

PERFORMANCE & ACCOUNTABILITY REPORT

FY 2019



SELECTIVE SERVICE SYSTEM

November 19, 2019

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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 2019 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.

During FY 2019, in collaboration with Agency leadership, staff, and stakeholders, we created a new Strategic Plan to achieve our shared objectives as an Agency, and to ensure that we fulfill our important mission.



The Agency had successful audits of our 2019, 2018, and 2017 financial statements. The audits found that our financial statements were fairly presented and contained no material misstatements. In FY 2018, auditors did identify weaknesses in our internal controls. In response to those findings, the Agency established and followed a corrective action plan that led to all but one of the previous findings being closed this year. We are poised to close the remaining open item in the next few months.

In FY 2019, our Agency achieved great success in the effort to address previously unfunded information technology modernization and lifecycle management. In FY 2020, a substantial percentage of our appropriation will be 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.

A handwritten signature in black ink that reads "Donald M. Benton".

Donald M. Benton
November 19, 2019

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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 the 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 missions, it also focuses on the future. The SSS leadership understands that both national and international events require fresh perspectives and a clear recognition of changing realities. Therefore, SSS stands ready to respond to future events at the level of readiness determined by elected national policy makers and available resources.

HISTORY

For more than 100 years, SSS and the registration requirement for America's young men have served as a backup system to provide manpower to the U.S. Armed Forces during times of national crisis. In 1917, the Selective Service Act established SSS as an independent federal civilian agency, while the Selective Training and Service Act of 1940 initiated the first draft to conscript during peacetime. Other than a brief suspension of the registration requirement from 1975 to 1980, registration has continued uninterrupted.

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

ORGANIZATION

The SSS has a diverse cadre of full-time civilian employees, part-time 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. Additionally, several thousand uncompensated volunteer private citizens participate in SSS registrar programs and are authorized to administer and receive registrations from young men.

PERFORMANCE HIGHLIGHTS

GOALS OVERVIEW

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

Goal 1: Ensure the capability to provide timely manpower to the Department of Defense.

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

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

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

Goal 5: Invest in and engage the workforce to create a high-performance culture.

GOAL 1: Ensure the capability to provide timely manpower to the Department of Defense.

Objective 1 – Enhance registration collection and 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 managed safely. Ultimately, this 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) 2018, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 91 percent, the same as CY 2017 for men ages 18 through 25 who were required to be registered. For the 18 year-of-birth (YOB) group, the compliance rate was 65 percent; for the 20 YOB group, the rate was 91 percent; and for the 25 YOB 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 2019, SSS continued its Exercise Program, diving deeper into the Agency's capability of holding a fair and equitable lottery.

FY 2019 also saw SSS complete the first 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 and agreements 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 2019, 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.

Goal 2: Maintain a robust structure for managing alternative national 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.

FY 2019 was designated the “Year of Alternative Service.” The SSS updated several MOUs that were outdated and added new federal agencies, including the Federal Emergency Management Agency.

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 2019, as part of the SSS Exercise Program, the Agency performed an end-to-end test of our Alternative Service Employer Network functionality.

GOAL 3: Ensure management excellence by promoting economy, efficiency, and effectiveness in the management of 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 transactions provides assistance to many men applying for benefits associated with the registration requirement, such as federal student financial aid, job training, government

employment, and U.S. citizenship for male immigrants.

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

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

In FY 2019, 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 no material misstatement. 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 A-123, discovered no material weaknesses in internal controls. It did, however, find areas for improvement where internal controls could be strengthened. Those improvements will be undertaken in FY 2020.

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. Additionally, SSS implemented a cost-effective expansion of its Shared Service Provider (SSP) agreement to enhance its financial reporting and payments processing capabilities. This expansion served as a “force multiplier.” It replaced a single full-time equivalent (FTE) with a cadre of accounting experts, and simultaneously served to mitigate a longstanding risk by eliminating a single point of failure created by an extended vacancy in a critical accounting position.

Lastly, Selective Service made significant progress in maturing its Enterprise Risk Management (ERM) infrastructure. The Agency conducted an initial risk assessment using the Risk Management Society (RIMS) Risk Maturity Model (RMM), wrote and adopted an Enterprise Risk Management Board (ERMB) charter, stood-up the ERMB, and held its introductory meeting. The Agency published its first Risk Appetite Statement, and initiated a strategic communication plan to educate 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 an effective public / intergovernmental communications program to build awareness of all Agency programs.

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 lessening of the general public awareness of the SSS and its registration mission in addition to many young men and their potential influencers being less aware of the SSS, let alone the

requirement to register. The Public and Intergovernmental Affairs Directorate’s (PIA’s) mission is to communicate to key audiences the requirement that men age 18 through age 25 must register and that registration can make a positive difference in their lives and in the communities in which 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 retooling 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 the consequences of failing to do so. 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. First and foremost is the perceived lack of relevancy. The civic act of registration has not received attention in the past 45 years and as a result is less known to Generation Z¹. This is compounded by an increasingly fragmented media environment and competing new technologies vying for the attention of today’s youth. To meet this challenge, PIA is re-proportioning available funds to create impactful campaigns to drive home the importance of registration while highlighting 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 cohesive messaging and visuals from one medium to the next. Instead of approaching our advertising plan as digital vs. traditional, we work it as an

¹Generation 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.

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 both in print and online as youth browse other websites. Thus, the ad saturation will reach the same market multiple times, which is now necessary.

Our integrative approach involves extensive “boots-on-the-ground” outreach to states and territories by Agency leadership, staff, regional offices, and local board volunteers. This field presence augments the advertising component of the marketing strategy combating citizen complacency and stabilizing and increasing registration compliance rates. In addition to advertising and its social media presence, PIA disseminated the registration message via its speakers’ bureau program, exhibit program, and ongoing updates to the public website, with a focus on targeting states 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 2019, SSS initiated a complete review of current operational plans to identify areas that can become more effective and efficient. Plans will be rewritten throughout FY 2020 and 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.

In FY 2019, the Agency initiated a comprehensive update of the internal knowledge management system. A complete assessment was performed and recommendations briefed to leadership. Phase II of the project will occur in FY 2020.

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, at the Director’s request, a Board periodically meets to validate that key Agency efforts and investments align with the Strategic Plan.

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

Objective 1 – Update and modernize the system infrastructure to deliver day-to-day capabilities as well as capabilities necessary for mobilization.

The SSS continues to make IT infrastructure investments required to sustain day-to-day operational excellence as well as prepare for the execution of our mobilization mission and address evolving needs. We will execute our IT Modernization Plan to mature our enterprise architecture, IT governance, and IT business processes to better provide enterprise solutions and align IT decision-making to mission outcome. We will deliver to our employees the tools 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 allowing a more mobile workforce. Ultimately, we will make better use of Agency information and data to enable SSS to make better, faster decisions and to improve overall operational efficiency across the Agency.

In FY 2019, the Agency initiated a comprehensive IT modernization initiative that delivered improvements that included replacement of the network firewalls, upgrades to the commensal circuits at National Headquarters (NHQ). We upgraded network infrastructure at the Data Management Center (DMC). We purchased and replaced outdated NHQ core switches, upgraded 13 servers from Microsoft Server 2008 to 2016. We purchased Cohesity and Riverbed hardware (for backup and compression). We established Cloud provider through Amazon Web Services. We upgraded 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 cybersecurity threats continue to pose a major risk, a core mission of IT is to protect SSS networks, systems, functions, and data from both internal and external cyberattacks. We will continuously mature the techniques set forth in policy and strategies to enable a strong cybersecurity posture in full compliance with FISMA, DHS, and OMB Directives.

Additionally, we 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. We 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 2019, the Agency procured and installed, and implemented a variety of hardware, software, and services improvements to robust the Cyber Security posture of 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 40 percent operational and we are pending promotion to the Federal Dashboard. Additionally, we modified the Managed Trusted Internet Protocol Service (MTIPS) Firewall contract to replace the legacy firewalls to state-of-the-art Fortigate firewalls managed by CenturyLink. Additionally, we contracted additional IT personnel to modernize service delivery, mature configuration management, and achieve full FISMA compliance in 2020.

GOAL 5: Invest in and engage the workforce to create a high-performance culture.

Objective 1 – Increase employee engagement, improve the work environment, and build an efficient workforce where all trust, respect, and collaborate with each other and are motivated to work.

Our Agency's mission success 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 2019, 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.

This will allow 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 supervisory hierarchy.

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 efficient, effective, and collaborative human resource management.

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.

Objective 3 – Train and retain the workforce through improved talent management.

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 2019, 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 4 – Augment diversity and inclusion training and other activities to create an environment where people feel valued and can effectively 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 2019, 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.

STRATEGIC PLANNING AND REPORTING

The SSS Strategic Plan was revised and updated. The revisions and updates were an outgrowth of internal evaluations of the Agency's statutory responsibilities viewed in light of new challenges, fiscal issues, and the needs of Agency's customers. Measurement of the Agency's institutional progress toward improved programmatic activities, service to customers, and the prudent management of fiscal resources was the basis for the development of this plan.

PLANNING AND FUNDING

The primary operational focus of the Agency in peacetime is to register men, and all performance results continue to be directed toward that goal. This report endeavors to show how the FY 2019 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 2019, 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 2019 and FY 2018 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 \$12.07 million in FY 2019. Fund balances with Treasury, mostly undisbursed cash balances from appropriated funds, comprised about 85 percent of the total assets. Fifteen percent of SSS assets were comprised of general property, plant, and equipment. SSS does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving funds or trust funds.

Liabilities. Liabilities are recognized when incurred regardless of coverage by budgetary resources. In FY 2019, SSS had total liabilities of \$5.29 million. Agency liabilities were Unfunded Federal Employees' Compensation Act (FECA) and veteran benefits of \$1.80 million. Accounts payable, employer contributions, and payroll taxes of \$2.29 million. Accrued payroll and leave, plus unfunded leave, totaled \$1.20 million.

Net Position. SSS net position reflects the difference between assets and liabilities, and represents the Agency's financial position of \$6.77 million. The amount is divided into two categories: unexpended appropriations (related to undelivered orders and unobligated balances) at \$7.52 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at \$0.75 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 2019 net cost of operations was \$25.97 million: \$26.47 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 2019 with a net position total of \$6.77 million, increased \$1.72 million from FY 2018's position of \$5.05 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 2019 budgetary resources totaled \$28.16 million in budget authority.

FINANCIAL MANAGEMENT

In FY 2019, the SSS successfully managed resources, delivered quality services to stakeholders, and met its financial reporting requirements. An independent audit disclosed no 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.

DIRECTOR'S FMFIA STATEMENT OF ASSURANCE



THE DIRECTOR OF SELECTIVE SERVICE
Arlington, Virginia 22209-2425

DIRECTOR'S FMFIA STATEMENT OF ASSURANCE

Selective Service System's (SSS) management is responsible for 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, 2019.

A handwritten signature in black ink, appearing to read "Donald M. Benton".

Donald M. Benton
November 7, 2019

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 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 A-123 Appendix C (*Requirements for Payment Integrity Improvement*), OMB Memorandum M-15-02, OMB Memorandum M-13-23, and other applicable laws, regulations, and circulars. All SSS managers are responsible for ensuring that their programs operate efficiently, effectively, and in compliance with the aforementioned statutes and guidance. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements.

FY 2019 Results

In FY 2019, an independent audit found the Agency's FISMA program to be free of any material weaknesses. Likewise, an independent audit of the Agency's financial statements also identified no material weaknesses. The following exhibit provides a summary of the negative report of material weaknesses and all items corrected.

Exhibit 1: Summary of Material Weaknesses

INTERNAL CONTROLS (FMFIA SECTION 2)						
Statements of Assurance	Qualified Statement of Assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
IT Security	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

FINANCIAL MANAGEMENT SYSTEM (FMFIA SECTION 4)						
Statements of Assurance	Qualified Statement of Assurance					
Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-conformances	0	0	0	0	0	0

Required Reporting

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

Exhibit 2: Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA 2)						
Statements of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

EFFECTIVENESS OF INTERNAL CONTROL OVER IT SECURITY (FMFIA 2)

Statements of Assurance		Unqualified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA 4)

Statements of Assurance		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 2019.

New Material Weaknesses

No new material internal control weaknesses were identified during FY 2019.

IT Security Program

No new material weaknesses were identified during FY 2019.

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 2019

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 Agency policies and regulations.

- Registration Compliance and Verification
- Integrated Mobilization Information System
- Certified Registrant Processing Portal modules:
 - Lottery
 - Alternative Service Employer Management

Program evaluations were scheduled and conducted for the following areas:

- Local Board Registration Program
- Reserve Force Officer Management Program

In addition to the Financial Statement Audit, the Agency conducted its internal Statement of Assurance assessment in compliance with OMB Circular A-123. The assessment identified no material weaknesses, but did discover areas for

improvement in information technology, operations, and financial management. Corrective actions will be developed and implemented to address these findings in FY 2020.

Independent auditors also conducted a review of the Agency's internal controls for preventing improper payments as required by the Improper Payment 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 2019 payments, auditors assessed the Agency's programs were at low risk. Therefore, any recovery audit program would not be cost effective.

FY 2019 PERFORMANCE

This FY 2019 Performance and Accountability Report (PAR) identifies the activities, strategies, and results that took place during the fiscal year to achieve Agency goals and objectives. It also identifies relevant performance measurement target goals to be achieved.

Goal 1: Ensure the capability to provide timely manpower to the Department of Defense.

Objective 1 - Enhance registration collection and 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 2019 Annual Performance Goal:

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

Was the goal achieved?

Yes.

Results:

For Calendar Year (CY) 2018, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 91 percent, the same as CY 2017 for men ages 18 through 25 who were required to be registered. For the 18 year-of-birth (YOB) group, the compliance rate was 65 percent; for the 20 YOB group, the rate was 91 percent; and for the 25 YOB group, the annual compliance rate was 98 percent. As we continue to use new techniques to remove duplicate registrations, we expect the overall registration rate to decrease slightly.

This year North Dakota joined the list of states that use driver's license legislation (DLL) to aid in the registration of young men, and Puerto Rico updated their DLL to be more understandable.

Finally, electronic registrations remained in excess of 90 percent of the total.

Discussion:

The SSS continues to modernize the registration program. This involves 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 with marginal payback, to one focused on addressing key areas with low registration rates (such as California). Although the establishment of a Region IV was put on hold indefinitely to focus on higher priorities such as IT modernization, SSS formed a Tiger Team to work on very low rates of registration, specifically in California.

Impact:

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

Planned Actions / Schedule:

Using the results from our California Tiger Team, in FY 2020 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 a variety of

techniques. The results of this effort will be measured to determine the effectiveness of those techniques. Those that are shown to be effective will be deployed on a wider scale in FY 2021.

SSS will continue to pursue DLL as opportunities present themselves. Wyoming and Pennsylvania may be targets in FY 2020.

Finally, SSS plans to overhaul the sss.gov website in FY 2020. Testing will ensure that the registration link is prominently placed.

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 2019 Annual Performance Goal:

Implement data cleaning program.

Was the goal achieved?

Yes.

Results:

SSS identified duplicate registrations and removed the duplicate record from the registration database during FY 2019. It is still a very small portion of the overall total: approximately 25,000 of the 16.5 million registrants in the 18-25 cohort were duplicates.

Discussion:

SSS explored using new query techniques to uncover the duplicates. Because of the importance attached to registration, each potential duplicate is checked by a member of the Data Management Center staff to ensure it is actually a duplicate.

Impact:

As we employ new techniques to remove duplicate registrations, we expect the overall registration rate to decrease slightly.

Planned Actions / Schedule:

In FY 2020, SSS is kicking off 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 undertook a comprehensive review of its operational plans associated with transitioning to a full-scale mobilization, continued to execute its Exercise Program, and took delivery of a web-based tool to deliver digital board member training.

Strategic Objective 1.2.1 Review and improve the mobilization process.

FY 2019 Annual Performance Goal:

Perform a 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. 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. Although the plans are revised approximately every 10 years, a comprehensive review had not been done in some time.

Impact:

The review determined that the current delivery timeline of young men to Military Entrance Processing Stations (MEPSs) can likely be cut in half upon completion of the revision cycle.

Planned Actions / Schedule:

SSS will undertake a complete revision of its operational plans beginning in FY 2020 and likely completing in FY 2021. These plans will then be integrated into Strategic Objective 1.2.3, *the Exercise Program*.

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 2019 Annual Performance Goal:

None.

Planned Actions / Schedule:

This activity is scheduled for FY 2021- 2022. At that point our Central Registration 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 2019 Annual Performance Goal:

Continue to follow Exercise Program.

Was the goal achieved?

Yes.

Results:

SSS deferred exercising the classification portion of our mobilization system previously planned for FY 2019. Our IT modernization program placed priorities in other areas. Instead, SSS undertook for the first time an independent third-party evaluation of the lottery process, building on last year's successful end-to-end internal exercise. SSS also successfully participated in FEMA's Eagle Horizon 2019.

Discussion:

As with all programs, the Exercise Program must remain flexible to accommodate other priorities. The SSS IT modernization program was the highest priority in FY 2019.

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 shift resources to further the development of our Central Registration Processing Portal as well as activities in Strategic Objective 1.2.3, *the Exercise Program*. However, the Agency intends to exercise the logistics and IT efforts involved in holding the lottery in an offsite location.

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 2019 Annual Performance Goal:

Build a web-based backbone to enable delivery of 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 standardized digital training in an environment that is outside the Agency's firewall.

Discussion:

The SSS developed requirements, issued a request for proposal, 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. This model was not sustainable following years of budget stagnation and staff cuts.

Planned Actions / Schedule:

In FY 2020, SSS will integrate the web-based backbone to support Strategic Objective 5.2.1, *Human Capital Management*, and deliver the lifecycle plan for the web-based tool. Once operational plans are updated following 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 2019 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 2019 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 and agreements 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 2019 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, and U.S. Coast Guard Reserve.

Discussion:

SSS relies heavily on external partners due to the small, historically stagnant budget. Without these partnerships the Agency might be unable 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 2020, higher-level inter-Agency agreements are due to be updated for all but the U.S. Air Force Reserve.

Verification and Validation:

Verification and validation are satisfied by managerial and staff review.

Strategic Objective 1.3.2 Validate external requirements.

FY 2019 Annual Performance Goal:

Validate the DoD manpower delivery requirement.

Was the goal achieved?

Yes.

Results:

The requirement was validated.

Discussion:

SSS held discussions with both the Joint Chiefs and the Office of the Under Secretary of Defense for Personnel and Readiness (USD (P&R)). Both validated the requirement, something the Office of the Secretary of Defense (OSD (P&R)) had previously done in writing to the Government Accountability Office.

Impact:

The requirement defines the basis for our operational planning.

Planned Actions / Schedule:

SSS will hold further discussions on the requirement to inform our stakeholders of the finding as we rewrite our operational plans. Initial indications are that the delivery timeline could be reduced by as much as half with no increase in cost. SSS will also formalize our emergency delivery plan.

Verification and Validation:

Verification and validation are satisfied by managerial and staff review as well as exercises with our stakeholders.

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

Objective 1 – Refine the alternative service employer network structure, both public and private.

Significant Activity:

SSS performed the most comprehensive set of outreach activities for the Alternative Service Program (ASP) in years. This resulted in updated MOUs with nine entities as well as a new MOU with the Federal Emergency Management Agency (FEMA) with many more slated to be signed in FY 2020.

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

FY 2019 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 updated nine outdated MOUs and signed one new one with a major federal agency, FEMA. SSS also has several more pending signatures in FY 2020 at federal and state levels.

Discussion:

Building off successful training in FY 2018, the Director declared FY 2019 the “Year of Alternative Service” at SSS, reviving a program that had lapsed into near obsolescence.

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. We anticipate at least two large federal and more than a dozen state agencies will enter into collaboration in FY 2020.

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 2019 Annual Performance Goal:

Perform outreach and extend awareness to the state level.

Was the goal achieved?

Yes.

Results:

In FY 2019, the ASP staff performed outreach in various states within Region I. Mailings were sent to all major state human resource entities.

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 extend to Region II and III states as well as selected local government agencies.

Verification and Validation:

Verification and validation are satisfied by managerial and staff review.

Objective 2 – Improve the ability to execute an ASP 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 2019 Annual Performance Goal:

This performance goal is tied directly to Strategic Objective 1.2.1, *Review and improve the mobilization process*. The goal here is to perform a 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. The committee determined that although fundamentally solid, the plans could be far more effective and efficient, particularly if technological improvements were incorporated.

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 undertake a complete revision of its operational plans beginning in FY 2020 and likely completing in FY 2021. These plans will then be integrated into Strategic Objective 2.2.3, *Develop an integrated, synchronized ASP 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.

Strategic Objective 2.2.2 Cyclical Workload and Manpower Analysis process.**Planned Actions / Schedule:**

Similar to Strategic Objective 1.2.6, *Cyclical Workload and Manpower Analysis process*, 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.

Strategic Objective 2.2.3 Develop an integrated, synchronized ASP Exercise Program to ensure Agency mobilization readiness.**FY 2019 Annual Performance Goal:**

None planned. Due the postponement of the SSS exercise of our classification system, the Agency shifted resources to perform an exercise of the Alternative Service Employer Management process, something that was initially planned in FY 2020.

Was the goal achieved?

Yes.

Results:

SSS successfully tested the Alternative Service Employer Management process.

Discussion:

As with all programs, the Exercise Program must remain flexible to accommodate other priorities. In FY 2019, the SSS IT modernization program was the highest priority in the Agency.

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:

This strategic objective and Strategic Objective 1.2.3, *Develop an integrated, synchronized Exercise Program to ensure Agency mobilization readiness*, will be greatly influenced by the rewriting of our operational plans. Further exercises are envisioned in FY 2021 and beyond.

Verification and Validation:

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

Goal 3: Ensure management excellence by promoting economy,

efficiency, and effectiveness in the management of 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 SSS 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.

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

FY 2019 Annual Performance Goal:

To give professional and immediate response to all customer service requests incoming to the Public and Intergovernmental Affairs (PIA) Directorate.

Was the goal achieved?

Yes.

Results:

PIA handled all customer service activities in a professional, 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 2019, PIA processed over 300 congressional, inter-governmental, and community requests and inquiries within 24-72 hours. Staff logged 1,668 email actions from the information@sss.gov mailbox. The inquiries or requests were from congressional staffers, news media, consulates or embassies, organizations, postmasters, researchers/writers, and the general public. General inquiries were responded within 1-2 business days, with research requests handled in less than 5 business

days. Sixty-two FOIA requests were responded to within the required timeframe, 20 business days.

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.

Planned Actions / Schedule:

Increase the number of proactive disclosures on our website and social media platforms. Respond to each FOIA request within 20 days or less.

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 its annual appropriation.

Strategic Objective 3.2.1 Financial Management.

FY 2019 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 99.7 percent.

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 2019 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 23.5 percent.

Discussion / Impact:

The combination of a furlough and extended continuing resolutions (CRs) had a negative effect on the Agency's FY 2019 ULOs. Thus, the obligation of funding was delayed until much later than normal in the fiscal year, which significantly compressed the timeline for conducting effective ULO reviews.

Planned Actions / Schedule:

The most effective risk mitigation strategy is to continue the practice of continuous monitoring of system-generated reports, and proactive outreach and follow-up with program managers to aid, assist, and advise on the management and execution of their respective budgets.

FY 2019 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 estimates that approximately 80 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 2020, 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 2019 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 2019 with approximately 120 FTEs on board.

Discussion / Impact:

Again, as a direct result of the FY 2019 furlough, many of the requisite reports needed to accurately calculate FTEs were unavailable through the Agency's Shared Service Provider;

or the available reports were inaccurate due to data-skewing attributable to the furlough.

Planned Actions / Schedule:

If more accurate data becomes available in FY 2020, the FTE estimate can be revised as needed.

FY 2019 Annual Performance Goal:

Achieve Enterprise Risk Management (ERM) Maturity Level 1, (based on the Risk Management Society (RIMS) Risk Maturity Model (RMM)).

Was the goal achieved?

Yes.

Results:

Selective Service achieved Ad Hoc (Level 1) in its most recent risk assessment conducted 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.

Planned Actions / Schedule:

The Agency has established aggressive ERM goals such as completing all initial risk assessments in early FY 2020, developing an ERM dashboard, and reporting template. SSS developed the “stretch goal” of achieving Maturity Level 3 (Repeatable) by the end of FY 2020.

Strategic Objective 3.2.2 Contracts and Logistics Management.

FY 2019 Annual Performance Goal:

Conduct an annual 100 percent inventory with minimum 95 percent accuracy rate.

Was the goal achieved?

Yes.

Results:

The Agency achieved a 98 percent accuracy rate (estimated).

Discussion / Impact:

With an accurate annual inventory, the Agency ensures a proper asset valuation that contributes to financial statements that are free of material misstatement. Additionally, an accurate inventory enables a robust and accurate lifecycle management plan for the Agency’s high value assets.

Planned Actions / Schedule:

Continue conducting annual “wall-to-wall” inventories, with quarterly spot checks.

Objective 3 – Manage and promote effective public/intergovernmental communications program to build awareness of all Agency programs.

Strategic Objective 3.3.1 Strategic Outreach Communications.

Significant Activity: A key component of the Public and Intergovernmental Affairs’ (PIA’s) strategic communication efforts is outreach combining traditional and new media. FY 2019 saw an expansion into multiple social media platforms, and tying the digital messaging to correlate with standard advertising strategies.

FY 2019 Annual Performance Goal:

PIA established a goal of increasing its outreach to registrants and their influencers (intended audiences) with an integrated marketing strategy using new creative content (advertising) and with new and increased dissemination channels to distribute the advertising messages to intended audiences. PIA dramatically increased its social media presence, and recruited and hired a dedicated social media FTE. The Agency developed a presence on nine social media platforms to include Facebook, Twitter, Snapchat, Reedit, Spotify, Flickr, YouTube, LinkedIn, and Instagram.

Results:

The first-year effort 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	22 Campaigns	448,500
Twitter	Annual	5,530,000
Snapchat	Annual	1,150,000
Spotify	8 Campaigns	405,000
TV PSAs	Annual	76,000,000
Radio PSAs	Annual	28,700,000
Legends Placement	Annual	2,800,000
Airport Digital	2 months	183,174,000
Transit Advertising	4 month	64,500,000

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

Discussion:

PIA first developed a density map to identify the greatest problem areas for registration based on the highest population versus non-registrants. PIA advertised within budget constraints on buses, transit thoroughfare kiosks, and inside metros and subways. The marketing plan backed up 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, Orange County, Los Angeles, San Francisco, Seattle Chicago, Boston, New York City, Philadelphia, and Washington, D.C.

This marketing strategy also builds upon reaching out to key influencers and organizations who service the hard-to-reach youth. For example, PIA worked with high school coaches, reached out to the Department of Education, sent letters to all high school principals, visited communities with lower than average registration rates, met with leaders of community organizations, exhibited at 17 national annual conferences and conventions at major venues, and, through the newly formed SSS Speakers' Bureau Program, spoke to 130,000 organizations across the nation about the SSS and the registration requirement. Collectively, these efforts enhanced 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 can measure the 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.

Planned Actions / Schedule:

Looking ahead to 2020 and beyond, within budget and staffing constraints, PIA anticipates growing its social media campaign and exploring use of an online direct marketing initiative to better measure the impact and effectiveness of the overall marketing campaign.

Strategic Objective 3.3.2 Registration Improvement.

FY 2019 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

Was the goal achieved?

Yes.

Results:

For Calendar Year (CY) 2018, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 91 percent, the same as CY 2017 for men ages 18 through 25 who were required to be registered. For the 18 year-of-birth (YOB) group, the compliance rate was 65 percent; for the 20 YOB group, the rate was 91

percent; and for the 25 YOB group, the annual compliance rate was 98 percent. As we continue to use new techniques to remove duplicate registrations, we expect the overall registration rate to decrease slightly.

This year North Dakota joined the list of states that use driver's license legislation (DLL) to aid in the registration of young men, and Puerto Rico updated their DLL to be more understandable.

Finally, electronic registrations remained in excess of 90 percent of the total.

Discussion:

SSS continues to modernize the registration program. This involves 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 with marginal payback, to one focused on addressing key areas with low registration rates (such as California). Although the establishment of a Region IV was put on hold indefinitely to focus on higher priorities such as IT modernization, SSS formed a Tiger Team to work on very low rates of registration, specifically in California.

Impact:

PIA-assisted outreach is expected to increase registration rates, which have remained steady.

Planned Actions / Schedule:

PIA has an outreach schedule for FY 2020 that focuses on key areas with low registration. Additionally, PIA intends to use outside resources to standardize any exhibits the Agency may attend.

Verification and Validation:

PIA will assess first quarter results.

Strategic Objective 3.3.3 Board Program awareness.

FY 2019 Annual Performance Goal:

None.

Planned Actions / Schedule:

In FY 2020, SSS will undertake an assessment of the Board Program and provide enhancements to enable a modernized approach to recruiting, screening, training, and retaining board members.

Strategic Objective 3.3.4 Registrar and State Resource Volunteers.

FY 2019 Annual Performance Goal:

Perform an assessment of the Registrar Program.

Was the goal achieved?

Yes.

Results:

Operations performed a detailed assessment of the goals and achievements of the Registrar Program and recommended that the program either be cancelled or its mission changed.

Discussion:

Due to a stagnant Agency budget, SSS no longer has the resources to even verify that more than 30,000 high schools nationwide have registrars and is not able to deploy personnel to use them effectively. Further, SSS does not have tools to measure the impact of registrars.

Impact:

This will reduce the presence of SSS in high schools across the country. This can be mitigated by effective usage of social media and mailing campaigns.

Planned Actions / Schedule:

SSS will undertake a similar review of the State Resource Volunteer program in FY 2020.

Verification and Validation:

None planned.

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

Strategic Objective 3.4.1 Operational modernization planning.

FY 2019 Annual Performance Goal:

SSS undertook 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*.

Perform a 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. 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. 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 ensure the Agency can transition internal systems and structure to a mobilization footing if there is ever a return to conscription.

Planned Actions / Schedule:

SSS will undertake a complete revision of operational plans beginning in FY 2020 and likely completing 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 2019 Annual Performance Goal:

Develop a knowledge management (KM) plan and initiate Phase I 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 was begun at the end of FY 2019.

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.

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 2019 Annual Performance Goal:

Rewrite the Strategic Plan.

Was the goal achieved?

Yes.

Results:

The Agency has a new Strategic Plan.

Discussion:

At the start of FY 2019, SSS kicked off an ambitious plan to completely rewrite the Strategic Plan, something that had not been done in more than 15 years. Each employee had an opportunity to inject ideas.

Impact:

The new plan sets the course of the Agency for the next five years. A visible manifestation of that is the new alignment of this document to the plan.

Planned Actions / Schedule:

Continue implementation.

Verification and Validation:

Board reviews and tracks alignment to the Strategic Plan.

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

Objective 1 - Update and modernize the system infrastructure to deliver day-to-day capabilities as well as capabilities necessary for mobilization.

Significant Activity:

In FY 2019, the Agency initiated a comprehensive IT modernization initiative that delivered overall improvements, which included the replacement of the network firewalls and upgrades to the commensal circuits at National Headquarters (NHQ).

Strategic Objective 4.1.1 IT Infrastructure sustainment / improvement.

FY 2019 Annual Performance Goal:

The SSS takes actions to achieve compliance with Executive Order (EO) 13800 for Federal IT modernization.

Was the goal achieved?

Yes.

Results:

In FY 2019, the Agency procured and implemented a variety of hardware, software and services improvements to robust the Cyber Security posture of SSS. These improvements included the implementation of continuous diagnostic monitoring (CDM) project through Department of Homeland Security (DHS). The DHS CDM dashboard is 40 percent operational and we are pending promotion to Federal 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 CenturyLink. Additionally, we contracted additional IT personnel to modernize service delivery, mature configuration management, and achieve full FISMA compliance in 2020.

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 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.

Verification and Validation:

Continued Chief Information Officer (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 2019, 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 Web Services; and the phone system at NHQ was upgraded 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 2019 Annual Performance Goal:

Pursue improved IT Support (Help Desk) Services for the Agency through the pursuit of enhanced processes, standards, and technology while augmenting agency IT staffing for the Help Desk.

Was the goal achieved?

Yes.

Results:

The Agency significantly enhanced our IT Support (Help Desk) processes, standards, and technology in 2019, and these objectives continue to mature.

Discussion:

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

Impact:

Significant improvements are made to user experience and Cyber Security through configuration management and baseline control.

Planned Actions / Schedule:

Continue implementation.

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 Cyber Security compliance.

FY 2019 Annual Performance Goal: The CIO's vision is to 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 Cyber Security Standards.

Was the goal achieved?

Yes.

Results:

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).

Discussion:

All FISMA standards will be achieved through a renewed "Culture of Compliance" and rigorous procedures that tie to Agency IT Policy and Federal Cyber Security Standards.

Impact:

Sustained FISMA compliance and ownership of standards for Cyber Security at all levels of Series 2210 personnel.

Planned Actions / Schedule:

Continue implementation through CIO monitored plan of actions and milestones.

Verification and Validation:

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

Goal 5: Invest in and engage the workforce to create a high-performance culture.

Objective 1 – Increase employee engagement, improve the work environment, and build an efficient workforce where all trust, respect, and collaborate with each other and are motivated to excel.

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 2019 Annual Performance Goal:

To conduct a 100 percent review and update of Agency position descriptions (PDs). Each manager and employee will review and revise position descriptions before recruiting for a vacant position, assigning objectives to an appraisal, or approving an individual development plan (IDP). Also, the Agency will implement a PMB to help keep SSS on track and ensure mission essential positions are built into our organizational structure.

Was the goal achieved?

No.

Results:

Agency PD revisions are approximately 60 percent complete.

Discussion / 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 2020, 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 workplace.

Strategic Objective 5.1.2 STAR Team effectiveness.

FY 2019 Annual Performance Goal:

The Supporting Transformation and Results (STAR) Team meet quarterly to vet employees' ideas, recommendations, and suggestions, and conveying the same to leadership.

Was the goal achieved?

Yes.

Results:

The Star Team met quarterly. Ideas were vetted through the Team, and leadership approved many 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. Continue to 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 2019 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 35 percent of Agency employees received awards.

Discussion:

The employee awards and peer recognition contributed to an overall increase in SSS employees' satisfaction as evidenced by the most recent FedView survey.

Impact:

As a result of the Award Board's initiative, SSS was ranked the #1 most improved Agency in employee satisfaction for this year's 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 efficient, effective, and collaborative human resource management.

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 2019 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, this year's FedView survey ranked SSS as the #1 most improved Agency in employee satisfaction compared to the 2018 survey.

Discussion:

SSS expanded its recruiting process by using direct hiring 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:

In the 2019 FedView survey, SSS was ranked #1 out of 10 agencies with at least 100 employees, and saw the biggest improvement in satisfaction compared with 2018.

Strategic Objective 5.2.2 Military Human Capital Management.

FY 2019 Annual Performance Goal:

Perform an end-to-end assessment of the Reserve Force Officer (RFO) Program and provide recommendations for improvements.

Was the goal achieved?

Yes.

Results:

The Associate Director for Operations along with the three Region Directors performed the

assessment and presented options to the Director.

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. 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 2020 and FY 2021, SSS will go through 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 onboarded 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 2019 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:

SSS achieved a 45-day "Time to Hire" metric.

Discussion:

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

Impact:

SSS advertised for, recruited, and onboarded 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 2020, SSS will continue to build upon this year's success with an expanded use of direct hiring authorities and other tools, such as virtual job fairs.

Objective 3 - Train and retain the workforce through talent management programs.

Significant Activity:

See Strategic Objective 5.2.3, *Hiring process improvement*.

Objective 4 - Augment diversity and inclusion training and other activities to create an environment where people feel valued and can effectively 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 5.4.1 Manage a Reasonable Accommodations Program.

FY 2019 Annual Performance Goal:

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.

Was the goal achieved?

Yes.

Results:

During FY 2019, six requests were submitted and approved, of which five requests for accommodations were fully met and one

partially met due to no availability for a job reassignment.

Discussion:

SSS's reasonable accommodation policy and procedures are accessible to all employees and applicants. The policy was updated in October 2018, based EEOC's feedback with respect to the EEOC's Final Rule: Affirmative Action for Individuals with Disabilities in Federal Employment. 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 and secured 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 good-standing relationship with USDA's TARGET Center and the Employer Assistance and Resource Network (EARN) on Disability Inclusion group.

Impact:

By fulfilling the employer's responsibilities to provide reasonable 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.

Planned Actions / Schedule:

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.

Verification and Validation:

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)

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

In FY 2019, independent auditors conducted an annual assessment of the Agency's financial management systems and internal control over: (1) the effectiveness/efficiency of operations and compliance with applicable laws and regulations, and (2) financial reporting, including safeguarding assets and compliance with applicable laws and regulations. Audit findings disclosed one finding that was non-material in nature: Internal Use Software Costs Not Yet Captured by the Office of the Chief Information Officer (OCIO). The finding included the accompanying recommendation to ensure that OCIO personnel capture lifecycle costing/management information so that problems affecting the fair presentation of internal use software will not have an effect on the FY 2020 financial statements.

The Office of the Chief Financial Officer (OCFO) took no exception to the auditor's findings. A previously-initiated corrective action plan that will permanently resolve this issue is in progress. The agency established a working group of senior representatives from the Information Technology, Operations, and Support Services Directorates. Since its inception, the working group made significant progress in closing a number of the open audit recommendations. The working group is also near completion of a baseline asset valuation (using contractor support) for internal use software to support the assertion that the cost of internal use software presented in the financial statements is fairly stated.

When the baseline asset valuation is completed, the working group will remain under charter. The purpose of the working group going forward will be to ensure the development and implementation of lifecycle and inventory management plans.



Roderick R. Hubbard
November 19, 2019

Selective Service System

Audit of Financial Statements

**As of and for the Years Ended
September 30, 2019 and 2018**

Submitted By

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

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Independent Auditor's Report

DIRECTOR, SELECTIVE SERVICE SYSTEM

We have audited the accompanying financial statements of the Selective Service System (SSS), which comprise the balance sheet as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the SSS's internal control over financial reporting and tested the SSS's compliance with certain provisions of applicable laws, regulations, and significant provisions of contracts.

SUMMARY

As stated in our opinion on the financial statements, we found that the SSS's financial statements as of and for the years ended September 30, 2019 and 2018, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, we found no material weakness in internal controls. Our report contains one finding that we consider a significant deficiency relating to internal controls over financial reporting.

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the SSS, which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States; and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the SSS's internal control or its compliance with laws, regulations, and significant provisions of contracts. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SSS as of September 30, 2019 and 2018, and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (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, 2019 and 2018, 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. 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.

Finding and Recommendation

SSS was not able to provide supporting information to account for any changes in the general ledger account 1832, Internal Use Software – In Development, that may have occurred during FY 2019. While we determined that this issue is not presently material to the financial statements, continued in-house development of software could make these costs material to the financial statements in the future. A similar internal control weakness was also reported in the FY 2018 financial statement audit report.

During our FY 2019 audit, SSS provided us with a detailed corrective action plan and memoranda that discuss the actions taken by the agency to address the FY 2018 audit findings and recommendations. In summary, SSS formed a high-level group to address the issues we reported, worked to implement policies and procedures, developed costing methodology templates, and hired cost accountants to assist in determining the cost of internal use software once the information becomes available, as well as other actions. These actions enabled us to close a number of recommendations relating to this area.

As discussed above, while corrective actions have been taken and others are underway, problems that prevented SSS from capturing and reporting the costs associated with the Office of the Chief Information Officer's (OCIO) development of internal use software have not yet been fully remediated.

Documentation we obtained from SSS showed the following:

- Inconsistent reporting from IT management and lack of supporting project and life cycle management plans for general ledger adjustments for SSS systems pose a risk for financial statement misstatements of assets and inventory, which has led to recurring open audit findings.
- Lack of supporting project and life cycle management plans for general ledger adjustments made for SSS systems pose a risk for financial statement misstatements of assets and inventory, which has led to recurring open audit findings.
- Lack of supporting project and life cycle management plans for IT software and hardware assets and lack of recurring inventory management pose a risk for financial statement misstatements of assets and inventory, which has led to recurring open audit findings.

Recommendation

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.

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.

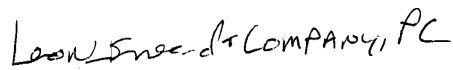
In connection with our audit, we noted no instance of noncompliance that is required to be reported according to *GAS* and the OMB audit bulletin guidelines. No other matters came to our attention that caused us to believe that the SSS failed to comply with applicable laws, regulations, or significant 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.

Restricted Use Relating to Reports on Internal Control and Compliance

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

SSS officials advised us that they agree with the finding and recommendation, and they plan to ensure that the matter is fully corrected by February 2020. However, SSS elected to not provide a written response to the audit report.



Leon Snead & Company, P.C.
Rockville, MD
November 14, 2019

Rec.	Status of FY 2017 Audit Recommendations	Status
1.	Develop detailed operating procedures to ensure that SSS meets accounting standards relating to internal use software. Ensure that these procedures are applied to new system development and “enhancement” projects, as discussed in SFFAS No. 10.	Closed
2.	Provide training to appropriate SSS personnel on the procedures and applicable accounting standards that must be followed relating to internal use software.	Closed
3.	Develop methods to capture and calculate overhead rates for the agency that need to be applied to personnel costs associated with internal use software. Update these rates periodically.	Closed
4.	Develop a system for capturing personnel costs associated with projects or “enhancements” that meet the SFFAS No. 10 standards and agency capitalization thresholds.	Closed
5.	Ensure that OMB Circular A-123 monitoring processes include assurance that the agency is adhering to SFFAS No. 10 standards and agency requirements relating to accounting and reporting on internal use software.	Closed
6.	Develop, as part of the OCFO accounting manual, for key financial transactions a processing checklist that details the steps and processes that need to be followed to process these financial transactions. Provide sufficient analytical detail to ensure that the transaction processed is supported by the source documentation.	Closed
7.	Perform additional reviews to attempt to identify the reason(s) prior year appropriations were incorrectly used to fund current year activity and implement additional control processes based upon this review.	Closed
8.	Request the accounting service provider to establish controls that would prohibit processing of any transaction (obligation, payment of an invoice) without the specific prior authorization of the CFO above a certain dollar threshold.	Closed
9.	Provide training to OCFO personnel on processing upward adjustments and other key accounting transactions.	Closed

Rec.	Status of FY 2018 Audit Recommendations	Status
1.	Address the staffing issues and the other significant problems that impacted the agency's financial operations discussed in this report, or move GTAS processing, financial statement compilation, preparation of journal vouchers, and other high-risk budget and financial operations to SSS's accounting service provider.	Closed
2.	If GTAS processing, financial statement compilation, preparation of journal vouchers, and other high-risk budget and financial operations are not transferred to SSS's accounting service provider: (1) provide significant levels of additional training to all personnel involved in these activities; and (2) document in the fiscal manual additional detailed procedures, processes (templates) and controls to ensure that the significant problems identified in this year's audit do not recur.	Closed
3.	Develop a comprehensive financial statement compilation checklist that will ensure financial statement preparation is completed in accordance with OMB and federal accounting standards and address the problems noted in this report.	Closed
4.	Ensure that: (1) GTAS validation errors are researched and corrected timely; (2) documentation is maintained to support the analyses performed and the corrective actions taken, and (3) discontinue the practice of "adjusting" SSS's official accounting records simply to pass GTAS edits.	Closed
5.	Issue operational policies that provide specific processes for reviewing, reconciling and correcting, as appropriate, the differences identified in the Trading Partner Differences GTAS report. Correct the differences identified in this report as part of the quarterly GTAS reporting process and maintain documentation that supports the actions taken to address the differences.	Closed
6.	Perform a detailed assessment of the problems discussed in this report (including the posting of non-USSGL compliant transactions for financial statement, GTAS and budget purposes), and based upon this review, strengthen controls and provide additional detailed guidance in the fiscal manual.	Closed
7.	Provide sufficient training to personnel to enable SSS, overall, to have sufficient skills to prepare JV using USSGL compliant posting models, and to identify errors in postings prior to approval by supervisory personnel.	Closed
8.	Do not process or authorize the processing of any JV that does not comply with USSGL posting models, such as those identified during our financial statement and budget testing this fiscal year.	Closed
9.	Establish an OCIO and OCFO working group, reporting to the Deputy Director, to analyze the recurring problems identified with internal use software development, and develop SSS-wide operating processes and controls to ensure that this recurring issue does not impact SSS future operations.	Closed
10.	Include in key SSS officials' performance standards rating elements that require adherence to OMB and SSS requirements for budgeting, controlling and accounting for internal use software under development.	Closed
11.	Discontinue the current process for estimating accruals of accounts payable, and establish an analytical process to estimate accounts payable accruals for quarterly financial statements.	Closed
12.	Implement additional controls and processes to ensure that all UDOs at year-end reflect a realistic estimate of the value of goods and/or services yet to be provided, and that appropriate supporting documentation is maintained, or future errors could impact future financial statement audit opinions.	Closed

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, 2019 and 2018
(in dollars)

	2019	2018
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 10,251,933	\$ 6,623,828
Total Intragovernmental	<u>\$ 10,251,933</u>	<u>\$ 6,623,828</u>
Assets With the Public		
Accounts Receivable, Net (Note 3)	\$ 21,613	\$ 5,649
General Property, Plant, and Equipment, Net (Note 4)	1,796,016	2,541,545
Total Assets	<u><u>\$ 12,069,562</u></u>	<u><u>\$ 9,171,022</u></u>
Stewardship PP&E		
Liabilities		
Intragovernmental		
Accounts Payable	1,602,578	\$ 264,792
Employer Contributions and Payroll Taxes Payable (Note 5)	117,231	96,885
Unfunded FECA Liability (Note 5)	275,898	417,977
Other Unfunded Employment Related Liability (Note 5)	(1,108)	7,607
Total Intragovernmental	<u>1,994,599</u>	<u>\$ 787,260</u>
Liabilities With the Public		
Accounts Payable	\$ 553,755	\$ 568,205
Federal Employee and Veteran Benefits (Note 5)	1,526,908	1,615,777
Accrued Funded Payroll (Note 5)	438,972	355,135
Employer Contributions and Payroll Taxes Payable (Note 5)	16,510	14,275
Unfunded Leave (Note 5)	763,996	783,561
Total Liabilities	<u><u>5,294,740</u></u>	<u><u>\$ 4,124,214</u></u>
Commitments and Contingencies		
Net Position		
Unexpended Appropriations	7,522,888	\$ 4,954,537
Cumulative Results of Operations	(748,066)	92,271
Total Net Position	<u>6,774,822</u>	<u>\$ 5,046,808</u>
Total Liabilities and Net Position	<u><u>\$ 12,069,562</u></u>	<u><u>\$ 9,171,022</u></u>

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF NET COST
For the Years Ended September 30, 2019 and 2018
(in dollars)

	<u>2019</u>	<u>2018</u>
Gross costs (Note 8)	\$ 26,470,618	\$ 25,164,105
Less: Total Earned Revenue	<u>500,000</u>	<u>370,000</u>
Net Cost of Operations	<u>\$ 25,970,618</u>	<u>\$ 24,794,105</u>

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, 2019 and 2018
(in dollars)

	2019	2018
Unexpended Appropriations:		
Beginning Balances	\$ 4,954,537	\$ 3,985,388
Beginning Balances, as Adjusted	\$ 4,954,537	\$ 3,985,388
Budgetary Financing Sources:		
Appropriations Received	\$ 26,000,000	\$ 26,000,000
Appropriations Transferred In/Out	-	-
Other Adjustments	(545,616)	(662,640)
Appropriations Used	(22,886,033)	(21,268,211)
Total Budgetary Financing Resources	\$ 2,568,351	969,149
Total Unexpended Appropriations	\$ 7,522,888	\$ 4,954,537
Cumulative Results of Operations:		
Beginning Balances	\$ 92,272	\$ 1,319,990
Beginning Balances, as Adjusted	\$ 92,272	1,319,990
Budgetary Financing Sources:		
Appropriations Used	22,886,033	2,298,175
Other Financing Sources (Non-Exchange)		
Imputed Financing	2,244,247	2,298,175
Total Financing Sources	25,130,280	23,566,386
Net Cost of Operations	(25,970,618)	(24,794,105)
Net Change	(840,338)	(1,227,719)
Cumulative Results of Operations	(748,066)	92,271
Net Position	\$ 6,774,822	\$ 5,046,808

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2019 and 2018
(in dollars)

		2019	2018
1051	Budgetary resources:		
1290	Unobligated balance from prior year budget authority, net	\$ 1,656,282	\$ 1,762,082
1890	Appropriations (discretionary and mandatory)	26,000,000	22,900,000
1910	Spending authority from offsetting collections (discretionary and mandatory)	500,000	370,000
	Total budgetary resources	<u>\$ 28,156,282</u>	<u>\$ 25,032,082</u>
	Status of budgetary resources:		
2190	New obligations and upward adjustments (total):	\$ 26,592,047	\$ 23,172,853
	Unobligated balance, end of year:		
2204	Apportioned, unexpired accounts	\$ 63,392	\$ 155,445
2404	Unapportioned, unexpired accounts	-	-
2412	Unexpired unobligated balance, end of year	63,392	155,445
2413	Expired unobligated balance, end of year	1,500,843	1,703,783
2490	Unobligated balance, end of year (total)	1,564,235	1,859,228
2500	Total budgetary resources	<u>\$ 28,156,282</u>	<u>\$ 25,032,082</u>
	Budget Authority and Outlays, Net		
4190	Outlays, net (total) (discretionary and mandatory)	\$ 21,826,279	\$ 20,703,270
4210	Agency outlays, net (discretionary and mandatory)	<u>\$ 21,826,279</u>	<u>\$ 20,703,270</u>

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

As of and for the periods ended September 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of September 30, 2019

(a) Reporting Entity Including Changes Related to SSS

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

The Agency's mission is twofold: (1) 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.

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

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

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 A-136, Financial Reporting Requirements (as revised June 2019).

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

(c) Budget Authority

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

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

(d) Fund Balance with Treasury

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

(e) Accounts Receivable

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

(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, and internal use software in development. 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. See footnote for additional information.

(g) Accrued Liabilities and Accounts Payable

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

(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. See footnote for additional information.

(i) Pension Costs, Other Retirement Benefits, and other Post Employment Benefits

SSS employees participate in the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE) or the Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE). SSS recognized the full costs of employees' pension benefits; however, liabilities associated with such costs are recognized by Office of Personnel Management (OPM).

(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. SSS recognized imputed costs and financing sources in Fiscal Years 2019 and 2018 to the extent directed by the OMB, such as: employees' pension, post-retirement health and life insurance benefits; other post-employment benefits for retired, terminated, and inactive employees, which include unemployment and workers compensation under the Federal Employees' Compensation Act (FECA), and losses in litigation proceedings. In addition, SSS recognized imputed cost for services received from other federal agencies without reimbursement; these

services included office space for DMC and Region I (Illinois), Region II (Georgia), Region III (Colorado), and Reserve Force Officer (RFO) services from the U.S. Army Reserves, the U.S. Marine Corps Reserves, and the Army National Guard.

(l) Revenues and Other Financing Sources

SSS'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 exchange revenue that is recognized when earned (i.e., when services are rendered). Appropriations used are recognized as financing sources when related expenses are incurred or assets purchased. SSS also incurs certain costs that are paid in total or in part by other federal entities, such as pension costs. These subsidized costs are recognized on the Statement of Net Cost and imputed financing for these costs is recognized in the Statement of Changes in Net Position.

(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. SSS estimates public liabilities as a percentage of system liabilities to undelivered order balances. Intragovernmental liabilities are estimated as military and non-military. Military liabilities are accrued based on actuals and non-military liabilities are accrued as percentage of services received but not disbursed.

(n) Expired Accounts and Canceled

Authority

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

NOTE 2 – FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury consisted of the following at September 30, 2019 and 2018:

(in dollars)			
Fund Balance:	2019	2018	
Status of Fund Balance with Treasury			
Unobligated Balance:			
Available	\$ 63,392	\$ 155,445	
Unavailable	1,500,843	1,703,783	
Obligated Balance Not Yet Disbursed	8,687,698	4,764,599	
Total Status of Fund Balance with Treasury	\$ 10,251,933	\$ 6,623,828	

NOTE 3 – ACCOUNTS RECEIVABLE NET

Due from the Public, Net. Accounts Receivable consists of amounts due from other federal entities, current and former employees, and vendors. Gross receivables are reduced to Net Realizable value by an allowance for uncollectible accounts. See footnote for additional information. 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 50 percent rate to the current uncollectible balances that are less than 365 days old and 100 percent rate to balances that are more than 365 days old:

Accounts Receivable from the Public consists of the following:			
(in dollars)	FY 2019	FY 2018	
Accounts Receivable from the Public			
Current	\$ 18,080	\$ -	
1-180 Days Past Due	354	-	
181-365 Days Past Due	2,556	-	
1 to 2 Years Past Due	623	-	
Total Billed Accounts Receivable - Public	21,613	-	
Total Accounts Receivable - Public	21,613	-	
Total Accounts Receivable - Public, Net	\$ 21,613	\$ 5,648	

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, 2019:

(in dollars)	Service Life	Acquisition Value	Accumulated Depreciation	2019 Net Book Value	2018 Net Book Value
Equipment	3-7 yrs	\$ 2,050,820	\$ (1,748,319)	\$ 302,501	\$ 425,139
Information Technology Software	3 yrs	13,710,069	(12,724,330)	985,739	1,608,629
Internal Use Software	7 yrs	507,776	-	507,776	507,776
Total		\$ 16,268,665	\$ (14,472,649)	\$ 1,796,016	\$ 2,541,545

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on SSS's Balance Sheet as of September 30, 2019, include liabilities not covered by budgetary resources. These 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.

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.

The composition of liabilities not covered by budgetary resources as of September 30, 2019 and 2018 is as follows:

(in dollars)	2019	2018
Intragovernmental:		
Unfunded FECA Liabilities	275,898	417,977
Other unfunded employment related liability	(1,108)	7,607
Total Intragovernmental	274,790	425,584
Public Liabilities:		
Federal Employee and Veteran Benefits-FECA Actuarial Liability	1,526,908	1,615,777
Unfunded Annual Leave	763,996	783,561
Total Public	2,290,904	2,399,338
Total Liabilities Not Covered by Budgetary Resources	\$ 2,565,694	\$ 2,824,922
Total Liabilities Covered by Budgetary Resources	2,729,046	1,299,291
Total Liabilities	\$ 5,294,740	\$ 4,124,214

NOTE 6 - FEDERAL EMPLOYEES' COMPENSATION ACT

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

For 2019, and again in 2018, SSS used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other federal agencies.

SSS recorded an estimated actuarial liability for future costs that represent the expected liability for approved compensation cases beyond the current fiscal year. This estimated actuarial liability of \$1,526,908 and \$1,615,777 as of September 30, 2019 and 2018, respectively, is reported on SSS's Balance Sheet. SSS also recorded a liability for amounts paid to claimants by DOL as of June 30, 2019 and 2018, of \$275,898 and \$417,977, respectively, but not yet reimbursed to DOL by SSS.

NOTE 7 - LEASES

The SSS leases office and storage space from commercial vendors and the General Service Administration (GSA). In addition, SSS rents copiers and other office equipment from commercial vendors and vehicles from GSA and commercial vendors. With the exception of the commercial leases on two office buildings (Colorado and Georgia) and the occupancy agreement (OA) with GSA (Virginia), all rentals are one-year. Because these rentals are considered cancelable, minimum lease payments due are restricted to the two commercial leases and the OA with GSA. 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	National HQ	DMC	Region 1	Region 2	Region 3	Totals
FY2020	10/01/2019-09/30/2020	\$ 996,480	-	-	-	-	\$ 996,480
FY2021	10/01/2020-09/30/2021	\$ 1,005,623	-	-	-	-	\$ 1,005,623
FY2022	10/01/2021-09/30/2022	\$ 1,015,040	-	-	-	-	\$ 1,015,040
FY2023	10/01/2022-09/30/2023	\$ 1,024,740	-	-	-	-	\$ 1,024,740
After 5 Years:		\$ 96,821	-	-	-	-	\$ 96,821
Total Future Lease Payments		\$ 4,138,704	-	-	-	-	\$ 4,138,704

NOTE 8 – Intragovernmental Costs

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

	2019	2018
Intragovernmental costs		
Intragovernmental Costs	\$ 10,377,956	\$ 9,572,946
Public Costs	15,592,662	15,591,159
Total Program Cost	\$ 25,970,618	\$ 25,164,105

NOTE 9 – EXCHANGE REVENUE

The Statement of Federal Financial Accounting Standards (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, defines exchange revenue as inflows of resources to a governmental entity that the entity has earned. They arise from exchange transactions that occur when each party to the transaction sacrifices value and receives value in return. Exchange revenue is earned for services provided to other government agencies through reimbursable agreements. SSS recovers the full cost of services. Amounts are earned at the time the expenditures are incurred against the reimbursable order. During fiscal years 2019 and 2018, SSS earned \$500,000 and \$370,000 under an agreement with the U.S. Department of Defense. The DoD reimburses SSS for the difference in postage cost between what SSS currently paid to mail Acknowledgment Letters and what it would cost to include DoD materials in the SSS Acknowledgments. 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 SSS during FY 2019 or FY 2018 that have not had delivery of required product or service as of September 30, 2019 or 2018, respectively. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during Fiscal Year 2019 or Fiscal Year 2018.

(in dollars)

	2019	2018
Unpaid:		
Federal	\$ 712,268	\$ 2,007,293
Non-Federal	5,246,384	1,458,015
Totals	\$ 5,958,652	\$ 3,465,308

NOTE 11 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

The differences in SSS's FY 2018 Status of Budgetary Resource and Budget for Fiscal Year 2020 (2018 actuals) are due to the \$1.9 million in unobligated balances brought forward.

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 25	23	-	21
Difference # 1	\$ (2)	-	-	-
Budget of the US Government	\$ 23	23	-	21

NOTE 12 – BUDGET AND ACCRUAL RECONCILIATION

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

	(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)
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 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. SSS's risk assessment concluded its programs were at low risk for improper payments during FY 2019 and any recapture efforts are not cost effective.

FY 2019 PERFORMANCE CHART

AGENCY-WIDE ANNUAL PERFORMANCE RESULTS AND TARGETS

Performance Goals	Target	Actual	Actual	Actual	Actual	Actual
		2015	2016	2017	2018	2019
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	2 days	10 days	10 days	6 days	1 day
PIA: Congressional, media, registrants, the general public:	2 days	2 days	2.2 days	2.2 days	3.5 days	2 days
PIA: Response to Freedom of Information Act and Privacy Act customers:	≤20 days	≤ 18 days	≤ 13 days	≤ 17 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
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
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	HCAA F
Human Capital Management Plan	HCMP
Human Resources	HR
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 Force Officer	RFO
Selective Service System	SSS
Statement of Budgetary Resources	SBR
Statement of Federal Financial Accounting Standards	SFFAS
Year of Birth	YOB



Selective Service System
National Headquarters
Arlington, VA 22209