contract workforce appropriately sized to deliver secure, scalable, and consumer-friendly IT products and services.

In FY 2020, the Agency procured, installed, and implemented a variety of hardware, software, and services improvements to enhance the cybersecurity posture of the SSS. These improvements included the implementation of a continuous diagnostic monitoring (CDM) project through the Department of Homeland Security (DHS). The DHS CDM dashboard is 100 percent operational, and the Agency is operational in the Federalized Dashboard view. Additionally, SSS modified the Managed Trusted Internet Protocol Service (MTIPS) Firewall contract to replace the legacy firewalls to state-of-the-art Fortigate routers managed by Lumen (formally Centurylink). The Agency contracted additional IT personnel to modernize service delivery, mature configuration management, and achieve full FISMA compliance in 2020. Finally, the award of the GSA Enterprise Infrastructure Solutions (EIS) contract represents a long-term partnership with Lumen to continue to deliver the most cost effective, cyber secure and resilient IT services to exceed the Agency's requirements.

GOAL 5: Create and maintain a high-performance culture.

Objective 1 – Increase employee engagement, improve the work environment, and recruit, train, and hire an efficient and well-trained workforce where all trust, respect, and collaborate with each other to achieve excellence.

The success of our Agency's mission greatly depends upon the knowledge, skills, and abilities of its employees. Pursuant to that success is the ability of our supervisors to clearly define and articulate priorities and expectations, communicate those priorities and expectations to employees, motivate employees to meet them, and then recognize and reward employee achievement.

In FY 2020, the Agency initiated a complete overhaul of its performance management approach. Continuing to build upon the successful transition from a cumbersome paper-based performance management process to the OPM-sponsored USA Performance platform, the Agency leveraged this technology to create a simpler, more easily digestible performance appraisal template. The new template features a limited set of three to four straightforward, performance elements with objective standards, allowing supervisors and employees to establish clear, understandable performance targets. The appraisal is then closed out with a simple, binary pass/fail assessment with two-way feedback between the employee and his or her supervisor.

Additionally, this new system makes purely appraisal-based awards obsolete. It incentivizes year-round recognition of outstanding employee contributions as they occur, and features a variety of monetary and non-monetary awards. The process of fairness and equity are ensured through oversight by a recently established awards board comprised of the Agency's Associate Directors, regional office representation, and chaired by the Chief of Staff.

Objective 2 – Provide effective and collaborative human resource management and training resources.

Maximizing the effectiveness of the workforce means that SSS needs the right person in the right job with the right skills, experiences, and competencies at the right time. Our improved Human Capital Management Plan will clearly align human capital policies, programs, and practices with the Agency's Strategic Plan. The results are rapid recruitment and hiring of a high-performing, top-quality workforce. This is done with the Human Resources Office working to collaborate with the managers.

The dedicated SSS employees who serve the public are indeed our most valuable asset. For our employees to provide the maximum benefit to taxpayers, they must be well-trained and well-versed on the most recent statutes and regulations, as well as on the most effective techniques and practices in their particular field of expertise.

As evidence of its continued commitment to employee excellence through training, in FY 2020, SSS invested on average more than $800 per full-time equivalent (FTE) exclusively for employee training. In addition to any mandated federal training and attendance at the Agency's annual training summit, supervisors and managers are also required to take at least one supervisory or field-related training course each year

The Agency believes that experienced, knowledgeable, and well-trained employees contribute ideas and facilitate changes that ultimately reduce waste, enhance efficiency, save money, increase productivity, and otherwise better position SSS to address the increasingly complex, interdisciplinary issues facing the federal government.

Objective 3 – Deploy diversity and inclusion training and other activities to create an environment where people feel valued and are motivated to contribute their talents to the mission.

SSS is committed to ensuring equal employment opportunities in the workplace and compliance with EEO statutes and EEOC regulations and guidance.

In FY 2020, as a proactive measure, we continued to provide training to employees and supervisors on topics such as Effective Communication, Performance Expectations, Generational Diversity, various aspects of Equal Employment Opportunity, NO FEAR, Whistleblower Protection, as well as other training designed to help recognize and preclude potential pitfalls. Additionally, we continued to cultivate an environment of mutual fairness, respect, and courtesy, in which all employees were equally treated. To prevent unnecessary escalation of the inevitable disagreements and disputes that are abound to occur in any workplace, SSS embarked on a campaign to educate employees on the availability of Alternative Dispute Resolution.

The SSS maintains an Equal Employment Opportunity Commission (EEOC) approved reasonable accommodation policy and procedures, as well as manages a reasonable accommodation program accessible to applicants and employees to ensure inclusion of individuals with disabilities.

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 2020 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 2020, managers continued the practice of identifying specific program costs at their level, which assisted in the effort of linking budget to performance within its programs.

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

Selective Service's audited financial statements are submitted to the Office of Management and Budget (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

Selective Service's FY 2020 and FY 2019 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. The SSS assets totaled $14.26 million in FY 2020. Fund balances with Treasury, mostly undisbursed cash balances from appropriated funds, comprised about 72 percent of the total assets. General property, plant, and equipment comprised 28 percent of SSS assets. 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 2020, SSS had total liabilities of nearly $5.02 million. Agency liabilities were Unfunded Federal Employees' Compensation Act (FECA), federal employee and veteran benefits of nearly $2.01 million. Accounts payable, employer contributions, and payroll taxes of nearly $1.69 million. Accrued payroll and leave, plus unfunded leave, totaled nearly $1.32 million.

Net Position. SSS net position reflects the difference between assets and liabilities, and represents the Agency's financial position of $9.24 million. The amount is divided into two categories: unexpended appropriations (related to undelivered orders and unobligated balances) at nearly $6.48 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at $2.76 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 2020 net cost of operations was $26.44 million: $26.94 million in gross costs less $0.50 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 2020 with a net position total of $9.24 million, increased $2.47 million from FY 2019's position of $6.77 million.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources focuses on available appropriations and reimbursable activity, their status (obligated or unobligated) at the end of the reporting period, and the relationship between the available appropriations and reimbursable activity and the corresponding outlays (collections and disbursements). Selective Service's FY 2020 budgetary resources totaled nearly $30.56 million in budget authority.

FINANCIAL MANAGEMENT

In FY 2020, the SSS successfully managed resources, delivered quality services to stakeholders, and met its financial reporting requirements. An independent audit disclosed several material weaknesses. The Agency enhanced internal controls in conjunction with federal mandates. The SSS continues to improve financial management policies, processes, and procedures, and to document those changes in updates to the Agency's Fiscal Manual.

THE DIRECTOR OF SELECTIVE SERVICE
Arlington, Virginia 22209-2425

DIRECTOR'S FMFIA STATEMENT OF ASSURANCE

Selective Service System's (SSS) management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. SSS conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of this assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2020, except for the following material weaknesses reported:

- Financial Reporting (to include process around top-side adjustments made to the Financial Statements, calculation of non-Reserve Force Officer (RFO) Accounts Payable, calculation of Internal Use Software, and Fund Balance with Treasury reconciliations)

Donald M. Benton
November 16, 2020

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

The SSS conducts its annual evaluation of internal controls over financial reporting in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and 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 No. A-123, Appendix C (*Requirements for Payment Integrity Improvement*), which was last updated in October 2014 as OMB Memorandum M-15-02; OMB Memorandum M-13-23, *Improving Financial Systems through Shared Services;* 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.

FY 2020 Results

In FY 2020, an independent audit found the Agency's FISMA program to be free of any material weaknesses. An independent audit of the Agency's financial statements also identified multiple material weaknesses. Exhibit 1 provides a summary of the reported 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	4	0	4	0	4
IT Security	0	0	0	0	0	0
Total Material Weaknesses	0	4	0	4	0	4

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 No. 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	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	4	0	4	0	4
Total Material Weaknesses	0	4	0	4	0	4

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

Outstanding Material Weaknesses

No previously identified material weaknesses existed at the end of FY 2020.

New Material Weaknesses

4 new material internal control weaknesses were identified during FY 2020.

IT Security Program

No new material weaknesses were identified during FY 2020.

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 2020

Management reviews for the Agency's computer systems were conducted as part of the Federal Information Security Management Act (FISMA) and validated/certified as mission capable.

The Agency also conducted an internal self-assessment of operations-related computer systems to assess compliance with the Agency's policies and regulations.

- Registration Compliance and Verification (RCV)
- Integrated Mobilization Information System (IMIS)
- Central Registrant Processing Portal (CRPP) modules:
  - Lottery
  - Alternative Service Employer Management

Program evaluations were scheduled and conducted for the following areas:

- State Director and Reserve Service Member Positions
- Lottery

In addition to the Financial Statement Audit, the Agency conducted its internal Statement of Assurance assessment in compliance with OMB Circular No. A-123. The assessment identified several material weaknesses, within financial management. Corrective actions will be developed and implemented to address these findings in FY 2021.

Independent auditors also conducted a review of the Agency's internal controls for preventing improper payments as required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). The review determined that SSS controls were adequate and operating effectively. Based on the auditors testing of SSS's FY 2020 payments, auditors assessed the Agency's programs were at low risk. Therefore, any recovery audit program would not be cost effective.

FY 2020 Performance

This FY 2020 Performance and Accountability Report (PAR) identifies the activities, strategies, and results that took place during the fiscal year to achieve the Agency's goals and objectives. It also identifies relevant performance measurement target goals to be achieved.

Goal 1: Provide timely manpower to the Department of Defense.

Objective 1 – Increase registration and improve data integrity.

Significant Activity:
1. Registration data collection and analysis
2. Data integrity programs
3. Data dashboard development

Strategic Objective 1.1.1 Enhance existing registration programs in order to maintain a fair and equitable registration compliance rate.

FY 2020 Annual Performance Goal:
1. Maintain an overall registration rate over 90 percent
2. Increase the registration rate for the 18-year-old group by 2 percent

Was the goal achieved?
Yes.

Results:
For Calendar Year (CY) 2019, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 92 percent, an increase over CY 2018 for men ages 18 through 25 who were required to be registered. For the 18-year-old group, the compliance rate was 72 percent, a growth of 7 percentage points; for the 20-year-old group, the rate was 91 percent; and for the 25-year-old group, the annual compliance rate was 98 percent.

The website was completely overhauled in 2020, resulting in a cleaner look, more prominent placement of the registration link, and smoother registration.

Discussion:
The SSS continues to modernize the registration program. This necessitates moving away from a model that involved thousands of interpersonal interactions (such as the High School Registrar Program) that are costly in terms of resources expended with marginal return, to one focused on addressing key areas of highly populated but with low registration rates (such as the Los Angeles area).

Impact:
The focus on this strategic objective will result in increasing registration rates.

Planned Actions / Schedule:
Based on the success we had in 2020, again in FY 2021, each SSS Region will focus on one key area and deploy teams in an attempt to drive up registration rates in traditionally low-registration localities, using proven techniques from 2020. Zoom sessions with influencers and local high schools proved particularly useful.

SSS will continue to pursue Driver's License Legislations (DLLs) as opportunities present themselves.

Verification and Validation:
The estimated rates of registration compliance with the Military Selective Service Act (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 Data collection program.

FY 2020 Annual Performance Goal:
Create more useful data reports.

Was the goal achieved?
Yes.

Results:
SSS maintains a massive database and accumulates approximately 5,500 new registrations daily. In order to make more informed decisions the data needs to be accurate, available, and secure.

Discussion:
SSS developed a working group of data users to fully scope out the requirements. The Data Management Center team then reviewed existing queries in an attempt to match user needs. We were able to implement an initial rollout by the end of the fiscal year.

Impact:
This will allow data driven decisions to be made when the Agency is targeting outreach events, for example, and will enable an immediate measure of impact.

Planned Actions / Schedule:
In FY 2021, SSS will continue to pursue a Data Visualization Program. Traditionally, the Agency collects and reports registration statistics once a year. This program will first explore the database's ability to contribute to a more real-time dashboard of registration health across the Nation to determine trends.

Verification and Validation:
SSS uses a variety of mechanisms to ensure that the data streams feeding our database are accurate, from simple checksums to annual verifications with agencies providing the data.

Objective 2 – Improve the ability to call, classify, and deliver manpower to DoD when required.

Significant Activity:
SSS continued a comprehensive review of its operational plans associated with transitioning to a full-scale mobilization that will last through FY 2022, continued to execute its Exercise Program, and took delivery of a web-based tool to host digital board member training.

Strategic Objective 1.2.1 Review and improve the mobilization process.

FY 2020 Annual Performance Goal:
Begin a comprehensive review of all operational plans. Continue to hold exercises to test the existing and/or updated system.

Was the goal achieved?
Yes.

Results:
Operations, using our Reservists to assist, continued a review of the operational system and plans. SSS also held a lottery exercise to examine if corrective actions recommended after the FY 2018 exercise had been implemented.

Discussion:
SSS operational plans were developed in the 1980s on the foundation of Vietnam-era drafts. Although the plans are revised approximately every 10 years, a comprehensive review had not been done in some time.

Impact:
SSS was able to continue to demonstrate a robust exercise program, even with COVID-imposed restrictions in place.

Planned Actions / Schedule:
SSS will hold an Induction Exercise as will also hold mock local and district appeals boards in FY 2021 while continuing to reshape operational plans.

Verification and Validation:
Exercises, ranging from table-top to full-scale, are the Agency's traditional verification and validation measure.

Strategic Objective 1.2.2 Develop a synchronized delivery system with USMEPCOM.

FY 2020 Annual Performance Goal:
None.

Planned Actions / Schedule:
This activity is scheduled for FY 2022. At that point, our Central Registrant Processing Portal will be fully tested and accepted, and the United States Military Entrance Processing Command (USMEPCOM) Integrated Resource System will be complete as well.

Strategic Objective 1.2.3 Develop an integrated, synchronized Exercise Program to ensure Agency mobilization readiness.

FY 2020 Annual Performance Goal:
Continue to follow the Exercise Program.

Was the goal achieved?
Yes.

Results:
SSS successfully held a full-scale Lottery Exercise.

Discussion:
As SSS updates its operational plans, the Agency will continue to examine proposed updates through exercises.

Impact:
The SSS exercises assure organizational mission readiness. Coordination, alignment, and prioritization of these efforts ensure the Agency is able to initiate actions should a return to conscription be necessary.

Planned Actions / Schedule:
SSS will augment our technical resources to further the development of our Central Registrant Processing Portal as well as activities in Strategic Objective 1.2.3, *the Exercise Program.*

Verification and Validation:
Verification and validation of the plans are satisfied by managerial and staff review. This year we added an independent third-party validation of the lottery process.

Strategic Objective 1.2.4 Update the individual training program to match the improved mobilization process.

FY 2020 Annual Performance Goal:
Complete a web-based backbone to enable the delivery of the digital board member training.

Was the goal achieved?
Yes.

Results:
The SSS successfully took delivery of the web-based platform. Now, all volunteers can access the standardized digital training in an environment that is outside the Agency's firewall.

Discussion:
The SSS developed requirements, issued a request for proposals, and successfully managed a contract to deliver the web-based platform. The Agency can now create and deliver training in a standard, cyber secure environment.

Impact:
The delivery of training through a web-based platform finally moves SSS away from the labor-intensive and less efficient face-to-face model that was employed for decades. The older model was not realistically sustainable after years of budget stagnation and staff cuts.

Planned Actions / Schedule:
In FY 2021, SSS will create new training modules.

Verification and Validation:
Verification and validation are satisfied by managerial and staff review.

Strategic Objective 1.2.5 Maintain manning at required levels.

FY 2020 Annual Performance Goal:
None.

Planned Actions / Schedule:
This strategic objective is associated with the schedule of Strategic Objective 1.2.1, *Review and improve the mobilization process*. As the operational plans are updated, manning studies will be performed to ensure the plans are staffed to the appropriate levels.

Strategic Objective 1.2.6 Cyclical workload and manpower analysis process.

FY 2020 Annual Performance Goal:
None.

Planned Actions / Schedule:
The workload and manpower analysis is tied to Strategic Objective 1.2.1, *Review and improve the mobilization process*. As operational plans are rewritten, a new workload and manpower analysis will be done concurrently and completed in FY 2021.

Objective 3 – Update relationships with stakeholders.

Significant Activity:
SSS performed a number of outreach activities to both revisit old relationships that had atrophied and to strengthen existing relationships.

Strategic Objective 1.3.1 Prioritize and update Agency MOU/MOAs to ensure Agency readiness with new or existing external partners.

FY 2020 Annual Performance Goal:
Reengage with partners to resign outdated MOUs.

Was the goal achieved?
Yes.

Results:
The Agency updated MOUs with the U.S. Army Reserve, U.S. Air Force Reserve, Army National Guard, U.S. Coast Guard Reserve, and U.S. Marine Corps.

Discussion:
SSS relies heavily on external partners due to the small, historically stagnant budget. Without

these partnerships the Agency might not be able to accomplish its mission.

Impact:
The Agency is assured of receiving services from our partners.

Planned Actions / Schedule:
SSS will continue to perform outreach at multiple levels. In FY 2021, SSS plans to shift to reinforce MOUs with states that supply the Agency with registration data.

Verification and Validation:
Verification and validation are satisfied by managerial and staff review.

Goal 2: Maintain a robust structure for managing alternative service for conscientious objectors.

Objective 1 – Refine the alternative service employer network structure.

Significant Activity:
SSS continued outreach activities for the Alternative Service Program (ASP). This resulted in updated MOUs with several new federal and state agencies.

Strategic Objective 2.1.1 Develop and update Alternative Service Program (ASP)-related provisional agreements to ensure Agency readiness.

FY 2020 Annual Performance Goal:
Reengage with alternative service partners to resign outdated MOUs and reach out to new partners.

Was the goal achieved?
Yes.

Results:
The Agency has seven new MOUs with federal and state agencies.

Discussion:
This is a continuing focus area for operations.

Impact:
The existence of these MOUs provides tangible evidence of the Agency's Alternative Service Employer Network (ASEN). If there were a return to conscription, SSS can engage with our partners to create jobs related to national service for conscientious objectors in lieu of military service.

Planned Actions / Schedule:
SSS will continue to pursue and sign MOUs.

Verification and Validation:
Verification and validation are satisfied by managerial and staff review.

Strategic Objective 2.1.2 Improve and increase Government-wide ASP/Alternative Service Employer Network (ASEN) awareness and strengthen the ability to manage the program through training initiatives.

FY 2020 Annual Performance Goal:
Perform outreach and extend awareness to the state level.

Was the goal achieved?
Yes.

Results:
Although it has been a challenging period, the ASP has been able to leverage virtual outreach to the greatest extent possible. ASP had more than 100 contacts in FY 2020.

Discussion:
For many years SSS focused on outreach to federal agencies as well as the peace churches community. This will continue, but state and local outreach is also required.

Impact:
Successful outreach enables the accomplishment of Strategic Objective 2.1.1, *Develop and update ASP-related provisional agreements to ensure Agency readiness.*

Planned Actions / Schedule:
Outreach will continue in FY 2021.

Verification and Validation:
Verification and validation are satisfied by managerial and staff review.

Objective 2 – Improve the ability to execute an Alternative Service Program when required.

Significant Activity:
SSS undertook a comprehensive review of our operational plans associated with transitioning to a full-scale mobilization and continued to execute our Exercise Program.

Strategic Objective 2.2.1 Strengthen and improve the alternative service mobilization framework.

FY 2020 Annual Performance Goal:
Perform a comprehensive review of all operational plans. This performance goal is tied directly to Strategic Objective 1.2.1, *Review and improve the mobilization process*.

Was the goal achieved?
Yes.

Results:
The Associate Director for Operations chaired a review committee that examined current agency operational plans. The committee determined that although fundamentally solid, the plans could be far more effective and efficient, particularly if technological improvements were incorporated. The updates began in FY 2020.

Discussion:
It was noted SSS's operational plans were developed in the 1980s on the foundation of Vietnam-era drafts. Although the plans are revised approximately every 10 years, a comprehensive review had not been done in some time.

Impact:
An update of operational plans will assure a more efficient ASP operation.

Planned Actions / Schedule:
SSS will continue a complete revision of its operational plans, completing in FY 2021. These plans will then be integrated into Strategic Objective 1.2.3, *Develop an integrated, synchronized Exercise Program to ensure Agency mobilization readiness*.

Verification and Validation:
Exercises, ranging from table-top to full-scale, are the Agency's traditional verification and validation measure.

Goal 3: Ensure management excellence by promoting economy, efficiency, and effectiveness throughout Selective Service System programs and supporting operations.

Objective 1 – Provide courteous, timely, and accurate customer service to internal and external customers.

Significant Activity:
Providing customer service to those inside and outside the Agency is crucial to how we do business pertaining to SSS and the registration requirement, particularly with the taxpayers and their elected officials. The SSS answers general public inquiries; handles white house, congressional, and intergovernmental requests for assistance or actions; responds to news media requests for information; processes FOIA requests; monitors and answers social media comments, and assists members of the Speakers' Bureau Program.

Strategic Objective 3.1.1 Strengthen relationships and improve response time to inquiries and requests for assistance.

FY 2020 Annual Performance Goal:
Provide professional and immediate response to all customer service requests incoming to the Public and Intergovernmental Affairs (PIA) Directorate and Data Management Center (DMC).

Was the goal achieved?
Yes.

Results:
PIA handled all customer service activities in a timely and courteous manner. Telephone, social media, and email inquiries and requests for

information, assistance, and/or action were carried out and completed in an expeditious manner. In FY 2020, PIA processed congressional, intergovernmental, and community requests and inquiries within 24-72 hours. Staff responded and logged 5,889 email actions from the information@sss.gov mailbox since the new website rolled out in March 2020. This mailbox was redirected to PIA to monitor trends, website issues, and public inquiries. The inquiries or requests were from a multitude of sources, such as congressional offices, news media, consulates or embassies, organizations, postmasters, researchers/writers, with most inquiries from the general public. General inquiries were responded within 1-2 business days, with research requests handled in less than 5 business days.

The Agency has significantly increased its proactive disclosures by using social media platforms. By using these mediums SSS has reduced the number of FOIA requests by approximately 23 percent. Forty-eight FOIA requests were responded to within the required timeframe of 20 business days. At the end of the fiscal year, there was no backlog.

In FY 2020, with the exception of a three-month period March-May when the entire Agency was on mandatory telework due to COVID restrictions, the DMC was able to meet all customer service time thresholds, including a 5-day turnaround time for Status Information Letters (SILs).

Discussion:
Internal procedures were established and enhanced to address and communicate with all stakeholders should a delay be anticipated or happen. FOIA, which is found at 5 U.S.C. 552, is a law that gives a person the right to obtain federal agency records unless the records (or parts of the records) are protected from disclosure by any of the nine exemptions contained in the law. Under the law, all federal agencies are required to respond to a FOIA request within 20 business days, unless there are "unusual circumstances."

Impact:
Increased transparency and contribution to open government and external customer service.

Planned Actions / Schedule:
Increase the number of proactive disclosures on our website and social media platforms. Continue to respond to public inquiries in timely manner. Respond to each FOIA request within 20 days or less.

In FY 2021, the DMC will implement new Enterprise Content Management software to help reduce customer service response thresholds, including a 60 percent reduction in the time it takes to address SILs.

Verification and Validation:
An annual review of procedures is done to incorporate any recommendations or suggestions for improving our procedures. A report is completed to document few, if any, FOIA appeals. If appealed the determination of Agency's Chief FOIA Officer is affirmed.

Objective 2 – Provide collaborative, efficient, and effective financial management.

Significant Activity:
SSS employed a robust set of effective policies, practices, processes, and systems (via a Shared Service Provider) for planning, programming, budgeting, and executing and reporting on its annual appropriation.

Strategic Objective 3.2.1 Financial Management.

FY 2020 Annual Performance Goal:
Achieve an obligation rate (as a percentage of current year direct appropriation) of 99.7 percent or higher.

Was the goal achieved?
Yes.

Results:
Selective Service achieved an obligation rate of 99.71 percent, meeting the goal.

Discussion:
None.

Impact:
By ensuring the Agency effectively (and appropriately) executed its budget, we maximized our value to the taxpayer, demonstrated proper program management, and ensured each organization maximized its contribution to mission success.

Planned Actions / Schedule:
Maintain continuous monitoring of system-generated reports. Continue proactive outreach and follow-up with program managers to aid, assist, and advise them on the nuances of budget formulation and execution.

FY 2020 Annual Performance Goal:
Achieve an unliquidated obligation (ULO) rate (as a percentage of current year direct appropriation) of 10 percent or less.

Was the goal achieved?
No.

Results:
Selective Service achieved a ULO rate of 19.7 percent.

Discussion / Impact:
Due to SSS moving away from awarding contracts in the 1st quarter to eliminate cash flow problems associated with continuing resolutions and awarding numerous contracts that cross fiscal years, this goal will have to be reevaluated to establish a more realistic percentage for future years. The Agency is continuously looking to move away from awarding contracts in October due to Congress not passing budgets in a timely manner.

Planned Actions / Schedule:
The most effective risk mitigation strategy is to continue the practice of continuous monitoring of system-generated reports, and be proactive in reaching out and following up with program managers to aid, assist, and advise on the management and execution of their respective budgets.

FY 2020 Annual Performance Goal:
Ensure 100 percent of eligible commercial vendors are submitting invoices via the Invoice Processing Platform (IPP).

Was the goal achieved?
No.

Results:
The SSS determined that 79 percent of eligible commercial vendors are submitting invoices via IPP.

Discussion / Impact:
Until recently, the Agency's Accounting Division lacked sufficient staffing to devote the time and attention required to improve this metric.

Planned Actions / Schedule:
In FY 2021, the Accounting Division will have the personnel resources necessary to implement a more aggressive outreach plan that will ensure increased vendor compliance with the IPP mandate.

FY 2020 Annual Performance Goal:
Achieve Enterprise Risk Management (ERM) Maturity Level 1, (based on the Risk and Insurance Management Society (RIMS) Risk Maturity Model (RMM)).

Was the goal achieved?
Yes.

Results:
Selective Service exceeded the goal and achieved Initial (Level 2) in its most recent risk assessment conducted in June 2020 by an independent consultant.

Discussion / Impact:
The Agency initiated its ERM program in April 2019, and has since made significant progress in maturing the program to the next level. The Agency continues to incorporate risk into all areas of Agency operations.

Planned Actions / Schedule:
SSS developed the "stretch goal" of achieving Maturity Level 3 (Repeatable) by the end of FY 2021.

Verification and Validation:
The SSS Enterprise Risk Management Board is tasked with ensuring compliance with best practices.

Strategic Objective 3.3.1 Strategic Outreach Communications.

FY 2020 Annual Performance Goal:
Establish a goal of increasing the Agency's outreach to registrants and their influencers (intended audiences) with an integrated marketing strategy to use new creative content (advertising). Update and increase dissemination channels to distribute the advertising messages to intended audiences. Develop and distribute new public service announcements. Strengthen the Agency's social media efforts by recruiting and hiring dedicated social media FTEs. Develop a social media communication's plan to establish a stronger presence on nine social media platforms: Facebook, Twitter, Snapchat, Reddit, Spotify, Flicker, YouTube, LinkedIn, and Instagram.

Was the goal achieved?
Yes.

Results:
The year was very successful. The following statistics in the table below show we have increased the number of online followers by accessing the number of views and associated clicks on an increased number of social media outlets.

Media	Campaign	Impressions
Facebook	486 Campaigns	6,323,706
Twitter	Annual	4,351,873
YouTube	1 Campaign	1,900,000
Snapchat	Annual	61,861,597
Spotify	16 Campaigns	655,562
TV PSAs	Annual	13,200,000
Mobile Transit Ads	4 Weeks	1,563,301
Bus, Rail Transit Ads & Billboards	2–16 Weeks	145,229,266

PIA also used traditional advertising mediums to support and reinforce the registration message. These mediums included a wide array of public service announcements on TV and outside-of-home (OOH) advertising, to include billboards and transit advertising platforms.

Discussion:
PIA used a population density map to identify the greatest problem areas for registration based on the highest population versus non-registrants. PIA advertised within the open travel period on buses, transit thoroughfare kiosks, and inside metros and subways. The marketing plan supplemented this advertising effort with mobile triggering that allowed our digital messaging to pop up on cell phones within the areas of advertisement. Major city advertising took place in San Diego, Los Angeles, San Francisco, Seattle, Chicago, Boston, New York City, Philadelphia, Washington, D.C., and Dallas.

This marketing strategy also builds upon reaching out to key influencers and organizations who service the hard-to-reach youth. For instance, PIA worked with high school coaches, distributed registration awareness package to chambers of commerce. The fiscal year began with visits to communities to speak with leaders of community organizations with lower than average registration rates. The national exhibit program was well underway, having exhibited at one quarter of the scheduled national annual conferences and conventions at major venues, until the coronavirus pandemic led to the cancellation of the remaining exhibits through the end of 2020. Yet, in the second year of the Speakers' Bureau Program, led by 336 members, we were able to pick up digital presentations and virtual meetings across the Nation to talk about the SSS and the registration requirement. Collectively, these adaptions and creative outreach efforts continued to enhance registration awareness and complimented the traditional and online advertising efforts.

Impact:
While it is not possible to draw a direct correlation between increased registration rates in areas targeted by the marketing strategy (as is the case with most advertising campaigns other than direct marketing), we saw an increased measure of reach and frequency of most of the advertising efforts. Reach and frequency together is a classic method of measurement in the advertising industry when analyzing how many people are exposed to a message and how many times these people are exposed. The overall registration statistics are now on the upswing.

Planned Actions / Schedule:
Looking ahead to 2021 and beyond, working within budget and staffing resources, PIA anticipates growing its social media efforts and exploring use of an online direct marketing initiative to better measure the impact and effectiveness of the overall marketing campaign. We expect to continue to use the Speakers' Bureau Program to tap in on a pool of knowledgeable members of the Selective Service volunteer force to talk with young men and their influencers locally about the importance of registration and Selective Service. The national exhibit program is preplanned for staffing exhibit booths in various venues, specifically in comic con exhibitions.

Verification and Validation:
The most viable verification is seen from the increase in registration compliance statistics, as well as the increased number of hits for views and visits on our website and social media posts.

Strategic Objective 3.3.2 Registration Improvement.

FY 2020 Annual Performance Goal:
The goals for this objective are tied to those for Strategic Objective 1.1.1, *Enhance existing registration programs*, but with a PIA focus.

1. Maintain an overall registration rate over 90 percent
2. Add new states to those with driver's license legislation (DLL)
3. Increase the number of electronic registrations
4. Implement registration awareness programs (new media and traditional advertising, direct mail, exhibits, speeches, focus groups)

Was the goal achieved?
Yes.

Results:
Calendar Year 2019 saw a significant improvement in registration statistics, especially for the 18-year-old group as discussed in Goal 1, Objective 1. SSS had shifted its focus on reaching the 18-year-old men earlier, while maintaining the automated mail reminders for men 19 years old and older who are not yet registered. In doing so, there was a 7 percentage point increase over the prior calendar year for the 18-year-old group due to the collaborative efforts from all of SSS. Most of this gain can be attributed to more focus given to the low registration areas by national and regional outreach, social media, and outside-of-home targets.

Discussion:
To continue the website modernization and improvement of the registration process, a new mobile-friendly website was developed and launched in March 2020. The new website improved user experience, provided better organization of key information, and applied 508 compliance, which all led to an overall positive result of online registrations.

To further support the launch of the new website, a digital advertising plan was developed and deployed to raise awareness of the requirement to register and drive traffic to the new site. Advertising ran on digital media platforms, such as Facebook, Instagram, Twitter, YouTube, Snapchat, and Spotify. The campaign targeted men ages 17 – 19 in San Diego, Riverside, San Bernardino, Orange County, Los Angeles, Detroit, Chicago, New York, Lowell, Philadelphia, and Houston, resulting in an increase of site traffic by 54 percent.

Impact:
PIA-assisted outreach has proved to increase overall registration rates, specifically for the 18-year-old group in Calendar Year 2019.

Planned Actions / Schedule:
PIA has an outreach schedule for FY 2021 that focuses on key areas with low registration. Additionally, PIA will review the possibility of using outside resources to standardize any exhibits the Agency may attend. The Speakers' Bureau Program will have monthly updates and new toolkit materials.

Verification and Validation:
In addition to evaluating monthly google analytics, PIA will assess results based on registration data provided by Operations.

Strategic Objective 3.3.3 Board Program awareness.

FY 2020 Annual Performance Goal:
None.

Planned Actions / Schedule:
In FY 2020, SSS began an assessment of the Board Program and will explore providing enhancements to enable a modernized approach to recruiting, screening, training, and retaining board members.

Objective 4 – Ensure resource management systems and personnel structure are scalable for mobilization.

Strategic Objective 3.4.1 Operational modernization planning.

FY 2020 Annual Performance Goal:
Undertake a comprehensive review of our operational plans associated with transitioning to a full-scale mobilization and continued to execute our Exercise Program. This is tied directly to Strategic Objectives 1.2.1, *Review and improve the mobilization process*, and 2.2.1, *Strengthen and improve the alternative service mobilization framework*.

Continue the comprehensive review of all operational plans.

Was the goal achieved?
Yes.

Results:
The Associate Director for Operations chaired a review committee that examined current agency operational plans. As previously discussed, the committee determined that although fundamentally solid, the plans could be far more effective and efficient, particularly if technological improvements were incorporated.

Discussion:
SSS operational plans were developed in the 1980s on the foundation of Vietnam-era drafts. It was noted that although the plans are typically revised approximately every 10 years, a comprehensive review had not been done in some time.

Impact:
An update of operational plans will ensure the Agency can transition its internal systems and structure to a mobilization platform if there is ever a return to conscription.

Planned Actions / Schedule:
SSS will continue to revise and test operational plans in FY 2021. These plans will then be integrated into Strategic Objective 2.2.3, *the Exercise Program*. The ability of internal agency processes and structures to transition to a mobilization footing will be incorporated into future exercises.

Verification and Validation:
Exercises, ranging from table-top to full-scale, are the Agency's traditional verification and validation measure.

Objective 5 – Collect and share insights and experiences, institutional knowledge, and innovative ideas across the organization.

Strategic Objective 3.5.1 Knowledge Management system.

FY 2020 Annual Performance Goal:
Develop a knowledge management (KM) plan and initiate Phase II of the plan.

Was the goal achieved?
Yes.

Results:
SSS initiated an independent assessment of the Agency's knowledge management needs using an outside contractor. This assessment was completed and Phase I of the follow-on plan began at the end of FY 2019. SSS then deployed improvements to the KM platform (SharePoint) in FY 2020 and released a Governance Plan.

Discussion:
The Agency suffers from a set of disjointed legacy applications for KM. The assessment detailed the Agency's needs and proposed a set of actions.

Impact:
The program will result in an increase in sharing and more innovative solutions to problems and to leverage the Agency's data as a strategic asset.

Planned Actions / Schedule:
The Agency will continue to execute Phase I of the plan and implement an agency-wide tool for KM.

Verification and Validation:
Contract milestones will be monitored by agency personnel.

Objective 6 – Establish an SSS Strategic Alignment and Compliance Board.

Strategic Objective 3.6.1 Strategic Plan progress.

FY 2020 Annual Performance Goal:
Measure progress towards the Strategic Plan.

Was the goal achieved?
Yes.

Results:
The Director formed the Strategic Alignment and Compliance Board (SACB) and held quarterly meetings.

Discussion:
The SACB reviews progress towards measures of effectiveness and performance in the Strategic Plan.

Impact:
This maintains accountability for items in the Plan.

Planned Actions / Schedule:
Continue holding quarterly meetings.

Verification and Validation:
The Board reviews and tracks alignment to the Strategic Plan.

Goal 4: Ensure all internal Agency systems are modernized, operationally ready, and are appropriately scalable, capable, and optimized to meet national security requirements with maximum efficiency and minimum cost.

Objective 1 – Update and modernize the Agency's technology infrastructure to deliver day-to-day capabilities as well as the necessary capabilities for mobilization.

Significant Activity:
In FY 2020, the Agency continued its comprehensive IT modernization initiative to deliver overall improvements. These included the replacement of the network firewalls and upgrades to the commensal circuits at National Headquarters (NHQ) and the Data Management Center (DMC).

Strategic Objective 4.1.1 IT infrastructure sustainment / improvement.

FY 2020 Annual Performance Goal:
Take actions to achieve compliance with Executive Order (EO) 13800 for Federal IT modernization.

Was the goal achieved?
Yes.

Results:
In FY 2020, the Agency procured and implemented a variety of hardware, software, and services improvements to robust the cybersecurity posture of SSS. These improvements included the implementation of the continuous diagnostic monitoring (CDM) project through the Department of Homeland Security (DHS). The DHS CDM dashboard is 100-percent operational and viewable in the Federated Dashboard. To replace the legacy firewalls, the Office of the Chief Information Officer (OCIO) modified the Managed Trusted Internet Protocol Service (MTIPS) Firewall contract to the state-of-the-art Fortigate firewalls managed by Lumen (formally CenturyLink). Additionally, we contracted additional IT personnel to augment our technical expertise as we surged to modernize service delivery, strengthen data security in transit and at rest, while maturing configuration control, operational management, and OCIO governance.

Discussion:
The strategy is to evaluate the current infrastructure and develop an IT Capital Investment Plan to achieve compliance with EO 13800.

Impact:
The Agency initiated a project plan to systematically replace an unwieldy and out-of-date federal IT infrastructure incapable of operating with the agility and security required to successfully sustain operations through a full-scale mobilization.

Planned Actions / Schedule:
Continue implementation of all management controls and rigorous OCIO processes. Additionally, the CIO has to procure two new technologies that will ensure compliance with EO 13800 while rigorously sustaining FISMA standards. The first system is Tenable/Nessus Security Center. This application is a dashboard view and management of all the Agency's critical vulnerabilities and exposures (CVE). This application will significantly enhance the efficiency to mitigating cyber threats and risks to the SSS Enterprise. The second application is being procured through a partnership with the Department of Justice (DoJ). Cybersecurity assessment and management (CSAM) automates assessments and authorizations to provide a comprehensive assessment and continuous monitoring service. This application will serve as a critical tool for the OCIO's oversight of all cyber accreditation and compliance requirements.

Verification and Validation:
Continued CIO monitoring and internal Inspector General programmatic review for verification of procedural effectiveness and sustained compliance.

Objective 2 – Improve delivery of Agency technology services.

Significant Activity:
During FY 2020, upgrades were made to the network infrastructure at the Data Management Center (DMC). New switches were purchased and installed for outdated NHQ core switches; 13 servers were upgraded from Microsoft Server 2008 to 2016; Cohesity and Riverbed hardware (for backup and compression) were purchased; Cloud provider was established through Amazon completed upgrades to PolyCom VOIP. Additionally, the OCIO purchased NetApp, Dell servers, and VMWare for DMC to replace virtualization infrastructure addressing critical storage issues, network stability, and client-server speed performance limitations.

Strategic Objective 4.2.1 Help Desk.

FY 2020 Annual Performance Goal:
Improve IT Support (Help Desk) Services for the Agency through the pursuit of enhanced processes, standards, and technology while augmenting the Agency's IT staff for the Help Desk.

Was the goal achieved?
Yes.

Results:
The Agency significantly enhanced our IT Support (Help Desk) processes, standards, and technology in 2020, and these objectives continue to mature.

Discussion:
The Agency will continue to mature its IT Support Services through the Help Desk in support of enhanced service delivery, configuration management, and IT lifecycle management.

Impact:
Significant improvements are made for user experience and cybersecurity through the configuration management and baseline control.

Planned Actions / Schedule:
Continue project implementation of the new Vizor application with a projected completion date of December 2020. This project is for the transformational progress towards Information Technology Infrastructure Library (ITIL) improvements for documenting, tracking, and analyzing all IT Support requests in a new state-of-the-art Visor application, (COTS Solution).

Verification and Validation:
Continued CIO monitoring and internal Inspector General programmatic review for verification of procedural effectiveness and sustained compliance.

Strategic Objective 4.2.2 Cybersecurity compliance.

FY 2020 Annual Performance Goal:
Establish a "culture of compliance" by enforcing FISMA standards across the organization of Information Technology Management Series GS-2210s in the Agency with a goal to achieve 100-percent compliance with federal cybersecurity standards.

Was the goal achieved?
Yes.

Results:
The annual FISMA audit resulted in a number of recommended compliance remediations that are aggressively being pursued by the CIO and Chief Information Security Officer (CISO). All recommendations are tracked with plan of action and milestones (POAMs) and will be transparently briefed and aggressively tracked to fully document closure with OCIO oversight.

Discussion:
All FISMA standards will be achieved through a renewed "culture of compliance" and rigorous procedures that tie into the Agency's IT policy and federal cybersecurity standards. The OCIO and CISO will maintaining the highest standards for cybersecurity and FISMA standards in the Federal Government.

Impact:
Sustained FISMA compliance and ownership of standards for cybersecurity at all levels of Series 2210 personnel.

Planned Actions / Schedule:
Continue implementation through CIO monitored POAMs.

Verification and Validation:
Continued OCIO monitoring and internal Inspector General programmatic review for verification of procedural effectiveness and sustained compliance.

Goal 5: Create and maintain a high-performance culture.

Objective 1 – Increase employee engagement, improve the work environment, and recruit, train, and hire an efficient and well-trained workforce where all trust, respect, and collaborate with each other to achieve excellence.

Significant Activity:
The Agency established a Position Management Board (PMB) and workforce development team. These two groups bolstered employee engagement and ensured that employees received the training necessary to enhance their knowledge, skills, and abilities.

Strategic Objective 5.1.1 Supervisors set, and communicate to employees, clear expectations in writing, including updated and accurate position descriptions.

FY 2020 Annual Performance Goal:
Conduct a 100-percent review and update of the Agency's position descriptions (PDs). Each manager and employee will review and revise PDs before recruiting for a vacant position,

assigning objectives to an appraisal, or approving an individual development plan (IDP). Also, the Agency will use the PMB to help keep SSS on track and ensure mission essential positions are built into our organizational structure.

Was the goal achieved?
No.

Results:
The Agency's PD revisions are approximately 60 percent complete.

Discussion:
Due to agency reorganization and "right-sizing," the review and update of the Agency's PDs were delayed. Upon hiring for new positions, PDs are reviewed, updated, and approved by the hiring manager and Human Resources Officer. A more extensive review and update will be completed in FY 2021.

Impact:
With accurate and updated PDs, employees and supervisors have a clear and unified understanding of any position's requirements. This will facilitate more accurate and objective performance assessments.

Planned Actions / Schedule:
In FY 2021, Directorates will update PDs, and the PMB will review PD revisions to ensure alignment with the SSS Strategic Plan.

Verification and Validation:
Engaged employees work more effectively with managers to raise the overall performance standard of the SSS workforce.

Strategic Objective 5.1.2 STAR Team effectiveness.

FY 2020 Annual Performance Goal:
Schedule the Supporting Transformation and Results (STAR) Team meetings to vet employees' ideas, recommendations, and suggestions, and convey the same to leadership.

Was the goal achieved?
Yes.

Results:
The Star Team met monthly in FY 2020. Ideas were vetted through the Team, and leadership approved all of those initiatives.

Discussion:
The STAR Team is an employee-led forum for vetting ideas and suggestions. The team is comprised of employees from all agency directorates. It was formed to enhance and improve employee engagement, morale, culture, and processes at SSS. Meetings are held to review employee suggestions and present options to senior leadership that have a positive impact on employee wellness and satisfaction.

Impact:
Improved employee engagement and morale.

Planned Actions / Schedule:
Encourage employee participation in the suggestion process. Meet quarterly or more frequently if warranted.

Verification and Validation:
Approved initiatives have desired outcome. An annual review of the suggestion process and procedures provides the basis for incorporating any recommendations for improvement. Increased employee satisfaction rating on the FedView Survey.

Strategic Objective 5.1.3 Fair and equitable peer recognition program.

FY 2020 Annual Performance Goal:
Establish an Awards Board to ensure employees get rewarded multiple times a year.

Was the goal achieved?
Yes.

Results:
Since implementing the Awards Board in July of 2019, the Board vetted and the Director of Selective Service approved the awards for recipients. Approximately 70 percent of agency employees received awards, an increase of 40 percent from FY 2019.

Discussion:
The employee awards and peer recognition contributed to an overall increase in SSS employees' satisfaction and recognition as the "Most Improved Agency in the Federal Government," based on the results of the FY 2019 FedView Survey.

Impact:
As a result of the Awards Board's initiative, SSS was ranked the #1 most improved Agency in employee satisfaction for the FY 2019 FedView Survey.

Planned Actions / Schedule:
To continue to implement workplace cost and non-cost incentives that will build morale.

Verification and Validation:
The FedView Survey highlights employee satisfaction compared to previous years.

Objective 2 – Provide effective and collaborative human resource management and training resources.

Significant Activity:
With respect to workforce, the Agency improved employee training and development processes. This afforded all employees an opportunity to sharpen and advance their skill sets.

Strategic Objective 5.2.1 Human Capital Management.

FY 2020 Annual Performance Goal:
Broaden the scope of hiring authorities for specialized skill sets and training opportunities to enhance and improve recruitment and retention.

Was the goal achieved?
Yes.

Results:
As a direct result of employee-focused initiatives, last year's FedView Survey ranked SSS as the #1 most improved Agency in employee satisfaction compared to the 2018 survey. Unfortunately, due to the COVID-19 pandemic, FedView metrics and the measurement of SSS hiring efforts in 2020 will not be reported until Calendar Year 2021.

Discussion:
SSS expanded its recruiting process by using direct hire authorizes for specialized skill sets. Additionally, the Agency funded employee training that enhanced employees' technical and soft skills.

Impact:
SSS recruited and hired a wider range of qualified employees who ultimately made a significant contribution to mission success.

Planned Actions / Schedule:
To build more internal programs to help develop our employees' skill sets.

Verification and Validation:
The 2020 FedView metrics and the measurement of SSS hiring efforts will not be reported until 2021. Human Resources will continue to monitor employee retention, engagement, and training internally until viable metrics can be reported.

FY 2020 Annual Performance Goal:
Ensure 124 Full-Time Equivalents (FTEs) personnel on board.

Was the goal achieved?
No.

Results:
Selective Service estimates that the Agency completed FY 2020 with approximately 113 FTEs on board.

Discussion / Impact:
In FY 2020, the Agency began an aggressive campaign to fill all open positions. Despite restrictions imposed by COVID, SSS was able to fill multiple open positions; 12 new personnel were hired in August and September alone.

Planned Actions / Schedule:
In FY 2021, the Agency plans to continue to aggressively use tools such as hiring bonuses and relocation compensation to fill key positions with quality personnel.

Strategic Objective 5.2.2 Military Human Capital Management.

FY 2020 Annual Performance Goal:
Begin to implement a reconfiguration of the Reserve Force Officer (RFO) (now Reserve Service Member (RSM)) Program per the implementation plan.

Was the goal achieved?
Yes.

Results:
The RSM Program is being reconfigured to accomplish two main goals: 1) make it affordable and 2) align RSM support to the Strategic Plan. In FY 2020, the program began a shift from primarily officers to enlisted, and began paying the RSMs for four Inactive Duty Training periods per weekend instead of three.

Discussion:
The RFO Program has waned in effectiveness as the overall agency budget has remained stagnant for decades, leaving the program unable to keep up with annual military pay raises. The assessment proposed a reset of the program over the next 18 – 24 months. The SSS will shift from a state-level to a region-level focus, shift the balance of the program from officers to non-commissioned officers, and restore the funding of all Individual Duty Training periods.

Impact:
During FY 2021, SSS will continue to be in a transitional period. During this time, other programs such as local board and registration may suffer slips in schedule or performance as new service members are on-boarded and trained.

Planned Actions / Schedule:
The transition will be complete in FY 2021.

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

Strategic Objective 5.2.3 Hiring process improvement.

FY 2020 Annual Performance Goal:
Reduce the Agency's "*Time to Hire*" metric below the U.S. Office of Personnel Management (OPM) 80-day standard.

Was the goal achieved?
Yes.

Results:
The SSS achieved a 45-day "*Time to Hire*" metric.

Discussion:
The Agency employed available hiring flexibilities, including direct hire authorities, for employees with specialized skill sets.

Impact:
SSS advertised for, recruited, and on-boarded a wider range of qualified employees faster. Accelerating the recruitment/hiring timeline meant a more rapid start to the new employees' contribution to mission achievement.

Planned Actions / Schedule:
In FY 2021, SSS will continue to build upon this year's success with an expanded use of direct hire authorities and other tools, such as virtual job fairs.

Verification and Validation:
Between the months of May and September of FY 2020, SSS has recruited and retained 22 Full Time Employees (FTEs).

Objective 3 – Deploy diversity and inclusion training and other activities to create an environment where people feel valued and are motivated to contribute their talents to the mission.

Significant Activity:
The SSS maintains an Equal Employment Opportunity Commission (EEOC)-approved reasonable accommodation policy and procedures, as well as manages a reasonable accommodation program accessible to applicants and employees to ensure inclusion of individuals with disabilities.

Strategic Objective 5.3.1 Manage a Reasonable Accommodations Program.

<u>FY 2020 Annual Performance Goal</u>:
Fulfill the Agency's requirement for timeliness and consistency in providing reasonable accommodations to qualified individuals with disabilities. Ensure the Agency's reasonable accommodation policy and procedures meet EEOC guidelines based on their feedback.

<u>Was the goal achieved</u>?
Yes.

<u>Results</u>:
During FY 2020, all requests were submitted and approved, and the requests for accommodations were fully met. Several requests were related to accommodations transferred to the employees' telework location during the COVID-19 pandemic.

<u>Discussion</u>:
SSS's reasonable accommodation policy and procedures are accessible to all employees and applicants. No changes were made to the policy and procedures, which was last updated in October 2018, based EEOC's feedback with respect to the EEOC's Final Rule. An SSS staffer fulfills collateral duties as the Agency's reasonable accommodation officer to facilitate the reasonable accommodation process. Requests are processed and accommodations provided in the shortest time possible to ensure inclusion and diversity in the workforce. Reasonable accommodation records are maintained separately from personnel records. In addition, the staffer maintains the interagency agreement with the Department of Defense's Computer and Electronic Accommodations Program (CAP) and continues to follow the Employer Assistance and Resource Network (EARN) on Disability Inclusion group discussions.

<u>Impact</u>:
By fulfilling the employer's responsibilities to provide accommodations, the Agency:

1. Enables a qualified individual with a disability to perform the essential functions of a job; and
2. Makes it possible for an employee with a disability to enjoy equal benefits and privileges of employment.

In addition, the Agency is in compliance with EEOC's requirements and federal law.

<u>Planned Actions / Schedule</u>:
Following an annual review and update of records, which are performed for reporting requirements, the results and feedback will be used to monitor and evaluate trends in processing requests for reasonable accommodations. Furthermore, feedback from the interactive resolution process will be taken into consideration for making future enhancements to the Agency's reasonable accommodation procedures. Training will be conducted for new managers and supervisors as requested.

<u>Verification and Validation</u>:
Receipt of EEOC's approval was based on the Agency's response to their feedback letter. Self-assessment of the reasonable accommodation program is conducted annually to incorporate recommendations for improvement of SSS's reasonable accommodation policies and procedures.

FINANCIAL DETAILS

MESSAGE FROM THE CHIEF FINANCIAL OFFICER (CFO)

Throughout fiscal year 2020, the Selective Service System (the Agency) experienced significant turnover in key leadership positions within Financial Management (FM). Specifically, the Chief Financial Officer, Accounting Officer, and Budget Officer departed the agency within weeks of one another during the year-end Financial Statement audit. In spite of large gaps within FM, the Agency developed a strategy to support the audit, by drawing on support from our Shared Service Provider and several contractors. The Agency identified several material weaknesses to include:

- Proper accounting for Internal Use Software
- Calculation of the Agency's non-Reserve Force Officer (RFO) Accounts Payable Accrual
- Financial Reporting of Top-Side adjustments
- Fund Balance with Treasury reconciliation process

The agency is taking the following actions to rectify the identified areas requiring improvement:

1. Recruit highly qualified FM professionals to fill critical roles (Filled CFO role on 14 September 2020 and both Budget Officer and Accounting Officer roles on 9 November 2020).

2. Deliberately develop actionable Corrective Action Plans, assign to a senior official response for implementation, and monitor progress on a monthly basis.

The Agency recognizes the importance of a strong internal control environment and remains committed to the continuous improvement of our financial management activities. I look forward to supporting the Agency as we pursue our critical mission, serving as a key component of the United States' national security strategy.

Jennifer A. Hughes
November 16, 2020

Selective Service System

Audit of Financial Statements

As of and for the Years Ended
September 30, 2020 and 2019

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 financial statements of the Selective Service System (SSS), which comprise the balance sheets as of September 30, 2020 and September 30, 2019, and the related statements of net cost, statement of changes in net position, and statements of budgetary resources for the years ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In conjunction with our audit, we also considered the SSS's internal control over financial reporting, and tested compliance with certain provisions of applicable laws, regulations, and significant provisions of contracts.

SUMMARY

During fiscal year (FY) 2020, SSS experienced several events that impacted its financial management operations. The most significant event was the departure of all key financial management officials, and most operational staff during the last half of FY 2020. SSS governance moved to fill the critical Chief Financial Officer (CFO) position immediately. The agency also contracted with its accounting service provider to replace operational staff to complete the accounting processes that were necessary for year-end reporting. Despite these efforts by governance, there was a loss of operational knowledge and limited timeframes to complete remedial actions which hampered the agency's ability to prepare financial statements for FY 2020 that were fairly presented in all material respects.

Because of the issues discussed in our report on internal control, we issued a qualified opinion on selected line items of the FY 2020 balance sheet, statement of net cost, and the statement of changes in net position. However, these issues did not impact our unmodified opinion issued on the agency's financial statements for FY 2019.

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 financial statements of the SSS, which comprise the balance sheets as of September 30, 2020 and September 30, 2019, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the year ended, and the related notes to the financial statements.

Opinion on Financial Statements

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion, the FY 2020 financial statements referred to below present fairly, in all material respects the financial position of SSS as of September 30, 2020 and 2019 and its net costs, changes in net position, and budgetary resources for the year, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the FY 2020 Financial Statements

During FY 2020, SSS experienced significant impacts to its financial management operations from several factors. There were breakdowns in accounting processes that resulted in misstated PPE financial reporting. The reconciliation process for resolving differences between the agency's general ledger accounts, and the Fund Balance with the Treasury[1] records needs improvement. As a result of untimely reconciliations, SSS was unable to pass the GTAS validation edits for any of the monthly reporting periods during FY 2020, and many of the differences were outstanding for extended periods of time. Accruals were not processed in accordance with requirements. In addition to the material weaknesses discussed above, other operational and internal control processes failed during FY 2020 which are discussed in detail in finding number 5 in the report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States; and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit

[1] The Fund Balance with Treasury (FBWT) is an asset account that shows the available budget spending authority of federal agencies. Collections and disbursements by agencies increase or decrease the balance in the account.

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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America 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), which 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 purpose 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 the SSS, as of and for the years ended September 30, 2020 and 2019, 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. 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. We believe that findings 1 through 4 are material weaknesses. 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

<u>Breakdowns in Accounting Processes Result in Misstated PPE Financial Reporting</u>

1. Breakdowns in internal controls resulted in material errors in reporting the value of plant, property, equipment (PPE) in the agency's general ledger during FY 2020. These errors occurred because of several factors: (1) OCFO personnel did not follow established OCFO operating procedures, (2) failure to provide sufficient oversight of operations; (3) lack of accounting expertise, and (4) insufficient staffing within the OCFO during the fiscal year. As a result, we have been unable to obtain sufficient appropriate audit evidence to conclude that that the value of PPE reported are free from material misstatements. However, we have been able to determine potential misstatements relating to PPE could total approximately $700,000.

   FASAB and the FM Fiscal Manual provide accounting standards and operating policies relating to the review, approval and recording of transactions to the general ledger. In addition, the Fiscal Manual provides additional operational directives on specific tasks OCFO personnel should follow in accounting for agency property.

   During our audit, we found breakdowns in internal controls and related operating processes dealing with the periodic review of property placed in GL account 1999, an asset clearing account, and continuing problems dealing with the recording of internal use software for the agency. Details of the problems noted are discussed below:

a. OCFO personnel failed to review and properly account for material amounts of property recorded at year-end that totaled over $2 million dollars. This problem occurred throughout the fiscal year, but no actions were taken by the agency to review and properly classify these suspense transactions. At year-end, because of this lack of review and reclassification, the PPE line item was misstated by at least $500,000.

   The FM Fiscal Manual, Chapter 8, Accounting, page 18, provides that each month the accountant will review a detailed listing and make determinations as to whether the amounts should be capitalized or recorded as an expense. The accounting officer would review these determinations, and if approved process a journal voucher to the general ledger to either an expense account or to PPE. It should be noted that until this general ledger account is properly analyzed, and necessary adjustments made, expenses would be understated and PPE overstated by the value of items that do not meet the agency or FASAB capitalization standards and guidance.

   During our audit, we identified documents that showed, as of June 2020, over $500,000 recorded in the suspense account did not meet the requirements for capitalization, and should be recorded as an expense. OCFO officials prepared, but never processed to the general ledger, a journal voucher (JV) to record this amount as an expense, andremove it from the asset account. We were not able to make determinations as to what other amounts should have been removed from the asset account and recorded as an expense. However, these errors materially misstated various balance sheet and statement of net cost line items and related footnote disclosures. The misstatements, in our opinion, would increase had a complete analysis been made of this suspense account.

b. During FY 2020, the agency recorded approximately $200,000 as internal use software on the agency's financial statements relating to costs incurred for the agency's primary computer system. However, we discussed this matter with SSS personnel who stated that no system development work was completed that would meet the FASAB accounting standards. Instead, we were advised that these costs were maintenance type costs and would not significantly extend the life of the system. We reviewed system documentation and other information, and determined that these costs did not meet FASAB capitalization standards, and should have been recorded as an expense.

   Because of this error, the statement of net cost for the FY 2020 was misstated and the balance sheet PPE was overstated. We have reported internal control weaknesses concerning the recording of internal use software (IUS) in several of our prior financial statement audit reports.

Material Breakdowns in Internal Controls Impact FBWT Balances

2. The reconciliation process for resolving differences between the agency's general ledger accounts, and the Fund Balance with the Treasury[2] records needs improvement. As a result of untimely reconciliations, SSS was unable to pass the GTAS validation edits for any of the monthly reporting periods during FY 2020, and many of the differences were outstanding for extended periods of time. Also, a reconciliation process that is not effective and timely weakens the agency's overall internal and accounting controls system. As noted in the Treasury and SSS regulations, failure to implement timely and effective reconciliation processes could increase the risks of fraud, waste, and mismanagement of funds, affect the government's ability to effectively monitor budget execution, and affect the ability to accurately measure the full cost of the government's programs. As a result, we have been unable to obtain sufficient appropriate audit evidence to conclude that that the value of FBWT reported are free from material misstatements.

   For each month of FY 2020, SSS posted journal vouchers (JV) to adjust, without support, its general ledger balances to enable the agency to report its financial data to Treasury and pass Treasury validation edits[3]. The number of items requiring reconciliation ranged between 50 and 165 over a seven-month period (January through July 2020). Some of the differences that were not reconciled dated back to February 2019. Our analysis of the differences for three of the months reviewed showed the following:

FY2020 Month	Number of Reconciling Items (Approximate)	Absolute Value of Adjustments to FBWT and GL 6100[4]	Number in Excess of 60 Days
January	110	$1,137,000	57
April	140	$1,618,000	82
July	165	$1,222,000	41

   We reported similar material weaknesses that impacted GTAS reporting and related financial management operations in our FY 2018 audit report.

   SSS Fiscal Manual, Chapter 8, provides that "Collections and disbursements by the Department increase or decrease the balance of the account. Treasury requires all federal agencies to reconcile their FBWT accounts on a regular and recurring basis to assure the integrity and accuracy of their internal and Government-wide financial data. Unresolved differences compromise the reliability of FBWT balances and Treasury's published

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[2] The Fund Balance with Treasury (FBWT) is an asset account that shows the available budget spending authority of federal agencies. Collections and Disbursements by agencies increase or decrease the balance in the account.

[3] Data validations verify the integrity of the data file and that all attributes are submitted according to the U.S. Standard General Ledger *USSGL) attributes and domain value rules and exceptions.

[4] For this amount, we calculated the amounts of JVs processed for this month to force the SSS FBWT general ledger account to agree to the U.S. Treasury's balance for SSS's FBWT. SSS posted entries to either increase FBWT and decrease expense or increase expenses and decrease FBWT. In addition, for January we excluded entries related to continuing resolution and warrant entries.

financial reports. This, in turn, compromises the overall integrity and status of the Department's and Government-wide financial position." TFM, Volume I, Part 2, Chapter 5100, Section 5145—Agency Operating Procedures and Certifications, provides that, "Failure to implement timely and effective reconciliation processes could: increase the risks of fraud, waste, and mismanagement of funds; affect the government's ability to effectively monitor budget execution, and affect the ability to accurately measure the full cost of the government's programs.

It should be noted that FBWT can be processed/reconciled throughout the month and there are approximately 14 workdays in the following month before GTAS must be filed. Therefore, with the relatively small number of transactions processed by the agency and the timeframe to complete reconciliation and corrections, there should be a minimal number of items that could not be reconciled and corrected. Proper planning, operational processes and controls would prevent this issue from being a continuing problem within the agency.

SSS officials advised that the agency is working to resolve these problems.

Accruals Not Processed in Accordance with Requirements

3. Accounts payable for non-RFO[5] operations were not accrued by the agency at year-end. We attributed this to, primarily, severe turn-over of personnel and related staffing shortages within the agency, and to the need to develop more comprehensive operating guidance and related checklists. As a result, multiple financial statement line items in the balance sheet, statement of net costs and related footnotes and were misstated.

   We were advised by OCFO personnel that staffing shortages and other matters significantly impacted the ability of the current CFO and staff from meeting many critical financial management operations and processes. OCFO personnel also advised us that the agency was able to complete the processes for estimating the value of accounts payables for RFO services that are significantly higher than non-RFO account payables.

   We reviewed prior years' year-end accounts payable accruals, and concur that the RFO accruals are significantly higher. During our review, we also determined that the approximate value of non-RFO accruals, at year-end, were in the $200,000 - $300,000 range for each year we reviewed. Because of this error, the accounts payable line item on the balance sheet and the statement of net cost for FY 2020 were misstated.

Failure to Post Top-side Entry to GL Materially Impacted Opening Balances

4. Agency accounting operations and related internal controls failed to ensure that topside entries made to the FY 2019 financial statements were also made to the general ledger. We attributed this problem to a breakdown in internal controls, and the need for improved supervisory oversight in OCFO operations. As a result, opening FY 2020 account balances were misstated, as well as the statement of net costs and related footnotes totaling approximately $1.6 million.

[5] Reserved Force Officers

During FY 2019 year-end testing, we identified that OCFO personnel had not made year- end accruals of accounts payable. To correct this potential material misstatement, OCFO officials made topside adjustments directly to the financial statements to record the value of accrued accounts payable. Although prior OCFO officials were advised on the need to post this adjustment to the general ledger, the appropriate USSGL entries for that transaction were never made.

SSS officials corrected these errors in the final year-end FY 2020 financial statements.

Other Significant Deficiencies in Internal Controls Impacted FY 2020 Operations

5. In addition to the material weaknesses discussed above, other operational and internal control processes failed during FY 2020. The following paragraphs discuss the conditions noted.

   a. SSS has not sufficiently developed, documented, or validated its approach to accruing account payables at the end of a reporting period. We had discussed this issue with prior OCFO officials during our FY 2019 year-end testing, and the actions needed to be taken by that office. We were not provided or have been able to locate any documents that showed that OCFO personnel addressed these concerns. Without appropriate accounting practices in this area, estimates of accounts payable could be questioned.

   b. During our audit, we identified that OCFO personnel held checks totaling approximately $17,000 for up to three years without depositing the items. At least one check was noted as a return of a duplicate payment, without any additional documentation to note how this error occurred, and what actions were taken to ensure controls were implemented to prevent this error from recurring. It should be noted that both the FM Fiscal Manual and the TFM require controls and operational processes to review for and prevent duplicate payments.

   c. SSS controls to ensure that the value of undelivered orders is correctly reported on agency financial reports were not functioning as designed for most of the FY 2020. Our interim testing disclosed that OCFO personnel did not act on information provided by SSS units that unliquidated obligations (UDO) may not be properly valued on the financial statements or agency financial records. We discussed this issue with OCFO officials, and SSS applied sufficient resources to fairly present the value of UDO in all material respects in FY 2020 year-end financial statements.

      During our testing of expenses, for several statistically sampled payments we could not obtain supporting documentation for several payments made via the Intra- Government Payment and Collection System (IPAC). The agency was unable to provide documents to show that the IPAC amounts were validated, and supporting invoices or other evidence had been reviewed that supported the IPAC payments for extended periods. After several attempts, SSS was able to gather together documents that supported the final actions taken by SSS. Generally, we did not have the same type of issues with other type payments.

Had OCFO personnel fully implement the procedures in the SSS Fiscal Manual and the TFM, each payment folder would contain all required reviews, approval and documentation. Without the full implementation of required control processes and procedures, the potential for errors in payments are increased, including duplicate payments. As discussed above, we noted a duplicate payment was made, and the potential for others increases significantly without full implementation of required controls.

d. During our audit we identified an issue dealing with the proper accounting for accounts receivable and the establishment of allowance for loss on these accounts. We found that no allowances were established even though most if not all accounts are significantly delinquent. We reviewed the fiscal manual and found the manual needs updating concerning debt collection requirements, and determinations on when to and how to establish allowance for loss.

Recommendations:

1. Assess all key financial management operations to identify, in addition to those problems included in this report, areas where internal controls need strengthening, and where more comprehensive operating procedures and checklists are needed.
2. Develop a comprehensive corrective action plan (CAP) to address the issues noted in this report and the additional concerns identified in the assessment recommended above. Require the CFO to brief agency governance monthly on the progress made on the CAP.
3. Establish a policy that requires annual updates to the FM Fiscal Manual similar to what the OCIO does for its IT security policies.
4. Establish a working group to review the FM Fiscal Manual and determine where revisions are necessary and/or additional guidance is required.
5. Study the personnel turnover in the OCFO, and determine whether additional program operations should be moved to the agency's service center.
6. Ensure that the required comprehensive monthly reviews of the PPE suspense account are completed and develop checklists for completion, including certifications by the OCFO officials that the reviews have been completed.
7. Complete the analysis of the current PPE suspense account within the next 60 days and take action to remedy any financial reporting errors identified during this analysis.
8. Further strengthen accounting and management oversight relating to the capture of costs for internal use software under development, and ensure accounting standards are followed when capitalizing costs in this area.
9. Develop operating processes, benchmarks, and comprehensive checklists to ensure timely reconciliations and correction of differences in the FBWT general ledger and Treasury records.
10. Establish controls to significantly reduce or eliminate the need to process JVs to force the agency's general ledger balances to agree with the Treasury balances.
11. Strengthen controls and operational processes over the accruing of accounts payable. Develop policies and procedures for this accounting process, and ensure that required "look back" analyses are completed annually.

12. Ascertain the reasons checks were held and not deposited, and make operational and policy changes to address this problem area.
13. Develop policies and detailed operating procedures, including checklists, that address the Treasury requirements for reviewing and approving payments. Discontinue making payments unless all required documentation, reviews and approvals have been completed.
14. Determine how duplicate payments were made, and develop policies and detailed checklists that would install controls to prevent this type of error.
15. Discontinue accepting (or making for RFO payments) IPACs that do not meet all of the review and documentation requirements of the Fiscal Manual and the TFM.
16. Provide training to all applicable SSS personnel on the requirements of the Fiscal Manual and TFM relating to payments.
17. Develop accounting policy that addresses the requirements to review accounts receivable and establish procedures for determining the amount of the allowance for uncollectable accounts.
18. Ensure the fiscal manual contains sufficient guidance to address compliance with the Debt Collection Act.
19. Provide training to all applicable SSS personnel on the requirements of the updated Fiscal Manual and TFM relating to payments.

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 GAS and the OMB audit bulletin guidelines. No other matters came to our attention that caused us to believe that the 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.

<u>Restricted Use Relating to Reports on Internal Control and Compliance</u>

The purpose of the communication included in the sections identified as "Report on Internal Control" and "Report on Compliance" is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or effectiveness of the SSS's internal control over financial reporting or its compliance with laws, regulations, or provisions of contracts. The two sections of the report referred to above are integral parts of an audit performed in accordance with *GAS* 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 CFO in a response, dated November 12, 2020, stated that the Agency takes no exception with the material weaknesses identified by the auditors. The CFO noted that extraordinary factors markedly impacted the financial management team's ability to maintain the unqualified audit opinion received during FY 2019. In addition, the CFO noted the challenges presented by Covid-19, and the Agency's financial management team experienced a turn-over rate of 77 percent, including the sudden departure of all three members of the FM leadership team: Chief Financial Officer, Accounting Officer, and Budget Officer. In addition, the CFO advised that "SSS remains committed to driving improvements in financial management by continuing to develop detailed and actionable Corrective Action Plans that directly address the material weaknesses identified by the auditors. The entire SSS team remains steadfast in their effort to make progress with the full intention of restoring sound financial management and stability to the Agency."

AUDITOR'S COMMENTS

As we noted in our audit, the agency's staff turnover significantly impacted financial operations. In addition, the Covid-19 challenges further impacted the issues that the agency had to deal with concerning year-end reporting. The STB'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.
November 16, 2020

Rec.	Status of FY 2019 Audit Recommendations	Status
1.	Ensure that OCIO personnel capture lifecycle costing/management information so that problems impacting the fair presentation of internal use software will not impact the FY 2020 financial statements.	Open

Selective Service System

National Headquarters | Arlington, Virginia 22209-2461
www.sss.gov

DATE: November 16, 2020

TO: Mr. Leon Snead, Leon Snead & Company, P.C.

FROM: Jennifer A. Hughes, Chief Financial Officer

SUBJECT: RESPONSE TO FISCAL YEAR 2020 FINANCIAL STATEMENT AUDIT

The Selective Service System (SSS) reviewed the Independent Auditors' Report from Leon Snead & Company which includes the auditor's opinion on the financial statements as of September 30, 2020 and September 30, 2019. The Agency takes no exception with the material weaknesses identified by the auditors.

I became the Agency's Chief Financial Officer on September 14, 2020, and am fully aware of the extraordinary factors that markedly impacted the financial management team's ability to maintain the unqualified audit opinion received during FY 2019. In addition to dealing with challenges presented by Covid-19, the Agency's financial management team experienced a turnover rate of 77%, including the sudden departure of all three members of the FM leadership team: Chief Financial Officer, Accounting Officer, and Budget Officer.

SSS remains committed to driving improvements in financial management by continuing to develop detailed and actionable Corrective Action Plans that directly address the material weaknesses identified by the auditors. The entire SSS team remains steadfast in their effort to make progress with the full intention of restoring sound financial management and stability to the Agency.

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, 2020 and 2019
(in dollars)

	2020	2019
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 10,252,736	$ 10,251,933
Total Intragovernmental	$ 10,252,736	$ 10,251,933
Assets With the Public		
Accounts Receivable, Net (Note 3)	$ 14,904	$ 21,613
General Property, Plant, and Equipment, Net (Note 4)	3,994,575	1,796,016
Total Assets	$ 14,262,215	$ 12,069,562
Liabilities		
Intragovernmental		
Accounts Payable	$ 1,081,654	$ 1,602,578
Other		
Employer Contributions and Payroll Taxes Payable	145,585	117,231
Unfunded FECA Liability (Note 5)	303,371	275,898
Other Unfunded Employment Related Liability (Note 5)	-	(1,108)
Total Intragovernmental	$ 1,530,610	$ 1,994,599
Liabilities With the Public		
Accounts Payable	$ 438,438	$ 553,755
Federal Employee and Veteran Benefits (Note 6)	1,712,243	1,526,908
Other		
Accrued Funded Payroll	484,113	438,972
Employer Contributions and Payroll Taxes Payable	21,499	16,510
Unfunded Leave (Note 5)	831,876	763,996
Total Liabilities	$ 5,018,779	$ 5,294,740
Net Position		
Unexpended Appropriations – Other Funds	$ 6,478,870	$ 7,522,888
Cumulative Results of Operations – Other Funds	2,764,566	(748,066)
Total Net Position	$ 9,243,436	$ 6,774,822
Total Liabilities and Net Position	$ 14,262,215	$ 12,069,562

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF NET COST
For the Years Ended September 30, 2020 and 2019
(in dollars)

	2020	2019
Gross costs	$ 26,939,786	$ 26,470,618
Less: Total Earned Revenue (Note 9)	500,000	500,000
Net Cost of Operations	$ 26,439,786	$ 25,970,618

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, 2020 and 2019
(in dollars)

	2020	2019
Unexpended Appropriations:		
Beginning Balances	$ 7,522,888	$ 4,954,537
Beginning Balances, as Adjusted	$ 7,522,888	$ 4,954,537
Budgetary Financing Sources:		
Appropriations Received	$ 27,100,000	$ 26,000,000
Appropriations Transferred In/Out	-	-
Appropriations Used	(27,862,808)	(22,886,033)
Other Adjustments	(281,210)	(545,616)
Total Budgetary Financing Resources	$ (1,044,018)	$ 2,568,351
Total Unexpended Appropriations	$ 6,478,870	$ 7,522,888
Cumulative Results of Operations:		
Beginning Balances	$ (748,066)	$ 92,272
Beginning Balances, as Adjusted	$ (748,066)	$ 92,272
Budgetary Financing Sources:	$ 27,862,808	$ 22,886,033
Appropriations Used		
Other Financing Sources (Non Exchange):	$ 2,089,610	$ 2,244,247
Imputed Financing (Note 8)	29,952,418	25,130,280
Total Financing Sources	(26,439,786)	(25,970,618)
Net Cost of Operations	3,512,632	(840,338)
Net Change	$ 2,764,566	$ (748,066)
Cumulative Results of Operations	$ 9,243,436	$ 6,774,822
Net Position		

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2020 and 2019
(in dollars)

		2020	2019
	Budgetary resources:		
1051	Unobligated balance from prior year budget authority, net	$ 2,958,661	$ 1,656,282
1290	Appropriations (discretionary and mandatory	27,100,000	26,000,000
1890	Spending authority from offsetting collections (discretionary and mandatory)	500,000	500,000
1910	Total budgetary resources	$ 30,558,661	$ 28,156,282
	Status of budgetary resources:		
2190	New obligations and upward adjustments (total):	$ 28,433,172	$ 26,592,047
	Unobligated balance, end of year:		
2204	Apportioned, unexpired accounts	$ 78,890	$ 63,392
2404	Unapportioned, unexpired accounts	-	-
2412	Unexpired unobligated balance, end of year	78,890	63,392
2413	Expired unobligated balance, end of year	2,046,599	1,500,843
2490	Unobligated balance, end of year (total)	2,125,489	1,564,235
2500	Total budgetary resources	$ 30,558,661	$ 28,156,282
	Budget Authority and Outlays, Net		
4190	Outlays, net (total) (discretionary and mandatory)	$ 26,817,988	$ 21,826,279
4210	Agency outlays, net (discretionary and mandatory)	$ 26,817,988	$ 21,826,279

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

As of and for the periods ended September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
As of September 30, 2020

(a) Reporting Entity

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

The Agency's mission is twofold: (1) to provide manpower to the U.S. 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.

The SSS's structure consists of the National Headquarters, Data Management Center (DMC), 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.

The annual financial statements include the following:

- The Balance Sheet presenting the SSS financial position.
- The Statement of Net Cost with the Agency's operating results.
- The Statement of Changes in Net Position with the changes in the Agency's equity accounts.
- The Statement of Budgetary Resources with the sources, status and uses of STB resources.

(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 No. A-136, Financial Reporting Requirements.

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 the SSS with authority to obligate funds for necessary expenses to carry out mandated program activities. The SSS performs reimbursable services for another federal entity which reimburses the 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, the SSS places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds.

(d) Fund Balance with Treasury

Fund balances with Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments.

(e) Accounts Receivable

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

(f) Property, Plant, and Equipment

The basis for recording purchased general Property, Plant, and Equipment (PP&E) 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, assets under capitalized lease, and internal use software in development. The SSS's 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.

(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 the SSS liabilities.

(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 SSS for paid claims.

The FECA liability is based on two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the SSS. There is generally a two- to three-year time period between payment by DOL and reimbursement to DOL by the SSS. 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

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

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

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

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

Group Life Insurance Program (FEGLIP). The SSS reports the full cost of providing other retirement benefits. The SSS also recognizes an expense and liability for other post-employment benefits (OPEB), which includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. During fiscal years 2020 and 2019, the cost factors relating to FEHBP were $2,042 and $1,847 respectively, per employee enrolled. During fiscal years 2020 and 2019, the cost factor relating to FEGLIP was 0.02 percent of basic pay per employee enrolled.

(j) Annual, Sick, and Other Leave

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

(k) Imputed Costs and 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. The SSS recognized imputed costs and financing sources in Fiscal Years 2020 and 2019 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, the SSS recognized imputed cost for services received from other federal agencies without reimbursement; these services included office space for DMC and Region I (Illinois), and Reserve Service Members (RSM) services from the U.S. Marine Corps Reserves and the U.S. Navy Reserves.

(l) Revenues and Other Financing Sources

The SSS's activities are financed either through exchange revenue it derives from other Federal Government entities or through appropriations. A reimbursable agreement with the Department of Defense provides the exchange revenue that is recognized when earned (i.e., when services have been rendered). Appropriations used are recognized as financing sources when related expenses are incurred or assets purchased. The 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

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

NOTE 2 – FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury consisted of the following at September 20, 2020 and 2019:

(in dollars)				
Fund Balance:		**2020**		**2019**
Status of Fund Balance with Treasury				
Unobligated Balance:				
Available	$	78,890	$	63,392
Unavailable		2,046,599		1,500,843
Obligated Balance Not Yet Disbursed		8,127,247		8,687,698
Non-Budgetary		-		-
Total Status of Fund Balance with Treasury	$	10,252,736	$	10,251,933

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. The SSS 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. The SSS applies a 1 percent rate to the current uncollectible balances that are less than 366 days old, 7 percent to balances that are between 366 days and two years delinquent, and 100 percent to balances that are more than two years delinquent.

Accounts Receivable from the Public consists of the following:

(in dollars)		**2020**		**2019**
Accounts Receivable from the Public				
Current	$	4,650	$	18,080
1 – 180 Days Past Due		227		354
181 – 364 Days Past Due		6,193		2,556
1 – 2 Years Past Due		600		623
Over 2 Years Past Due		3,234		-
Total Billed Accounts Receivable – Public	$	14,904	$	21,613
Total Accounts Receivable – Public	$	14,904	$	21,613
Total Accounts Receivable – Public, Net	$	14,904	$	21,613

NOTE 4 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

The 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, 2020 and 2019:

(in dollars)	Service Life	Acquisition Value	Accumulated Depreciation	2020 Net Book Value	2019 Net Book Value
Equipment	3-7 Yrs	$ 2,050,820	$ (1,870,956)	$ 179,864	$ 302,501
IT Software	3 Yrs	13,921,576	(13,090,060)	831,516	985,739
Internal Use Software	7 Yrs	2,983,195	-	2,983,195	507,776
Total		$ 18,955,591	$ (14,961,016)	$ 3,994,575	$1,796,016

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on the SSS's Balance Sheet as of September 30, 2020, 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, 2020 and 2019 is as follows:

(a) Liabilities Not Covered by Budgetary Resources

(in dollars)	2020	2019
Intragovernmental:		
Unfunded FECA Liabilities	$ 303,371	$ 275,898
Liability for non-entity assets	-	(1,108)
Total Intragovernmental	$ 303,371	$ 274,790
Public Liabilities:		
Federal Employee and Veteran Benefits – FECA Actuarial Liability	$ 1,712,243	$ 1,526,908
Unfunded Annual Leave	831,876	763,996
Total Public	$ 2,544,119	$ 2,290,904
Total Liabilities Not Covered by Budgetary Resources	$ 2,847,490	$ 2,565,694
Total Liabilities Covered by Budgetary Resources	$ 2,171,289	$ 2,729,046
Total Liabilities	$ 5,018,779	$ 5,294,740

(b) Other Information

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

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

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

NOTE 6 - FEDERAL EMPLOYEES' COMPENSATION ACT

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

For 2020, and again in 2019, the SSS used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other federal agencies.

The 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 $1,712,243 and $1,526,908 as of September 30, 2020 and 2019, respectively, is reported on the SSS's Balance Sheet. The SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2020 and 2019, of $303,371 and $275,898, respectively, but not yet reimbursed to DOL by the SSS.

NOTE 7 – LEASES

The SSS leases office and storage space from commercial vendors and the General Service Administration (GSA). In addition, the SSS rents copiers and other office equipment from commercial vendors and vehicles from GSA and commercial vendors. With the exception of the commercial leases on two office buildings (Colorado and Georgia) and the occupancy agreement (OA) with GSA (Virginia), all rentals are one-year. Because these rentals are considered cancelable, minimum lease payments due are restricted to the two commercial leases and the OA with GSA. The SSS has executed three long-term leases for office space. The three leases are as follows: (1) Region II Headquarters in Smyrna, Georgia, (2) Region III Headquarters in Denver, Colorado, and (3) National Headquarters in Arlington, Virginia.

(in dollars) Fiscal Year	Period	NHQ	DMC	Region 1	Region 2	Region 3	Totals
FY 2021	10/1/2020 – 09/30/2021	$ 1,005,623	-	-	-	-	$ 1,005,623
FY 2022	10/1/2021 – 09/30/2022	$ 1,015,040	-	-	-	-	$ 1,015,040
FY 2023	10/1/2022 – 09/30/2023	$ 1,024,740	-	-	-	-	$ 1,024,740
FY 2024	10/1/2023 – 10/27/2023	$ 96,821	-	-	-	-	$ 96,821
Total Future Lease Payment		$ 3,142,224					$ 3,142,224

NOTE 8 – INTRAGOVERNMENTAL COSTS

Intragovernmental costs are those expenses paid by the SSS to other Federal Government entities. They include, but are not limited to, the Army National Guard Bureau, Department of the Interior, General Services Administration, Government Printing Office, and Great Lakes Naval Station Public Works. Public costs are expenses paid to all other entities, to include state and local governments and the general public. All earned revenue was with other Federal Government agencies. Exchange revenues are those that derive from transactions in which the SSS is reimbursed for services performed for other federal agencies.

(in dollars)	2020	2019
Intragovernmental Costs		
Intragovernmental Costs	$ 10,686,391	$ 10,377,956
Public Costs	$ 15,753,395	15,592,662
Total Program Cost	$ 26,439,786	$ 25,970,618

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. The SSS recovers the full cost of services. Amounts are earned at the time the expenditures are incurred against the reimbursable order. During Fiscal Years 2020 and 2019, the SSS earned $500,000 and $500,000 under an agreement with the U.S. Department of Defense. The DoD reimburses the SSS for the difference in postage cost between what the SSS currently paid to mail Acknowledgment Letters and what it would cost to include DoD materials in the SSS Acknowledgments. The SSS is 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 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders are purchase orders issued by the SSS during FY 2020 or FY 2019 that have not had delivery of required product or service as of September 30, 2020 or 2019, respectively. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during FY 2020 or FY 2019.

(in dollars)	2020	2019
Unpaid:		
Federal	$ 1,968,802	$ 721,268
Non-Federal	3,987,157	5,246,384
Totals	$ 5,955,959	$ 5,958,652

NOTE 11 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations 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). However, the President's Budget that will include FY 2020 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2021 and can be found at the OMB website: http://www.whitehouse.gov/omb. The 2020 Budget of the United States Government, with the actual column completed for 2019, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 12 – BUDGET AND ACCRUAL RECONCILIATION

The Budget and Accrual Reconciliation (BAR) requires a reconciliation of the net outlays on a budgetary basis and the net cost of operations during the period.

For the period ended September 30, 2020 (in dollars)

	Intragovernmental	With the Public	Total FY 2020
Net Operating Cost (SNC)	$ 10,686,391	$ 15,753,395	$ 26,439,786
NET COST			
Components of Net Cost that are not part of Net Outlays:			
Property, Plant, and Equipment Depreciation	$ -	$ (488,368)	$ (488,368)
Other	-	674,735	674,735
Increase/(Decrease) in Assets:			
Accounts Receivable	$ -	$ (6,709)	$ (6,709)
Other Assets	-	2,012,192	2,012,192
Increase/(Decrease) in Liabilities:			
Accounts Payable	$ 520,924	$ 115,317	$ 636,241
Salaries and Benefits	(29,733)	(48,750)	(78,483)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(28,581)	(253,215)	(281,796)
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the Agency	$ (2,089,610)	$ -	$ (2,089,610)
NET OUTLAYS	$ 9,059,391	$ 17,758,597	$ 26,817,988

For the period ended September 30, 2019 (in dollars)

	Intragovernmental	With the Public	Total FY 2019
Net Operating Cost (SNC)	$ 10,377,956	$ 15,592,662	$ 25,970,618
NET COST			
Components of Net Cost that are not part of Net Outlays:			
Property, Plant, and Equipment Depreciation	$ -	$ (745,529)	$ (745,529)
Increase/(Decrease) in Assets:			
Accounts Receivable	$ -	$ 15,964	$ 15,964
Increase/(Decrease) in Liabilities:			
Accounts Payable	$ (1,602,578)	$ 279,242	$ (1,323,336)
Salaries and Benefits	-	(106,418)	(106,418)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	-	259,227	259,227
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the Agency	$ (2,244,247)	$ -	$ (2,244,247)
NET OUTLAYS	$ 6,531,131	$ 15,295,148	$ 21,826,279

PROGRAM EVALUATION

IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT (IPERIA)

The Improper Payments 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.

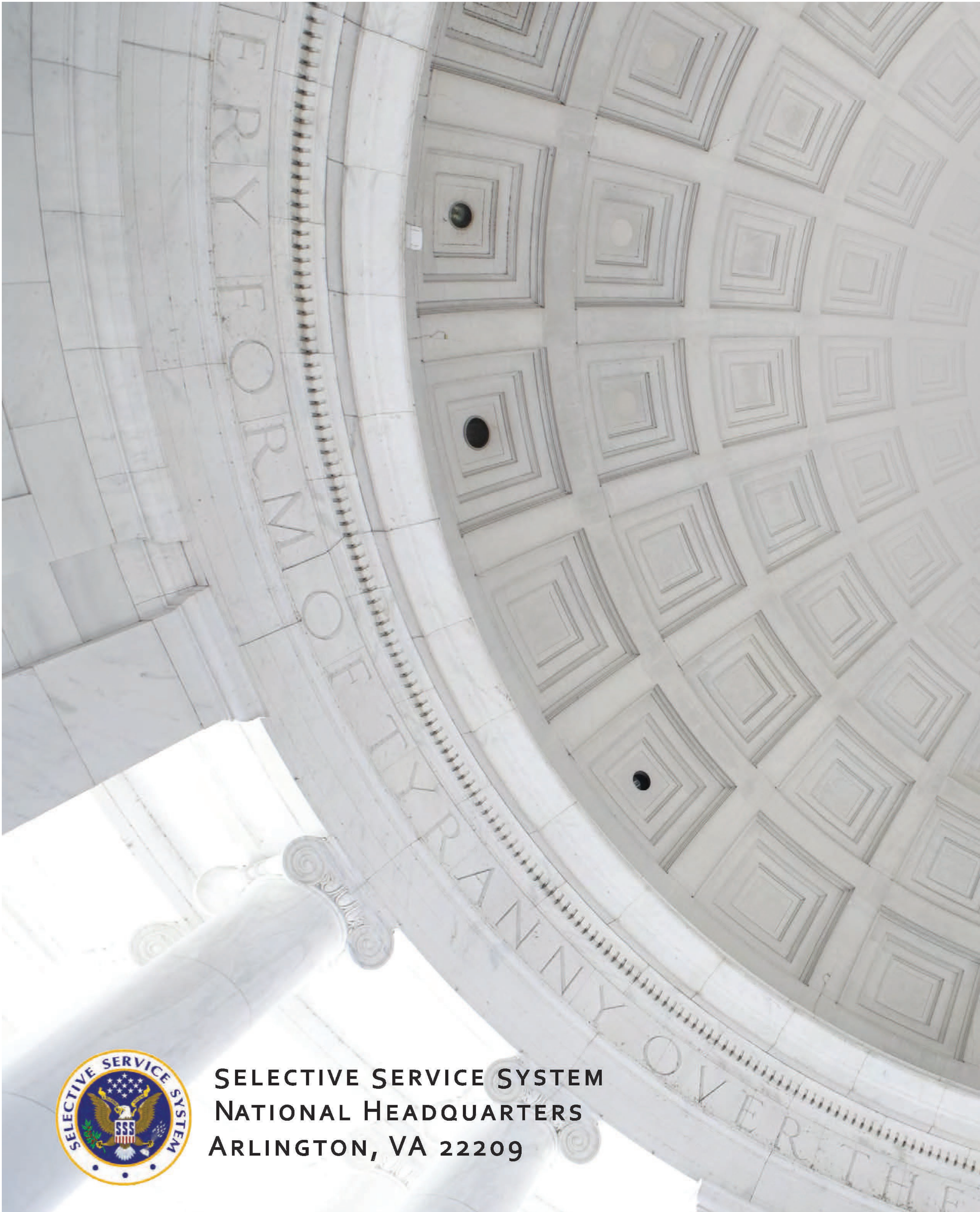
This legislation lists specific requirements for agencies to comply with this legislation: publishing the annual financial statements for the most recent fiscal year; conducting a program specific risk assessment; publishing improper payments estimates for programs and activities identified as susceptible to significant improper payments; publishing programmatic corrective action plans; publishing reduction targets for programs assessed to be at risk; and reporting on an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under IPIA. The SSS's risk assessment concluded its programs were at low risk for improper payments during FY 2020 and any recapture efforts are not cost effective.

FY 2020 PERFORMANCE CHART

AGENCY-WIDE ANNUAL PERFORMANCE RESULTS AND TARGETS

Performance Goals	Target	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020
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):	10 days	10 days	10 days	6 days	1 days	5 days
PIA: Congressional, media, registrants, the general public:	2 days	2.2 days	2.2 days	3.5 days	2 days	2 days
PIA: Response to Freedom of Information Act and Privacy Act customers:	≤20 days	≤ 13 days	≤ 17 days	≤ 20 days	≤ 20 days	≤ 20 days

GLOSSARY	
ABBREVIATIONS AND ACRONYMS	
Air Reserve Base	ARB
Alternative Service Employer Network	ASEN
Alternative Service Worker	ASW
Calendar Year	CY
Chief Information Officer	CIO
Central Registrant Processing Portal	CRPP
Civil Service Retirement System	CSRS
Conscientious Objector	CO
Continuity of Operations Plan	COOP
Department of Defense	DoD
Department of Homeland Security	DHS
Department of Labor	DOL
Department of Justice	DOJ
Driver's License Legislation	DLL
Federal Accounting Standards Advisory Board	FASAB
Federal Emergency Management Agency	FEMA
Federal Employees' Compensation Act	FECA
Federal Employees Retirement System	FERS
Federal Information Security Management Act	FISMA
Federal Managers' Financial Integrity Act	FMFIA
Fiscal Year	FY
Full-Time Equivalent	FTE
Generally Accepted Accounting Principles	GAAP
Government Accountability Office	GAO
General Services Administration	GSA
Human Capital Assessment & Accountability Framework	HCAAF
Human Capital Management Plan	HCMP
Human Resources	HR
Integrated Mobilization Information System	IMIS
Improper Payments Elimination and Recovery Improvement Act	IPERIA
Information Technology	IT
Military Entrance Processing Station	MEPS
Military Selective Service Act	MSSA
Office of Management and Budget	OMB
Office of Personnel Management	OPM
Oracle Federal Financials	OFF
Performance and Accountability Report	PAR
Property, Plant, & Equipment	PP&E
Public and Intergovernmental Affairs	PIA
Registration Compliance Statistical Information	RCSI
Registration, Compliance, and Verification	RCV
Reserve Service Member	RSM
Selective Service System	SSS
Statement of Budgetary Resources	SBR
Statement of Federal Financial Accounting Standards	SFFAS



SELECTIVE SERVICE SYSTEM
NATIONAL HEADQUARTERS
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