



SELECTIVE SERVICE SYSTEM
PERFORMANCE AND
ACCOUNTABILITY REPORT
FY 2022

SELECTIVE SERVICE SYSTEM

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To obtain copies of this report,

Write to:

Selective Service System
National Headquarters
Attn: Support Services
Arlington, VA 22209-2425

Telephone:

1-800-877-8339 (TTY) or
703-605-4022

Facsimile:

703-605-4132

Email:

information@sss.gov

Web:

<https://www.sss.gov/Reports/Financial-Reports>

From the Director

The Selective Service System (SSS) herein presents the Performance and Accountability Report (PAR) for Fiscal Year (FY) 2022. This report contains the results of this year's audit of the Agency's financial statements; measures performance against established goals and objectives; highlights the past year's accomplishments; and identifies future challenges.

The Agency made significant advances towards the goals and objectives in the Strategic Plan for FY 2020 - FY 2025. We implemented new digital marketing strategies and released creative content to address registration improvement goals. We performed multiple operational and tabletop readiness exercises to improve our ability to conduct a draft lottery in the event of a national emergency. The Agency advanced information technology (IT) modernization efforts, delivering new tools for employees and registration customers, while also ensuring the cybersecurity of one of the Federal Government's largest databases containing personally identifiable information. An indicator of the Agency's IT maturity is that SSS was one of two small agencies to receive approval for the use of the Technology Modernization Fund in FY 2022.

Most importantly, the Agency took care of its greatest assets - its employees - and was recognized by the Partnership for Public Service as one of the top 10 Best Places to Work among small agencies in the Federal Government.

The financial statements contained in the FY 2022 PAR fairly represent the Agency's financial position and were prepared in accordance with Generally Accepted Accounting Principles and the Office of Management and Budget's Circular A-136, *Financial Reporting Requirements*. Due to the outstanding efforts of the SSS team in addressing the shortfalls uncovered in its FY 2020 audit, I am delighted to report that SSS received an unmodified ("clean") financial audit opinion for FY 2022.



Joel C. Spangenberg
Acting Director

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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.

"To meet military personnel needs in the face of future threats and to demonstrate America's resolve to international allies and adversaries, the nation needs the Selective Service System to remain a viable U.S. national security institution." - The bipartisan National Commission on Military, National, and Public Service

The Selective Service System (SSS) represents an additional tier of support for our nation's all-volunteer military in the event of a national emergency and stands ready to procure military personnel rapidly in support of the mission of the Department of Defense to defend America against all threats, foreign and domestic. We accomplish this end primarily through Selective Service readiness and registration activities, which require enduring collaborative efforts with the White House, Congress, other Federal agencies, state and local governments, high schools, universities and colleges, and community-based organizations across the country. To advance our efforts further, the Agency is undergoing an organizational transformation and is leveraging next-generation technologies to modernize what we do and how we do it.

Although the registration process is the most publicly visible component, other components of our mission increase timeliness, fairness, and equity in the event of a return to conscription. The higher the registration rate, the fairer and more 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 SSS for job training, employment, and/or student financial aid, while at the same time applying for a state driver's license or identification card. (State laws that permit young men to register with SSS at the same time they apply for a driver's license are known as driver's license legislation, or DLL.) Providing more accessible ways for electronic registration (through sources such as DLL, the Internet, and interactive voice recognition by phone) increases the efficiency of the overall registration process.

The essential requirement of the statutory SSS mission is to manage a conscription program for the U.S. Armed Forces, if authorized by Congress and directed by the President. Should this ever happen, SSS readiness plans include holding a national draft lottery, contacting those registrants selected through the

lottery process, and transporting them to a Military Entrance Processing Station (MEPS) for testing and evaluation for military service.

A notified registrant may choose to file a claim for exemption, postponement, or deferment. If a claimant is re-classified by a local board as a conscientious objector (CO), he has the requirement to serve for two years in a non-military capacity compared to someone who is classified for induction to serve two years in military service. SSS places these CO workers into its Alternative Service Program with non-military employers and tracks their fulfillment of the two-year service requirement.

As the Agency embraces its traditional mission, it also focuses on the future. 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.

ORGANIZATION

SSS has a diverse cadre of full-time civilian employees, part-time state directors and military personnel, and volunteer private citizens dedicated to satisfying its statutory requirements of registration and maintaining the ability to conduct conscription. By far, the largest component of the Agency's workforce is the pool of approximately 9,000 volunteers. These volunteers are civilian men and women who serve as local and appeals board members. Should the Nation ever be required to reinstate a draft, these citizen volunteers determine the classification status of men within their community who are seeking exemption or deferment based on conscientious objection, hardship to dependents, or their status as ministers or ministerial students. The boards will also consider postponements for college students finishing their current semester, or college seniors enrolling for their last full academic year.

PERFORMANCE HIGHLIGHTS

GOALS OVERVIEW

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

- Goal 1: Provide timely manpower to the Department of Defense.
- Goal 2: Maintain a robust structure for managing alternative service for conscientious objectors (COs).
- Goal 3: Ensure management excellence by promoting economy, efficiency, and effectiveness throughout Selective Service System programs and supporting operations.
- Goal 4: Ensure all internal agency systems are modernized, operationally ready and are appropriately scalable, capable, and optimized to meet national security requirements with maximum efficiency and minimum cost.
- Goal 5: Create and maintain a high-performance culture.

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

Objective 1 – Increase registration and improve data integrity.

Registration is a critical component of Selective Service’s readiness and a key part of our readiness mission. The intent of this objective is to reach out to young men and their key influencers to increase awareness of the registration requirement while ensuring the registration data we receive is accurate and securely managed. The Agency supports this objective by using a variety of advertising platforms, including quarterly digital media campaigns, email campaigns, and out-of-home advertising, to reach as many individuals as possible.

Ultimately, the desired result for these registration initiatives is to boost the overall registration rate in the 18-year-old demographic. The higher the national registration compliance rate, the fairer and more equitable the draft will be for each registered individual. The Agency performs a full spectrum of 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 of the requirement to register to remain eligible for student financial aid, job training, government employment, and U.S. citizenship for male immigrants.

For Calendar Year (CY) 2021, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 89 percent, a decrease of 1 percentage point from CY 2020 for men ages 18 through 25. Despite many positive registration initiatives, the Agency continued to experience difficulties related to COVID-19 for these CY 2021 statistics and began to feel the effects of the loss of optional registration through the Free Application for Federal Student Aid (FAFSA), an outcome of the 2021 *FAFSA Simplification Act*.

Sections 529A of the FY 2022 National Defense Authorization Act (NDAA) required the Agency in collaboration with other stakeholder agencies, to provide a report to Congress regarding registration incentives. This report can be found at the following link: <https://www.sss.gov/ndaa-sec-529-and-529a/>.

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

The Agency’s primary mission is to institute and execute a national conscription program for the Department of Defense, when authorized to do so by Congress and directed by the President. To accomplish this mission, SSS conducts operational readiness exercises on national mobilization requirements.

In FY 2022, SSS increased the scope of its Exercise Program once more. In addition to exercising lottery and notification capabilities, we held an Agency-wide tabletop exercise as a first step to updating our readiness plans. Exercise expansion also included local board exercises and state headquarters readiness exercises. The Agency also initiated a mission analysis to examine any gaps between current and mobilization requirements, the Agency’s functional alignment, and execution.

During FY 2022, the Agency continued to modernize training for approximately 9,000 board members to ensure the retention and enhancement of operational knowledge in the event the nation returns to conscription. SSS also upgraded the online training software for better compatibility with all possible platforms being used by board members.

Sections 529 of the FY 2022 NDAA required the Agency in collaboration with other stakeholder agencies, to provide a report to Congress regarding deferments, exemptions, postponements. This report can be found at the following link: <https://www.sss.gov/ndaa-sec-529-and-529a/>.

Objective 3 – Update relationships with stakeholders.

SSS does not operate by itself. It has dozens of partners at the Federal, state, and local levels. The Agency leverages 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 these partnerships established over more than 80 years of operations.

The Agency had a series of successful meetings during FY 2022 with the White House, Office of Management and Budget, Department of Education, Office of Personnel Management, Department of Veterans Affairs, Department of Justice, House and Senate Armed Services Committees professional staffs, members of Congress and their staffs, and multiple state governments.

In support of the Presidential Memorandum entitled: *Tribal Consultation and Strengthening Nation-to-Nation Relationships*, the Agency established a program of consultation with sovereign tribal nations. This resulted in requests for advertising materials, registration cards, and several tribal leaders joining local boards.

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

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 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; placement; monitoring; reassignment if required; and reclassification once work is complete. The Alternative Service Program relies heavily on 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.

In FY 2022, the Agency continued documenting and creating agreements with large organizations that will help provide alternative service opportunities in the event of a future mobilization. Most notably, this year the Agency reached a broad agreement with the Office of Personnel Management to revolutionize sourcing Federal national service jobs for any future conscientious objectors.

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

If an inductee is reclassified as a conscientious objector by his local board, he will be required to serve in a non-military capacity for two years. SSS will place these alternative service workers into its Alternative Service Program with non-military employers and track their fulfillment of two years of service. In effect, SSS will act as a national (and potentially international) employment service. This aspect of SSS' mission requires detailed plans.

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

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

In addition to maintaining an accurate registration database to serve as the foundation for induction and appeals in the event of a national emergency, the Agency's timely processing of public inquiries provides positive customer experience to anyone applying for benefits associated with registration compliance.

The Agency's primary interface with our customers is through our call center. In FY 2022 the Agency continued to maintain an average wait time of less than 2 minutes and decreased the response time for written requests for registration status to less than 5 days, 15 days below our internal benchmark.

SSS also supplies information to individuals and to public and private institutions regarding legislative matters, policies, and procedures, as well as information contained in specific records. Responding to inquiries about SSS matters is important in an open, transparent government, and warrants the highest level of customer service. The Agency significantly increased its proactive Freedom of Information Act (FOIA) disclosures using social media platforms. and reduced its average FOIA request response time to 4 days, well below the legal requirement of 20 days.

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

During FY 2022, SSS continued to refine its policies, practices, processes, and systems for planning, programming, budgeting, and executing its annual appropriation. These efforts enabled the Agency to manage funds effectively and efficiently 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. In FY 2022, the Agency received an unmodified ("clean") financial audit opinion; the independent audit of the financial statements found no material misstatements. A similar review of the Agency's payments using statistical sampling found SSS' risk for improper payments to be low, which is the best possible rating. The Agency's annual self-assessment identified no material weaknesses in internal controls.

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

Since its inception, SSS has remained a crucial insurance policy for the national defense of our country. Readiness and registration are the Agency's objectives, as part of the preparation for a mobilization of manpower in the event of a national emergency. However, many young men and their influencers are not aware of SSS, and either miss or do not understand the requirement to register. The Agency's focus is to communicate to key audiences the Federal requirement that men ages 18 through 25 must register and that registration can make a positive difference in their lives and in the communities where they live.

To inform the public of the registration requirement and convey the consequences of failing to register, PIA has taken an aggressive approach to reorient its communications plan to reach today's youth. Our strategic, integrated effort aims to increase awareness of, and to educate youth and those who influence them, about the importance of registration and compliance with Federal law so men protect their future and eligibilities for benefits and programs contingent upon SSS registration. The Agency has developed numerous advertising and outreach programs to increase registration awareness, and to cultivate and strengthen relationships with outside educational and community-based groups. Our primary focus is to reach as many eligible young men and their influencers as possible. It is the singularly most important initiative behind SSS' efforts to increase registration compliance, particularly in regions with lower-than-average rates.

To maximize effectiveness, our advertising strategy continues to incorporate a mix of both traditional and non-traditional media, with unified messaging and visuals from one medium to the next, interplaying the digital and traditional advertising methodologies. Our print, out-of-home, and other traditional advertising outlets are mirrored by digital campaigns, so our message is consistent across both in print and online platforms. Thus, the ad saturation reaches the same market multiple times, which is more necessary now than ever before. In addition, digital media campaigns focus on areas with low registration compliance rates and planned quarterly advertising campaigns identify new milestones in which baseline analytics will help maximize outreach efforts to ensure the successful registration of eligible men in these targeted low compliance registration areas.

In FY 2022, the Agency began monitoring the success of advertising campaigns and using a precise social media algorithm to target individuals unfamiliar with the registration requirement against a previously established baseline. Our work with Snapchat outreach resulted in nearly 64 million impressions, more than doubling the impressions from the previous year.

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

SSS has effective systems in place for our everyday operations. It is critical that the Agency retain and exercise the capability to scale all enabling functions (logistics, human resources, information technology, etc.) rapidly in the event of a national emergency.

In FY 2022, SSS continued an ongoing review of current operational plans to identify areas that can become more effective and efficient. The Agency exercised multiple phases of these plans and has a path set up to continue these exercises in upcoming years, with the goal of conducting a future mass exercise that will include U.S. Military Entrance Processing Command (MEPCOM) and DoD partners. The Agency completed a national tabletop exercise to identify and troubleshoot potential deficiencies in mobilization operations and related functions.

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

Employee effectiveness is enhanced by increasing the ease and certainty of locating critical knowledge and leveraging all forms of operational data – i.e., practices collectively known as knowledge management – as a strategic asset towards the Agency's organizational and business objectives.

In FY 2022, the Agency refined its SharePoint document management rules, and expanded the catalog of files and documents stored and accessible to employees as part of an overall migration of all Agency tools and services to a cloud-based environment.

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

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

The overarching goal of modernizing IT infrastructure is to deliver the highest standards of service to both internal and external customers in a cybersecure manner, while maintaining readiness to scale.

Over the past year we continued to mature our IT modernization plan to fortify our current-state enterprise architecture as we migrate from an on-premises enterprise to Federal Risk and Authorization Management Program- (FedRAMP) certified cloud solutions. The benefits of modernization include enhanced cybersecurity, service resiliency, improved collaboration solutions, knowledge sharing, enhanced data integrity, and reduced paper-file storage or manual archiving/disposition requirements, all of which allow the Agency to leverage its information systems and data as strategic assets, to make better, faster decisions, and improve overall operational efficiency throughout its national enterprise.

In support of that goal, in FY 2022 SSS accelerated strategic migration of a prioritized list of services and all internal use applications to “Cloud Smart” solutions. The Agency’s Microsoft (MS) 365 cloud migration achieved a historic milestone in FY 2022 with the migration of all Agency email accounts to MS 365 Azure Exchange services with strong multifactor authentication.

This was in part enabled by our Technology Modernization Fund (TMF) award in FY 2022. SSS is one of only two small agencies to ever receive such an award. The additional funding will allow us to accelerate shifting a high-value asset, the registration database, to a cloud environment.

Objective 2 – Improve delivery of agency technology services.

The international environment continues to represent a persistent cyberthreat to 24/7/365 operations and to national security. As a small agency, SSS relies heavily on partner agencies and leverages their expertise to ensure that Agency systems are kept secure.

In FY 2022, in accordance with OPM’s Memorandum M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*, the Agency developed our Zero Trust Architecture implementation strategy. Our continued coordination with Department of Homeland Security (DHS) resulted in a fully upgraded Continuous Diagnostics and Mitigation (CDM) shared-services platform. The CDM platform delivers a dynamic secure cloud environment that remains continuously adaptive to changes in the cyber threat environment. A separate effort with the Cybersecurity and Infrastructure Security Agency (CISA) resulted in the implementation of a CDM dashboard to display the cyberhealth of Agency systems.

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

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

The success of the Agency's mission greatly depends upon the knowledge, skills, and abilities of its employees. 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.

A key effort in FY 2022 was completion of the Agency's return to the office policy. An Agency-wide team gathered information, drafted the policy, communicated it across multiple channels and assisted in its implementation. The plan focuses heavily on telework options for employees to maintain a work/life balance.

The focus on work/life balance played an important role in the Agency's signature achievement for FY 2022, our status as one of the top 10 small agencies in the Partnership for Public Service's 2021 Best Places to Work in the Federal Government Rankings.

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

Maximizing the effectiveness of the workforce means that SSS needs the right person in the right job with the right skills, experiences, and competencies at the right time. Our maturing Human Capital Management Plan will continue to align human capital policies, programs, and practices with the Agency's Strategic Plan. The end result will deliver rapid recruitment and hiring of a high-performing, top-quality workforce. SSS continues to strengthen relations with the OPM Chief Human Capital Officer Council to leverage best practices in service delivery, regulatory compliance, and professional growth and development.

As evidence of its continued commitment to employee excellence through training, in FY 2022, SSS invested over \$80,000 in training exclusively for its employees.

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

The Selective Service System is committed to ensuring equal employment opportunity (EEO) for all employees and applicants in compliance with all Federal laws and the regulations and guidance of the U.S. Equal Employment Opportunity Commission (EEOC). The Agency will continue to ensure an equal opportunity environment where employees feel valued, respected, and motivated to meet the Agency's mission.

In FY 2022, all SSS employees were required to complete annual mandatory EEO training including the No FEAR Act and Whistleblower Protection. The Agency's EEO Office prepared a new EEO Policy Statement and completed the EEOC Form 462 Report and the EEOC MD-715 Report. The Agency

continued to educate employees about the alternative dispute resolution (ADR) process, which can be used to resolve conflict in the workplace constructively and at the earliest opportunity. The Agency's ADR program is available to all employees.

SSS has an EEOC-approved reasonable accommodation policy and procedures. The reasonable accommodation program is accessible to all employees and applicants to ensure inclusion of individuals with disabilities.

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

Selective Service submits its audited financial statements to the Office of Management and Budget (OMB) in compliance with the Accountability of Tax Dollars Act of 2002. Preparation of these statements is part of the Agency's objective to improve financial management and to provide accurate, reliable information for assessing performance and allocating resources.

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. The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

LIMITATIONS OF THE FINANCIAL STATEMENTS

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 stand 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 2022 and FY 2021 financial statements report the Agency's financial position and results of operations on an accrual basis. Annual financial statements are composed of a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and related footnotes, which provide a clear description of the Agency, its mission, and the significant accounting policies used to develop the statements.

Consolidated Balance Sheet

The major components of the Consolidated Balance Sheet are assets, liabilities, and net position.

Assets. Assets represent Agency resources which have future economic benefits. SSS assets totaled \$16.52 million in FY 2022. Fund balances with Treasury, mostly undisbursed cash balances from appropriated

funds, comprised nearly 84 percent of the total assets. General property, plant, and equipment comprised 16 percent of SSS assets. SSS does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving funds or trust funds.

Liabilities. Liabilities are recognized when incurred regardless of coverage by budgetary resources. In FY 2022, SSS had total liabilities of about \$6.90 million. Agency liabilities were Unfunded Federal Employees' Compensation Act (FECA), Federal employee and veteran benefits of nearly \$1.74 million. Accounts payable, employer contributions, and payroll taxes totaled nearly \$3.45 million. Accrued payroll and leave, plus unfunded leave, totaled nearly \$1.72 million.

Net Position. SSS net position reflects the difference between assets and liabilities and represents the Agency's financial position of nearly \$9.62 million. The amount is divided into two categories: unexpended appropriations (related to undelivered orders and unobligated balances) at \$8.06 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at \$1.56 million.

Consolidated Statement of Net Cost

The Consolidated Statement of Net Cost represents the cost to operate the Agency. Net costs are composed of gross costs less earned revenues. FY 2022 net cost of operations was \$30.55 million: \$31.05 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. SSS ended FY 2022 with a net position total of \$9.62 million, which increased \$1.76 million from FY 2021's position of \$7.86 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 2022 budgetary resources totaled \$35.97 million in budget authority.

FINANCIAL MANAGEMENT

In FY 2022, 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 to address material weaknesses identified by the auditors in the prior year. 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 22208-2425

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, 2022.

A handwritten signature in black ink, appearing to read "Joel C. Spangenberg", with a long horizontal line extending to the right.

Joel C. Spangenberg
November 4, 2022

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, which culminate in an annual statement of assurance by the agency head that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

Furthermore, FMFIA provides the authority for OMB, in consultation with the Government Accountability Office (GAO), to establish and revise the guidance to be used by Federal agencies in executing the law. In addition, the Federal Information Security Management Act (FISMA) requires agencies to report any significant deficiency in information security policy, procedure, or practice identified (in agency reporting) as a material weakness under FMFIA.

SSS conducts its annual evaluation of internal controls over financial reporting in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Assessment results are reviewed and analyzed by SSS senior staff.

SSS operates a broad internal control program to ensure compliance with FMFIA requirements, the Federal Financial Management Improvement Act; OMB Circular No. A-123, Appendix C (*Requirements for Payment Integrity Improvement*), which was last updated in March 2021 as OMB Memorandum M-21-19; OMB Memorandum M-13-08, *Improving Financial Systems through Shared Services*; and other applicable laws, regulations, and circulars.

All SSS managers are responsible for ensuring that their programs operate efficiently, effectively, and in compliance with the aforementioned statutes and guidance. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements.

FY 2022 Results

In FY 2022, an independent audit found the Agency’s FISMA program to be free of any material weaknesses. An independent audit of the Agency’s financial statements also identified no material weaknesses. Exhibit 1 provides a summary of the reported material weaknesses and all items corrected.

Exhibit 1: Summary of Material Weaknesses

INTERNAL CONTROLS (FMFIA SECTION 2)						
Statements of Assurance	Qualified Statement of Assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	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 No. A-136, *Financial Reporting Requirements*, and includes a breakdown by various categories related to the Financial Statement Audit and Management’s Statement of Assurance for FMFIA.

Exhibit 2: Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA 2)						
Statements of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	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 2022.

New Material Weaknesses

No new material internal control weaknesses were identified during FY 2022.

IT Security Program

No new material weaknesses were identified during FY 2022.

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 independent third-party reviews, after action reports, process evaluation, outcome evaluation, impact evaluation, cost-benefit/cost-effectiveness, and varied combinations of the above.

EVALUATIONS CONDUCTED DURING FY 2022

Management reviews for the Agency's computer systems were conducted as part of the annual FISMA and validated/certified as mission capable and cyber secure. The Agency has a corrective action plan in place to address the lone finding.

The EEOC conducted an evaluation of the Agency's program as part of a regular review cycle and noted no deficiencies.

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

Additionally, the Operations Directorate took the next step in its end-to-end review of the local board member program and held independent local board reviews of standardized induction claims test scenarios.

Financially, in addition to the above Financial Statement Audit, the Agency conducted its internal Statement of Assurance assessment in compliance with OMB Circular No. A-123. The overall assessment did not identify any material weaknesses.

Independent auditors also conducted a review of the Agency's internal controls for preventing improper payments as required by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). The review determined that SSS controls were adequate and operating effectively. Based on their testing of SSS' FY 2022 payments, auditors assessed that the Agency's programs were at low risk for improper payments. Therefore, any recovery audit program would not be cost effective.

Finally, the Agency continued to execute its corrective action plan to resolve findings from a 2020 OPM evaluation of the SSS Human Capital Management System.

FY 2022 PERFORMANCE

This FY 2022 Performance and Accountability Report (PAR) identifies the activities, strategies, and results that took place during the fiscal year to achieve the Agency's goals and objectives. It also identifies relevant performance measurement target goals to be achieved.

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

Objective 1 – Increase registration and improve data integrity.

Significant Activity:

1. Registration data collection and analysis
2. Data integrity programs
3. Data dashboard deployment

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

FY 2022 Annual Performance Goal:

1. Maintain an overall registration rate over 90 percent; and
2. Increase the registration rate for the 18-year-old group by 2 percent.

Was the goal achieved?

No.

Results:

For Calendar Year (CY) 2021, the latest complete year of registration statistics, the national overall estimated registration compliance rate was 89 percent, a decrease of 1 percentage point from CY 2020 for men aged 18 through 25 who were required to register. This decrease was largely due to COVID-related compliance issues such as a complete elimination of outreach events and limited access to data from State Departments of Motor Vehicles. Additionally, the *FAFSA Simplification Act* eliminated the requirement that young men register with SSS to receive Federal student aid. For CY 2021, the compliance rate for the 18-year-old group was 54 percent, down from 62 percent in CY 2020. For CY 2021, the compliance rate for the 20-year-old group was 87 percent; and for the 25-year-old group, the compliance rate was 100 percent.

During FY 2022, the Agency supported registration efforts by means of a variety of advertising platforms. Quarterly digital media campaigns, email campaigns, and out-of-home advertising metrics gathered throughout FY 2022 indicates we have reached over 100 million individuals.

Discussion:

SSS continues to modernize its registration program. Impacts from the *FAFSA Simplification Act* contributed to the overall drop in CY 2021 registration compliance rate for the 18-year-old group. Effective July 1, 2022, applicants are no longer able to register for SSS via the FAFSA. This change will affect our future registration compliance rates even further.

Planned Actions / Schedule:

Based on the decline in the registration compliance rate for the 18-year-old group, the Agency will focus on select key geographic areas and deploy outreach teams to drive up registration rates in

traditionally low-registration localities. We will use proven techniques from previous years, with an emphasis on reaching influencers (parents, teachers, guidance counselors, coaches, etc.), as our data indicates that these individuals have a significant impact on registration compliance. This effort will likely include increased interaction at the grassroots level, potentially leading to the creation of new programs.

SSS will continue to pursue Driver's License Legislation as opportunities present themselves.

Verification and Validation:

Compliance and data checks are conducted daily on the Agency's registration database, the source for all registration statistics.

Strategic Objective 1.1.2 Data collection program.

FY 2022 Annual Performance Goal:

Create more useful data reports.

Was the goal achieved?

Yes.

Results:

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

Discussion:

In addition to achieving success with the data working group established last year, the Acting Director tasked all Associate Directors to work on weekly metrics to achieve greater success across all areas of the Agency. Initial metrics have been reviewed and continue to be refined and expanded, as we move into the new fiscal year.

Planned Actions / Schedule:

In FY 2023, SSS will continue to pursue a Data Visualization Program. All Associate Directors have identified metrics to begin capturing an internal business intelligence dashboard. These metrics are being reviewed bi-weekly and refined to track the progress of our strategic goals.

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 that provide the data.

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

Significant Activity:

In a comprehensive review that will last through FY 2023, SSS continued to analyze its operational plans associated with transitioning to a full-scale mobilization. The Agency also continued to execute its exercise program, and enhanced web-based tool to host Agency training.

Strategic Objective 1.2.1 Review and improve the mobilization process.

FY 2022 Annual Performance Goal:

Begin a comprehensive review of all operational plans.

Was the goal achieved?

Yes.

Results:

The Agency, using our Reservists to assist, initiated a mission analysis process to clearly document requirements and understand any mission gaps.

Discussion:

SSS concept of operations and operational plans were developed in the 1980s on the foundation of Vietnam-era drafts. Although the plans are ordinarily revised approximately every 10 years, a comprehensive review had not been done in some time. The mission analysis forms the basis for any future updates and exercises will help validate any changes.

Planned Actions / Schedule:

In FY 2023, SSS will update the concept of operations and begin review of operational plans.

Verification and Validation:

Exercises, ranging from tabletop to full-scale, are the Agency's traditional verification and validation measure for readiness.

Strategic Objective 1.2.2 Develop a synchronized delivery system with MEPCOM.

FY 2022 Annual Performance Goal:

None.

Planned Actions / Schedule:

This activity is scheduled for FY 2023, the targeted date for the updated MEPCOM Integrated Resource System to be complete.

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

FY 2022 Annual Performance Goal:

Continue to execute the Agency exercise plan.

Was the goal achieved?

Yes.

Results:

SSS held a lottery exercise to examine if corrective actions recommended after the FY 2021 exercise had been implemented. Additionally, a small-scale exercise with local boards was conducted. A limited, random selection of local boards from across the U.S. was able to adjudicate a selection of administrative appeals and judgmental claims successfully. An Agency-wide tabletop exercise was the precursor to a Congressionally mandated DoD mobilization exercise in FY 2023.

Discussion:

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

Planned Actions / Schedule:

The Agency will continue to conduct exercises by expanding on the mock adjudication processes of its local and district appeals boards and preparing for a DoD-level mobilization exercise.

Verification and Validation:

Exercises, ranging from tabletop to full-scale, are the Agency's traditional verification and validation measure.

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

FY 2022 Annual Performance Goal:

Utilize a web-based learning management system to enable the delivery of digital training.

Was the goal achieved?

Yes.

Results:

SSS successfully conducted annual web-based testing using the learning management system platform. The Agency was able to access the standardized digital training.

Discussion:

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 face-to-face model that was employed for decades. The older training model was not realistically sustainable after years of budget stagnation and staff cuts.

Planned Actions / Schedule:

In FY 2023, SSS will continue to create new training modules.

Verification and Validation:

Verification and validation are satisfied by managerial and staff review.

Objective 3 – Update relationships and agreements with stakeholders.

Significant Activity:

SSS performed several outreach activities both to revisit old relationships that had atrophied and also to strengthen existing relationships. In addition, SSS sought to create new relationships with government stakeholders.

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

FY 2022 Annual Performance Goal:

Engage with partners to renew outdated MOUs.

Was the goal achieved?

Yes.

Results:

The Agency had a series of successful engagements with the Bureau of Federal Prisons, Department of Education, and MEPCOM.

Discussion:

SSS relies heavily on external partners. Without these partnerships the Agency might not be able to accomplish its mission.

Planned Actions / Schedule:

SSS will continue to perform outreach at multiple levels. In FY 2023, SSS will focus on creating new MOUs to replace the loss of registration data from the Department of Education.

Verification and Validation:

Verification and validation are satisfied by managerial and staff review.

Strategic Objective 1.3.2 Prioritize and update agency relationships with stakeholders.

FY 2022 Annual Performance Goal:

Maintain existing relationships with government stakeholders and create new relationships with government stakeholders.

Was the goal achieved?

Yes.

Results:

In FY 2022, the Agency had a series of successful meetings with the following government entities: the White House, Office of Management and Budget, Department of Education, Office of Personnel Management (OPM), Department of Veterans Affairs, House and Senate Armed Services Committees professional staffs, members of Congress and their staffs, Department of Justice, and multiple state governments.

In support of the January 26, 2021, Presidential Memorandum entitled: *Tribal Consultation and Strengthening Nation-to-Nation Relationships*, the Agency expanded its group of stakeholders by establishing a program of consultation with sovereign tribal nations. “Dear Tribal Leader” letters were sent to leaders of all 587 federally recognized tribal nations. Six responses resulted in two new local board members. Currently, of 8,627 local board members, 161 identify as Native American. These metrics will serve as our baseline for improvement.

Discussion:

There are ongoing external efforts to eliminate registration incentives, and even SSS itself. There is also robust debate in Congress whether to expand mandatory registration to all genders.

Planned Actions / Schedule:

SSS will continue to monitor the FY 2023 NDAA and Federal and state legislation pertaining to SSS. In addition, if necessary, SSS will work to modify male-specific language in state laws that bolster registration efforts to gender-neutral language. Any proposed legislative or regulatory actions that affect SSS will be flagged for the appropriate stakeholders.

Verification and Validation:

Verification and validation are satisfied by managerial and staff review.

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

Objective 1 – Refine the alternative service employer network structure.

Significant Activity:

SSS continued outreach activities for the Alternative Service Program (ASP).

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

FY 2022 Annual Performance Goal:

Reengage with alternative service partners to renew outdated MOUs and reach out to new partners.

Was the goal achieved?

Yes.

Results:

Most notably, this year the Agency reached a broad agreement with the Office of Personnel Management to revolutionize sourcing Federal national service jobs for any future conscientious objectors. The Agency also renewed its provisional agreement with Historical Peace Church Ministries.

Discussion:

The existence of these MOUs provides tangible evidence of the Agency’s Alternative Service Employer Network. In the event of a return to conscription, SSS would be able to engage with our partners to create jobs that are related to national service for conscientious objectors in lieu of military service.

Planned Actions / Schedule:

SSS will continue to pursue and sign MOUs.

Verification and Validation:

Verification and validation are satisfied by managerial and staff review.

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

Significant Activity:

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

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

FY 2022 Annual Performance Goal:

Initiate a comprehensive review of all operational plans. This performance goal is tied directly to Strategic Objective 1.2.1, *Review and improve the mobilization process.*

Was the goal achieved?

Yes.

Results:

The Agency held a tabletop exercise that walked through the operational timeline of mobilization and the Agency's ability to activate state headquarters, area offices, and local boards. This aspect of Agency-wide mobilization is the key means for ensuring a fair and equitable Alternative Service Program. The review led to the establishment of a process improvement team to examine all operational plans that support mobilization and an alternative service program.

Discussion:

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

Planned Actions / Schedule:

SSS will continue to revise its operational plans, through a process improvement team that will take the lessons of the current year and build a comprehensive revision to our plans. We expect these improvements to be complete by 2023-24.

Verification and Validation:

Exercises, ranging from tabletop to full-scale, are the Agency's traditional verification and validation measure.

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

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

Significant Activity:

Improving customer experience to those inside and outside the Agency is crucial to how we do business pertaining to the registration requirement, particularly with taxpayers and their elected officials. 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; and monitors social media comments for trends and social attitudes.

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

FY 2022 Annual Performance Goal:

Provide professional and immediate response to all Agency customer service requests.

Was the goal achieved?

Yes.

Results:

During FY 2022, the Agency continued to monitor user experience and provided updated links and content to enhance the navigation and accessibility of information. The Digital Affairs Team implemented several website pages on the Selective Service public-facing site to enhance customer experience there, and continuously monitored website traffic through Google Analytics to determine which advertisements were responsible for website referral traffic. Snapchat accounted for 123,254 website referrals to the sss.gov website. This metric provided insight into the specific audiences that were responding to the ads, and suggested opportunities for further campaign efforts to strengthen communication with the public.

PIA handled all its customer service activities in a timely and courteous manner. Telephone, social media, and email inquiries and requests for information, assistance, and/or action were carried out and completed in an expeditious manner. In FY 2022, PIA processed congressional, intergovernmental, and community requests and inquiries within 24 to 72 hours. During this fiscal year, PIA handled 25 case work items for congressional staffers.

By the end of FY 2022, PIA staff responded to and logged 9,296 email actions from the Information@sss.gov mailbox. This mailbox, which can be accessed by a link on the public-facing website's homepage, helps PIA to monitor trends, website issues, and public inquiries. The inquiries or requests originated from a multitude of sources, such as congressional offices, news media, consulates or embassies, organizations, postmasters, and researchers/writers, with most inquiries coming from the general public. PIA responded to general inquiries within one business day and answered research requests in fewer than five business days.

Also, the Registration Information Office's National Call Center team provided collaborative input for the Agency's public-facing website to improve customer experience.

The Agency has significantly increased its proactive disclosures by using social media platforms. In FY 2022, SSS responded to 48 FOIA requests within the required timeframe of 20 business days. At the end of the fiscal year, there was no backlog.

In FY 2022, the Data Management Center was able to meet all customer service time thresholds, including a five-day turnaround time for status information letters (SILs). Outgoing mailings for SILs are sent out once a week.

Discussion:

Expanding staff coverage for the Information@sss.gov and PublicAffairs@sss.gov mailboxes ensured adequate response turnaround and allowed for more sufficient backups and processes. Internal procedures were established and enhanced to communicate with all stakeholders in the event of an anticipated or actual delay. The public-facing mailboxes serves as a quality conduit for the public to communicate with the Agency's PIA Directorate. PIA responded to numerous requests for Agency education and awareness materials and provided virtual presentation briefings to Tribal Nations partners, workforce centers, schools, and state departments of motor vehicles.

Planned Actions / Schedule:

SSS will increase the number of proactive disclosures on our website and social media platforms. Also, it will continue to respond to public inquiries in timely manner and respond to each FOIA request in 20 days or less.

In FY 2023, the DMC will implement additional Enterprise Content Management software to help reduce customer service response thresholds, including a 60 percent reduction in the time it takes to address SILs.

Verification and Validation:

SSS conducts an annual review of standard operating procedures and processes to incorporate recommendations and suggestions for improving our efficiency in managing programs. SSS completes a report to document the few, if any, FOIA appeals.

Section 3(d) of the *21st Century Integrated Digital Experience Act (21st Century IDEA)* requires the Agency to report annually (through 2023) to the Director of the Office of Management and Budget and the public on its progress toward implementing the requirements of the Act, and to modernize the Agency's public website and digital services.

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

Significant Activity:

SSS employed a robust set of effective policies, practices, processes, and systems (via a shared service provider) for planning, programming, budgeting, and executing and reporting on its annual appropriation.

Strategic Objective 3.2.1 Financial Management.

FY 2022 Annual Performance Goal:

Achieve an obligation rate (as a percentage of current year direct appropriation) of 99.5 percent or higher.

Was the goal achieved?

Yes.

Results:

Selective Service achieved an obligation rate of 99.55 percent, thereby meeting the goal. SSS also used the Budget Formulation Tool during the year not only to inform the FY 2024 budget build, but also to reconcile FY 2022 requirements to expenditures.

Discussion:

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

Planned Actions / Schedule:

SSS will maintain continuous monitoring of system-generated reports and continue proactive outreach and follow-up with program managers to aid, assist, and advise them on the nuances of budget formulation and execution. It will also modify the Budget Formulation Tool to provide at-a-glance metrics for users to track their requirements through the financial lifecycle.

FY 2022 Annual Performance Goal:

Achieve an unliquidated obligation (ULO) rate (as a percentage of current year direct appropriation) of 10 percent or less.

Was the goal achieved?

No.

Results:

Selective Service achieved a ULO rate of 19.9 percent.

Discussion / Impact:

SSS has moved away from awarding contracts in the first quarter of the fiscal year to eliminate cash flow problems associated with continuing resolutions. It has done the same with awarding numerous contracts that cross fiscal years. As a result, this goal will have to be reevaluated to establish a more realistic percentage for future years due to legitimate carryover of prior year funds.

Planned Actions / Schedule:

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

FY 2022 Annual Performance Goal:

Ensure 90 percent of eligible commercial vendors are submitting invoices via the Invoice Processing Platform (IPP).

Was the goal achieved?

Yes.

Results:

Ninety-three (93) percent of eligible commercial vendors are submitting invoices via IPP.

Discussion / Impact:

The Agency's Accounting and Contracting Divisions invested considerable time and resources into understanding why some eligible vendors were not complying with contract provisions mandating that invoices be uploaded to IPP. The Agency provided additional information and customer service to those vendors who had not previously been able to register in IPP to help improve this metric.

Planned Actions / Schedule:

In FY 2023, the Accounting and Contracting Divisions will continue to implement an aggressive outreach plan, thereby ensuring continued vendor compliance with the IPP mandate.

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

Significant Activity:

Creating benchmarks and tracking the impact of digital and traditional outreach.

Strategic Objective 3.3.1 Strategic Outreach Communications.

FY 2022 Annual Performance Goal:

Establish a goal of increasing the Agency's outreach to registrants and their influencers with an integrated communication strategy to use new creative content. Update and increase channels to disseminate the registration messages to targeted audiences. Develop and distribute new public service announcements. Strengthen the Agency's social media efforts by recruiting and hiring dedicated social media personnel. Develop a social media communications plan to establish a stronger presence on various social media platforms: Facebook, Twitter, Snapchat, Spotify, Flickr, YouTube, LinkedIn, and Instagram.

Was the goal achieved?

Yes.

Results:

During FY 2022, the Agency supported the registration efforts by using a variety of advertising platforms and by participating in outreach events. Quarterly digital media campaigns, email campaigns, and out-of-home advertising metrics gathered throughout FY 2022 resulted in over 105 million impressions.

Discussion:

SSS implemented a USPS Informed Delivery Campaign in coordination with the Data Management Center. The campaign aims to target recipients of SSS outbound mail, such as compliance letters, status information letters, and acknowledgment letters, via email with vital registration information. The U.S. Postal Service leverages existing mail imaging processes to provide digital previews of household mail to Informed Delivery users. The users receive incoming mail images via email notification, online dashboard, or mobile app. Selective Services' interactive campaigns include custom images and a URL that directs each user to the sss.gov website to learn more about registration and the benefits associated with it. In FY 2022, the Informed Delivery Campaign dispersed 360,389 emails, resulting in 1,178 clicks to the sss.gov website.

In addition, SSS supported registration efforts by using a broad range of advertising platforms, generating over 105 million impressions in FY 2022. Cross-channel campaigns ran on many advertising platforms including Facebook, Twitter, YouTube, Snapchat, digital radio, and Connected TV (CTV) to provide a connection among SSS marketing channels. This allowed for a more cohesive user experience for the targeted demographic and created multiple advertising touch points for users. PIA also incorporated Selective Service advertisements on the Hulu and Disney+ platforms accounting for nearly 2,429,729 impressions on CTV.

To inform the public, particularly today's youth, of the registration requirement, PIA took an aggressive approach to reorienting its communications plan. With the lifting of COVID-19 travel restrictions, Selective Service resumed in-person outreach efforts, thereby strengthening partnerships with educational, sport, and community-based groups. Agency personnel participated in speaking engagements, conferences, conventions, and fairs. Selective Service partnered with the National Federation of State High School Associations (NFHS) to increase registration awareness through a series of platforms, including video, digital, and print advertising. In addition, the Agency participated in the Athletic Director's Conference in San Antonio, TX, interacting with 500 attendees throughout the four-day event. SSS partnered with longtime supporter The American Legion. The 103rd National Convention, held in August 2022, in Milwaukee, WI, drew more than 8,000 veterans and guests over a seven-day period from around the globe.

SSS further expanded its messaging platforms to increase registration awareness. Emphasis was placed on highly populated cities experiencing lower-than-average compliance rates. An integrated

communication strategy targeted a range of audiences across different digital media platforms, including CTV and digital radio.

The Digital Affairs Team raised registration awareness by conducting robust out-of-home advertising campaigns throughout Chicago, Philadelphia, San Francisco, and Los Angeles. These campaigns included metro and bus stations, transit lines, and billboard advertisements. More than eight million impressions were reported from these campaigns from the end of FY 2021 into the beginning of FY 2022.

FY 2022 Metrics

Media	Campaign	Impressions
LinkedIn	12 Campaigns	1,237,715
Twitter	12 Campaigns	11,021,000
YouTube	12 Campaigns	9,221,817
Snapchat	12 Campaigns	63,374,175
Digital Radio	12 Campaigns	3,564,849
CTV	12 Campaigns	2,429,729
Native Advertising	Annual	14,183,199
Mobile Transit Ad	FY 2023	TBD
Bus, Rail Transit Ads & Billboards	FY 2023	TBD

FY 2021 Metrics

Media	Campaign	Impressions
Facebook	195 Campaigns	5,737,923
Twitter	90 Campaigns	4,068,800
YouTube	11 Campaigns	10,294,524
Snapchat	12 Campaigns	28,829,376
Digital Radio	9 Campaigns	1,588,537
CTV	10 Campaigns	806,842
TV PSAs	Annual	18,159,000
Mobile Transit Ads	4 Weeks	375,019
Bus, Rail Transit Ads & Billboards	4 - 13 Weeks	35,982,430

Planned Actions / Schedule:

Working within budget and staffing resources, SSS anticipates growing its overall outreach efforts and exploring the use of an online direct marketing initiative to improve measurement of the effectiveness of the overall marketing campaign. The national outreach program is scheduled to resume outreach efforts by staffing exhibit booths in various venues.

Verification and Validation:

The most viable verification is seen from the increase in website traffic, as well as other improved and metrics.

Strategic Objective 3.3.2 Registration Improvement.

FY 2022 Annual Performance Goal:

The goals for this objective are tied to those for Strategic Objective 1.1.1, *Enhance existing registration programs*:

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

Was the goal achieved?

No, for strategic performance goals 1, 2, and 3.

Yes, for strategic performance goal 4.

Results:

In FY 2022, SSS implemented communications campaigns on new media (digital technologies such as the Internet) to increase registration awareness by using advertising platforms to display SSS ads that blended seamlessly into content on websites most often visited by the targeted demographic and their influencers. With the implementation of this new digital advertising tactic, the Digital Affairs Team generated over 14,183,199 impressions within the first year – a huge success for the Agency’s overall awareness campaign.

Calendar Year 2021 saw a decline in registrations, especially for the 18-year-old group. Registrations rates for the 18-year-old group fell from 62 percent in Calendar Year 2020 to 54 percent in CY 2021. This decline was largely due to two factors: one, the elimination of the opportunity for young men to register with Selective Service when filling out their FAFSAs; and two, a reduction of face-to-face outreach and competing digital media during the second year of the COVID pandemic.

Starting in FY 2021, the PIA digital outreach team began collecting a full year of baseline metrics to better understand shifting and competing advertising platforms. For instance, in FY 2021, Snapchat accounted for 28,829,376 impression views; for FY 2022, Snapchat resulted in over 63 million impressions, more than doubling the impressions from the previous year. The baseline metrics help us to determine where best to spend our efforts and resources.

In FY 2022, SSS continued to focus on reaching 18-year-old men while maintaining automated mail reminders for men 19 years old and older who are not yet registered.

As of the end of FY 2022, the Agency had DLL in 40 states.

Discussion:

In FY 2022, we identified and focused on areas of low-registration compliance areas, including California, Chicago, and Philadelphia. SSS developed creative advertisements for quarterly digital media SSS campaigns for these and other low-registration markets.

Planned Actions / Schedule:

SSS will continue to plan for quarterly digital media campaigns focused on areas where there are low-registration compliance rates.

Verification and Validation:

In addition to evaluating quarterly digital analytics, SSS compares the results to available registration data provided by the Operations Directorate.

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

Strategic Objective 3.4.1 Operational modernization planning.

FY 2022 Annual Performance Goal:

Undertake a comprehensive review of our operational plans associated with transitioning to a full-scale mobilization and continue 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*.

Was the goal achieved?

Yes

Results:

The Agency, using our Reservists to assist, initiated a mission analysis process to clearly document requirements and understand any mission gaps.

Discussion:

SSS concept of operations and operational plans were developed in the 1980s on the foundation of Vietnam-era drafts. Although the plans are ordinarily revised approximately every 10 years, a comprehensive review had not been done in some time. The mission analysis forms the basis for any future updates and exercises will help validate any changes.

Planned Actions / Schedule:

In FY 2023, SSS will update the concept of operations and begin review of operational plans.

Verification and Validation:

Exercises, ranging from tabletop to full-scale, are the Agency's traditional verification and validation measure for readiness.

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 2022 Annual Performance Goal:

Deploy an Agency-wide knowledge management (KM) tool.

Was the goal achieved?

Yes.

Results:

SSS completed adoption of SharePoint as the Agency's KM tool of record in FY 2022. All previous data was retained as part of the transition in accordance with the Governance Plan.

Discussion:

The Agency lacked a single KM tool. Following an assessment, the Agency made a transition to SharePoint.

Planned Actions / Schedule:

The Agency will consolidate within SharePoint and subsequently decommission legacy on-premises and segmented KM tools such as shared drives and intranets. SSS will also begin the process of creating internal dashboards to measure key performance indicators (KPIs).

Verification and Validation:

Contract milestones will be monitored by Agency personnel.

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

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

Significant Activity:

In FY 2022, the Agency continued to execute its comprehensive IT Modernization Plan to mature its enterprise architecture towards cloud solutions, IT governance, and IT business processes.

Strategic Objective 4.1.1 IT infrastructure sustainment / improvement.

FY 2022 Annual Performance Goal:

Take actions to achieve compliance with Executive Order (EO) 13800, *Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure* (2017), regarding Federal IT modernization.

Was the goal achieved?

Yes.

Results:

In FY 2022, the Agency continued making improvements to IT infrastructure. The Agency’s network engineers successfully developed a plan for the implementation of a CISCO adaptive security appliance next generation firewall for internal firewall segmentation. The internal segmentation project enhances the Agency’s network security posture with an advanced defense-in-depth and a zero-trust architecture approach to cybersecurity.

Additionally, the Agency continued to upgrade network mission critical Managed Trusted Internet Protocol Service and its infrastructure to increase network bandwidth to ensure the Agency is positioned for continued accelerated migration to the cloud.

Discussion:

The TMF strategy is accelerating the IT Modernization Plan to achieve compliance with EO 13800.

Planned Actions / Schedule:

The Agency will continue its implementation of all management controls and rigorous processes while accelerating the cloud architecture towards DevSecOps (short for development, security, and operations) and zero trust architecture concepts of security. Additionally, the Chief Information Officer will continue to mature the implementation of all new technologies that ensure compliance with EO 13800 while rigorously sustaining FISMA standards.

Verification and Validation:

The annual external FISMA audit and internal annual statement of assurance are our internal audit and self-inspection methodologies.

Objective 2 – Improve delivery of agency technology services.

Significant Activity:

During FY 2022, upgrades were completed to the network infrastructure at the Agency’s Data Management Center. Network infrastructure was singularly managed through the SolarWinds application, which was administratively engineered to manage all the network traffic and services through a highly segmented and monitored design architecture.

Additionally, the IT Support operations have matured toward adopting consistent service standards. SSS introduced such concepts as Information Technology Infrastructure Library (ITIL) to further the adoption of best practices for service delivery.

Strategic Objective 4.2.1 Help Desk.

FY 2022 Annual Performance Goal:

Improve IT support (Help Desk) services for the Agency through the pursuit of enhanced processes, standards, and technology, while also augmenting the Agency’s IT staff for the Help Desk.

Was the goal achieved?

Yes.

Results:

The Agency significantly enhanced its Help Desk processes, standards, and technology in 2022, and these objectives continue to mature. The full maturity of the Agency Vizor application for IT support incident management is a significant achievement toward best-in-class IT Support service.

Discussion:

Over the next year the Agency will continue to mature its IT support services through the Help Desk in support of enhanced service delivery, configuration management, and IT lifecycle management. Significant progress has already been achieved with the addition of more Help Desk personnel, to ensure we are sufficiently staffed to deliver the most timely and efficient technical support to all Agency personnel. In addition, SSS will continue to mature IT support operations toward ITIL standards and practices. The newly implemented Vizor incident management application is used to capture, categorize, manage, track, and close IT service requests for efficient and quantifiable outcomes. Finally, we have established KPIs for Help Desk service performance and will be monitoring those metrics for improvement throughout the year.

Planned Actions / Schedule:

SSS will continue to advance implementation of the Vizor application to enhance trend analysis, metrics, and performance KPIs, and establish an incident management dashboard capturing measures of success and service delivered.

Verification and Validation:

Selective Service will continue monitoring the Help Desk support provided and conduct internal programmatic reviews. It will also sustain compliance through traditional feedback and observation methods, along with oversight of performance KPIs.

Strategic Objective 4.2.2 Cybersecurity compliance.

FY 2022 Annual Performance Goal:

The Agency continued to mature its cybersecurity posture with a goal of achieving 100-percent compliance with Federal cybersecurity standards. SSS is actively collaborating with CISA on the phased adoption of National Initiative for Cybersecurity Education (NICE) standards for Agency General Schedule 2210 series cybersecurity personnel.

Was the goal achieved?

Yes.

Results:

The annual FISMA audit resulted in only one recommended compliance remediation for the sustained continuity of operations for our registration database high value asset. This has prompted a plan of action and milestones (POAM) and will be achieved through migration of our database to the cloud.

Discussion:

All FISMA standards will be sustained through a renewed culture of compliance and rigorous procedures that tie into the Agency's IT policy and Federal cybersecurity standards. The Agency will maintain the highest standards for cybersecurity in the Federal Government.

Planned Actions / Schedule:

SSS will continue implementation of this objective through Agency-monitored POAMs.

Verification and Validation:

Selective Service will continue monitoring and conducting internal programmatic reviews for verification of procedural effectiveness and sustained compliance.

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

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

Significant Activity:

The Agency maintained 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 for their jobs. In addition, the Awards Board ensures employees are recognized and rewarded for excellence.

An employee Supporting Transformation and Results (STAR) Team continued to promote employee engagement and a positive work environment by encouraging employee suggestions and ideas that will improve productivity and employee morale.

Strategic Objective 5.1.1 Update current employee position descriptions (PD).

FY 2022 Annual Performance Goal:

Conduct a 100-percent review and update of the Agency's position descriptions (PDs). Each manager and employee will review and revise PDs before recruiting for a vacant position, assigning objectives to an

appraisal, or approving an individual development plan (IDP). Also, the Agency will use the PMB to ensure that mission essential positions are built into our organizational structure.

Was the goal achieved?

No.

Results:

The Agency's PD revisions are approximately 25 percent complete.

Discussion:

The review and update of the Agency's PDs were delayed. Upon hiring for new positions, PDs are reviewed, updated, and approved by the hiring manager and Human Resources Officer. A more extensive review and update will be completed in FY 2023.

Planned Actions / Schedule:

In FY 2023, Agency directorates will continue updating PDs, and the PMB will review PD revisions to ensure alignment with the SSS Strategic Plan.

Verification and Validation:

Engaged employees will work more effectively with Agency managers to raise the overall performance standard of the SSS workforce.

Strategic Objective 5.1.2 Fair and equitable peer recognition program.

FY 2022 Annual Performance Goal:

Maintain an Awards Board to ensure employees are rewarded multiple times a year for excellence in job performance.

Was the goal achieved?

Yes.

Results:

Since the Awards Board was set up in July 2019, it has vetted, and the Director of Selective Service has approved, awards for recipients. Employees are recognized and rewarded quarterly.

Discussion:

Employee awards and peer recognition have both contributed to an overall increase in SSS employees' satisfaction and recognition, as demonstrated by the results of the 2021 Federal Employee Viewpoint Survey (FEVS) and the Best Places to Work in the Federal Government Rankings. Selective Service placed 8th for small agencies, which it also achieved in 2020.

Impact:

As a result of the Awards Board's initiative, SSS employees indicate higher satisfaction with the recognition received for doing a good job than the government-wide average for the 2021 FEVS.

Planned Actions / Schedule:

SSS will continue to implement workplace cost and non-cost incentives that build morale.

Verification and Validation:

FEVS results highlight greater employee satisfaction than in previous years.

Strategic Objective 5.1.3 STAR Team effectiveness.

FY 2022 Annual Performance Goal:

Schedule STAR Team meetings to vet employees' ideas, recommendations, and suggestions, and convey the same to leadership.

Was the goal achieved?

Yes.

Results:

The STAR Team met bi-monthly in FY 2022 for discussion and vetting of employee suggestions and ideas. Senior leadership approved all initiatives sent forward by the Team.

Discussion:

SSS' employee STAR Team was created to increase employee engagement, encourage a positive work environment, and build an efficient and effective workforce in which employees trust, respect and collaborate with each other.

Planned Actions / Schedule:

SSS will continue to encourage employee participation in the suggestion process. The STAR Team will meet quarterly or more frequently, if warranted.

Verification and Validation:

The Agency will review if approved initiatives have achieved the desired outcomes. Additionally, there will be an annual review of the suggestion process, a process which provides the basis for incorporating any recommendations for improvement.

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

Significant Activity:

With respect to its workforce, the Agency continued to use special hiring authorities to recruit and retain exceptional employees. The Agency also invested over \$80,000 in training during FY 2022 to encourage and promote individual development.

Strategic Objective 5.2.1 Human Capital Management.

FY 2021 Annual Performance Goal:

Ensure there are 124 full-time equivalent (FTE) personnel on board.

Was the goal achieved?

No.

Results:

Selective Service completed FY 2022 with approximately 117 FTE personnel on board.

Discussion:

In FY 2022, the Agency continued an aggressive campaign to fill all open positions. Despite restrictions imposed by COVID, SSS was able to fill multiple open positions.

Planned Actions / Schedule:

In FY 2023, the Agency plans to continue to aggressively use hiring tools to fill key positions with quality personnel. SSS will also accept personnel working remotely.

Verification and Validation:

Verification and validation of FTE levels re satisfied by managerial and staff review.

Strategic Objective 5.2.3 Hiring process improvement.

FY 2022 Annual Performance Goal:

Reduce the Agency's time-to-hire metric below the OPM 80-day standard.

Was the goal achieved?

No.

Results:

SSS achieved a 90-day time-to-hire metric for FY 2022, an improvement over the previous year but not yet within the OPM standard.

Discussion:

The Agency employed available hiring flexibilities, including direct hire authorities, for employees with specialized skill sets. SSS advertised for, recruited, and on-boarded a wider range of qualified employees faster than in the past. Accelerating the recruitment/hiring timeline meant a more rapid start to the new employees' contribution to mission achievement.

Planned Actions / Schedule:

In FY 2023, SSS will continue to use direct hire authorities and other tools, such as virtual job fairs, while at the same time educating and empowering hiring managers.

Verification and Validation:

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

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

Significant Activity:

In FY 2022, all SSS employees were required to complete annual, mandatory EEO training, including training cover the No FEAR Act and whistleblower protection. Selective Service's EEO office prepared a new EEO Policy Statement and completed the Equal Employment Opportunity Commission Form 462 Report and the EEOC MD-715 Report. The Agency continued to educate employees about the Alternative Dispute Resolution process. The Agency's ADR program is available to all employees. The program includes many processes that can be used to resolve conflict in the workplace constructively and at the earliest opportunity. In addition, SSS maintained an EEOC-approved reasonable accommodation policy and procedures, and also managed a reasonable accommodation program accessible to applicants and employees to ensure inclusion of individuals with disabilities.

Strategic Objective 5.3.1 Provide EEO training and promote diversity and inclusion.

FY 2022 Annual Performance Goal:

Fulfill the Agency's requirement for providing EEO training and commitment to adhere to EEO laws. Ensure the EEO policy is ready for the next administration. Promote equal opportunities for employment.

Was the goal achieved?

Yes.

Results:

During FY 2022, all SSS employees and contractors completed *No FEAR Act* and whistleblower protection training.

Discussion:

In FY 2022, all SSS employees were required to complete annual mandatory EEO training including the *No FEAR Act*, and whistleblower protection. Selective Service's EEO Office prepared a new EEO Policy Statement and completed the EEOC Form 462 Report and the EEOC MD-715 Report. The Agency continued to educate employees about ADR. The Agency's ADR program is available to all employees. The program includes many processes that can be used to resolve conflict in the workplace constructively and at the earliest opportunity.

Selective Service is steadfast in its commitment to enforce EEO laws, regulations, and adhere to a policy of nondiscrimination.

Planned Actions / Schedule:

The Agency will continue to uphold and support an equal opportunity environment where employees feel valued, respected, and motivated to meet Agency objectives.

Verification and Validation:

SSS will work to achieve 100 percent compliance in training employees and contractors, and meeting the Executive Order goal of promoting diversity, equity, and inclusion at Federal agencies.

Strategic Objective 5.3.2 Manage a Reasonable Accommodations Program.

FY 2022 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.

Was the goal achieved?

Yes.

Results:

During FY 2022, reasonable accommodation requests were handled and processed within the required timeframe. Requests for accommodation were approved with discussion between employee and supervisor. Requests for assistive devices were approved and procured for employees. Other requests in FY 2022 were related to telework accommodations due to the COVID-19 pandemic and work schedule adjustments.

The Agency's policy and procedures were updated in the second half of the year to include reasonable accommodation requests for exemption from the COVID vaccination mandate. The update was

finalized and signed on December 1, 2021. Five requests for religious exemptions were processed and filed.

Discussion:

SSS' reasonable accommodation policy and procedures are made accessible to all employees and applicants from the internal and public-facing websites. When requested, SSS provides an overview briefing on the Agency's reasonable accommodation program for new employee orientation.

During FY 2022, the Agency incorporated procedures in the reasonable accommodation policy and procedures for handling requests for exemption from the COVID vaccination mandate.

An SSS staffer fulfills collateral duties as the reasonable accommodations coordinator (RAC) to facilitate the Agency's reasonable accommodations process. Requests are processed and accommodations provided in the shortest time possible to ensure inclusion and diversity in the workforce. Reasonable accommodations records are maintained separately from personnel records.

In addition, the RAC coordinates with the Department of Defense's Computer and Electronic Accommodations Program for assessments and continues to follow the Employer Assistance and Resource Network for information.

Planned Actions / Schedule:

SSS will continue its annual review and update of records, which are performed for reporting requirements. The results and feedback will be used to evaluate and improve the processing of requests for reasonable accommodations. 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:

The receipt of EEOC's feedback letter verifies and validates that the Agency's policy and procedures are in compliance with EO 13164, *Requiring Federal Agencies to Establish Procedures to Facilitate the Provision of Reasonable Accommodation* (2000). Self-assessment of the reasonable accommodations program is conducted annually to confirm the program is managed efficiently and in accordance with Federal guidelines.

REPORT OF INDEPENDENT AUDITORS

SELECTIVE SERVICE SYSTEM

INDEPENDENT AUDITOR'S REPORT FOR

AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

BY PREMIER GROUP SERVICES, INC.

November 15, 2022

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the financial statements of the Selective Service System (SSS), which comprise the balance sheets as of September 30, 2022, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

In our opinion, the FY 2022 financial statements referred to below present fairly, in all material respects, the financial position of SSS as of September 30, 2022, and the related statements of net costs, changes in net position, and budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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. Although not a part of the basic financial statements, such information is required by the Federal Accounting Standards Advisory Board (FASAB), which considers it 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 Reporting Required by Government Auditing Standards

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 21-04, we have also issued our reports dated November 12, 2021, on our consideration of SSS's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and other matters that are required to be reported under Government Auditing Standards. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and OMB Bulletin 21-04 in considering the SSS's internal control and compliance and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management and the SSS Office of Inspector General, OMB, U.S. Government Accountability Office, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD
November 15, 2022

Independent Auditor’s Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the Selective Service System (SSS), which comprise the balance sheets as of September 30, 2022, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, Audit Requirements for Federal Financial Statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2022, we considered SSS's internal control over financial reporting by obtaining an understanding of the design effectiveness of SSS's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of SSS's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of SSS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SSS's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the OMB Bulletin No. 21-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in

internal control that we consider to be material weaknesses or significant deficiencies. However, we identified the following areas of improvement for SSS.

- SSS should continue its monitoring of plant, property, and equipment (PPE) account balances to correct accounting errors instead of making manual adjustments and ensure that Oracle and GTAS are in balance.
- Continuous monitoring of de-obligation of undelivered orders and further action should be taken to close out the research tab by year-end.

We noted less significant matters involving internal control and its operations which we have reported to SSS management in a separate letter dated November 15, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing and not to provide an opinion on the effectiveness of SSS's internal control. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering SSS's internal control. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information, and use of the management and SSS Office of Inspector General, OMB, the Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD
November 15, 2022

Independent Auditor’s Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the Selective Service System (SSS), which comprise the balance sheets as of September 30, 2022, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, Audit Requirements for Federal Financial Statements.

The management of SSS is responsible for complying with laws and regulations applicable to SSS. We performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 21-04, including the requirements referred to in the Federal Managers’ Financial Integrity Act of 1982. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to SSS.

Compliance and Other Matters

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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 21-04.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on the SSS’s compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the SSS’s compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management and the SSS

Office of Inspector General, OMB, Government Accountability Office, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Premier Group Services, Inc.

Lanham, MD

November 15, 2022

Independent Auditor’s Report on Improper Payments Elimination and Recovery Improvement Act (IPERIA) Compliance

The Improper Payments Elimination and Recovery Act (IPERA) of 2012 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 six specific requirements for agencies to comply with this legislation: (1) publishing the annual financial statements for the most recent fiscal year; (2) conducting a program-specific risk assessment; (3) publishing improper payments estimates for programs and activities identified as susceptible to significant improper payments; (4) publishing programmatic corrective action plans; (5) publishing reduction targets for programs assessed to be at risk; and (6) reporting on an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under IPIA.

During FY 2022, We performed an independent review and evaluated the procedures in the Agency’s payment and disbursement processes. We also tested and assessed the design and effectiveness of controls. Given these controls, our IPERIA assessment found no incorrect or improper payments. We found SSS’s estimated improper payments to be within the thresholds defined by IPERIA. Thus, improper payments for SSS’s programs did not exceed \$10 million and 1.5% (\$465,762) of the program’s total expenditures of \$31,050,776 or \$100 million of total program expenditures. As a result, the Agency's programs should be assessed as low-risk, and it would not be cost-effective for SSS to establish a recovery audit program. SSS has reasonable assurance that controls over financial and non-financial operations are sufficient. No additional reporting requirements are necessary.

SSS has complied with the Improper Payments Information Act (IPIA), as amended by IPERIA. The chart below summarizes SSS compliance with the different IPERIA compliance requirements.

Program Name	Payroll	Commercial Contracts
Published Payment Integrity information with the annual financial statement	Yes	Yes
Posted the annual financial statement and accompanying materials on the agency website	Yes	Yes
Conducted improper payment (IP) risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years	Yes	Yes
Adequately concluded whether the program is likely to make IPs and unknown payments (UP) above or below the statutory threshold	Yes	Yes
Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement	N/A	N/A
Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	N/A	N/A
Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	NA	NA
Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	N/A	N/A
Developed a plan to meet the IP and UP reduction target	N/A	N/A
Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement	N/A	N/A

Premier Group Services, Inc.
Lanham, MD
November 15, 2022

CFO RESPONSE TO THE FY 2022 AUDIT REPORT



Selective Service System

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

DATE: November 15, 2022

TO: Premier Group Services, Inc.

FROM: Alexander Rud *Alexander Rud*

SUBJECT: RESPONSE TO FISCAL YEAR 2022 FINANCIAL STATEMENT AUDIT

The Selective Service System (SSS) reviewed the Independent Auditors' Report from Premier Group Services, Inc., for FY 2022. The Agency takes no exception with the report. The Agency has made tremendous progress over the last 12 months and is committed to further maturing and implementing corrective actions to strengthen our internal controls.

Appendix A: Status of FY 2021 Audit Recommendations

Finding#	Status of FY 2021 Audit Recommendations	Status
1	Failure to record Property, Plant, and Equipment in the proper accounting period.	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 is 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.

FINANCIAL STATEMENTS

Selective Service System
BALANCE SHEET
As of September 30, 2022, and 2021
(in dollars)

	2022	2021
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 13,866,636	\$ 10,793,477
Total Intragovernmental	\$ 13,866,636	\$ 10,793,477
With the Public		
Accounts Receivable, Net (Note 3)	\$ 4,614	\$ 19,357
General Property, Plant, and Equipment, Net (Note 4)	2,650,626	3,016,655
Total with the Public	\$ 2,655,240	\$ 3,036,012
Total Assets	\$ 16,521,876	\$ 13,829,489
Liabilities:		
Intragovernmental		
Accounts Payable	\$ -	\$ 1,004,496
Benefit Program Contributions Payable	408,279	414,302
Other Liabilities		
Other Liabilities (without reciprocals)		
Employer Contributions and Payroll Taxes Payable	44,805	41,584
Total Intragovernmental	\$ 453,084	\$ 1,460,382
With the Public		
Accounts Payable	\$ 3,229,955	\$ 1,398,989
Federal Employee Benefits Payable	2,468,897	2,507,278
Other Liabilities		
Accrued Funded Payroll & Leave	752,035	605,244
Total with the Public	\$ 6,450,887	\$ 4,511,511
Total Liabilities (Note 5)	\$ 6,903,971	\$ 5,971,893
Net Position:		
Total Unexpended Appropriations	\$ 8,061,922	\$ 5,982,657
Total Cumulative Results of Operations	1,555,983	1,874,939
Total Net Position	\$ 9,617,905	\$ 7,857,596
Total Liabilities and Net Position	\$ 16,521,876	\$ 13,829,489

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF NET COST
For the Years Ended September 30, 2022, and 2021
(in dollars)

	2022	2021
Gross costs	\$ 31,050,776	\$ 29,480,279
Less: Total Earned Revenue (Note 9)	(500,000)	(500,000)
Net Cost of Operations	\$ 30,550,776	\$ 28,980,279

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, 2022, and 2021
(in dollars)

	2022	2021
Unexpended Appropriations:		
Beginning Balance	\$ 5,982,657	\$ 6,478,870
Beginning Balance, as Adjusted	\$ 5,982,657	\$ 6,478,870
Appropriations Received	\$ 29,200,000	\$ 26,000,000
Appropriations Transferred In/Out (+/-)	1,837,615	-
Other Adjustments (+/-)		
Unexpected Appropriations - Adjustments	(785,032)	(457,092)
Appropriations Used	(28,173,318)	(26,039,121)
Net Change in Unexpended Appropriations	\$ 2,079,265	\$ (496,213)
Total Unexpended Appropriations - Ending	\$ 8,061,922	\$ 5,982,657
Cumulative Results of Operations:		
Beginning Balance	\$ 1,874,939	\$ 2,764,566
Beginning Balance, as Adjusted	\$ 1,874,939	\$ 2,764,566
Appropriations Used	\$ 28,173,318	\$ 26,039,121
Imputed Financing	2,058,502	2,051,531
Net Cost of Operations	(30,550,776)	(28,980,279)
Net Change in Cumulative Results of Operations	\$ (318,956)	\$ (889,627)
Cumulative Results of Operations - Ending	\$ 1,555,983	\$ 1,874,939
Net Position	\$ 9,617,905	\$ 7,857,596

The accompanying notes are an integral part of these statements.

Selective Service System
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2022, and 2021
(in dollars)

	2022	2021
Budgetary Resources:		
Unobligated Balance From Prior Year Budget Authority, Net	\$ 6,270,561	\$ 3,806,771
Appropriations (Discretionary and Mandatory)	29,200,000	26,000,000
Spending Authority From Offsetting Collections (Discretionary and Mandatory)	500,000	500,000
Total Budgetary Resources	\$ 35,970,561	\$ 30,306,771
 Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	\$ 32,080,224	\$ 27,884,823
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	\$ 1,908,026	\$ 66,068
Unexpired Unobligated Balance, End of Year (Note 2)	\$ 1,908,026	\$ 66,068
Expired Unobligated Balance, End of Year	1,982,311	2,355,880
Unobligated Balance, End of Year (Total)	\$ 3,890,337	\$ 2,421,948
Total Budgetary Resources	\$ 35,970,561	\$ 30,306,771
 Outlays, Net		
Outlays, Net (total) (Discretionary and Mandatory)	\$ 27,179,424	\$ 25,002,167

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

As of and for the years ended September 30, 2022, and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of September 30, 2022

(a) Reporting Entity

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

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

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

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

(b) Basis of Accounting and Presentation

The financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources in accordance with U. S. Generally Accepted Accounting Principles (GAAP) and Financial Reporting Requirements of the Office of Management and Budget (OMB) prescribed in OMB Circular No. A-136, *Financial Reporting Requirements*.

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

(c) Budget Authority

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

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

(d) Fund Balance with Treasury

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

(e) Accounts Receivable

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

(f) Property, Plant, and Equipment

The basis for recording purchased general Property, Plant, and Equipment (PP&E) is full costs, including all costs incurred to bring the PP&E to and from a location suitable for its intended use. SSS PP&E consists of equipment, software, assets under capitalized lease, and internal use software in development. SSS' policy is to capitalize individual purchases of property and equipment with a cost of \$50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is \$100,000. Assets are depreciated using straight-line method of depreciation with useful lives ranging from three to seven years.

(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.

(h) Accrued Workers Compensation and Other Actuarial Liabilities

The 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 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 SSS for these paid claims.

The FECA liability is based on two components. The first component is based on actual claims paid by DOL but not yet reimbursed by SSS. There is generally a two- to three-year time period between payment by DOL and reimbursement to DOL by SSS. The second component is the actuarial liability, which estimates the liability for future payments as a result of past events. The actuarial liability includes the expected liability for death, disability, medical, and miscellaneous cost for approved compensation cases.

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

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

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

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

Similar to Federal retirement plans, OPM rather than SSS, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefit Program (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGlIP). SSS reports the full cost of providing other retirement benefits. SSS also recognizes an expense and liability for other post-employment benefits (OPEB), which includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. During FY 2022 and FY 2021, the cost factors relating to FEGlIP were as follows, per employee enrolled.

Cost Factors	2022	2021
Quarter 1	2,158	2,086
Quarter 2	2,182	2,107
Quarter 3	2,206	2,130
Quarter 4	2,229	2,153
FY 2022	\$ 8,775	\$ 8,476

During FY 2022 and FY 2021, the cost factor relating to FEGlIP was 0.02 percent of basic pay per employee enrolled.

(j) Annual, Sick, and Other Leave

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

(k) Imputed Costs and Financing Sources

Federal government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. These constitute subsidized costs which are recognized by the receiving entity. SSS recognized imputed costs and financing sources in FY 2022 and FY 2021 to the extent directed by 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), and Reserve Service Members (RSM) from the U.S. Marine Corps Reserves and the U.S. Navy Reserves.

(l) Revenues and Other Financing Sources

SSS' activities are financed either through exchange revenue it derives from other Federal Government entities or through appropriations. A reimbursable agreement with the Department of Defense provides the exchange revenue that is recognized when earned (i.e., when services have been rendered). Appropriations used are recognized as financing sources when related expenses are incurred, or assets purchased. SSS also incurs certain costs that are paid in total or in part by other Federal entities, such as pension costs. These subsidized costs are recognized on the Statement of Net Cost and imputed financing for these costs is recognized in the Statement of Changes in Net Position. As a result, there is no effect on Net Position.

(m) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(n) Expired Accounts and Canceled Authority

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

NOTE 2 – FUND BALANCE WITH TREASURY

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

Fund Balance with Treasury consisted of the following on September 20, 2022, and 2021:

(in dollars)

Fund Balance:	2022	2021
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	\$ 1,908,026	\$ 66,068
Unavailable	1,982,311	2,396,080
Obligated Balance Not Yet Disbursed	9,976,299	8,331,329
Non-Budgetary	-	-
Total Status of Fund Balance with Treasury	\$ 13,866,636	\$ 10,793,477

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Due from the Public, Net. Accounts Receivable due from the Public generally is related to employee payroll debt. Substantial receivables related to current employees are considered to be collectible, as there is no credit risk. Allowance for doubtful accounts is used only in instances where an employee has separated from duty prior to collection of his or her debt. The SSS takes its aged schedule of Accounts Receivable due from the Public and applies different rates, depending on the ages of the accounts receivable, to calculate allowances for uncollectible accounts. The SSS applies a 1 percent rate to the current uncollectible balances that are less than 366 days old, 7 percent to balances that are between 366 days and two years delinquent, and 100 percent to balances that are more than two years delinquent.

Accounts Receivable from the Public consists of the following:

(in dollars)	2022	2021
Accounts Receivable from the Public		
Current	\$ 0	\$ 1,259
1 – 180 Days Past Due	0	6,606
181 – 364 Days Past Due	3,769	825
1 – 2 Years Past Due	845	4,465
Over 2 Years Past Due	0	6,202
Total Billed Accounts Receivable – Public	\$ 4,614	\$ 19,357
Total Accounts Receivable – Public	\$ 4,614	\$ 19,357
Total Accounts Receivable – Public, Net	\$ 4,614	\$ 19,357

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

SSS policy is to capitalize individual purchases of property and equipment with a cost of \$50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is \$100,000. Assets are depreciated using the 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, 2022, and 2021:

(in dollars)	Service Life	Acquisition Value	Accumulated Depreciation	2022 Net Book Value	2021 Net Book Value
Equipment	3-7 Yrs	\$ 3,120,999	\$ (2,647,795)	\$ 473,204	\$ 746,788
IT Software	3 Yrs	14,073,901	(13,543,829)	530,072	622,517
Internal Use Software	7 Yrs	1,647,350	-	1,647,350	1,647,350
Total		\$ 18,842,250	\$ (16,044,584)	\$ 2,650,626	\$ 3,016,655

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on SSS' Balance Sheet as of September 30, 2022, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

The composition of liabilities not covered by budgetary resources as of September 30, 2022, and 2021 is as follows:

(a) Liabilities Not Covered by Budgetary Resources

(in dollars)	2022	2021
Intragovernmental:		
Unfunded FECA Liabilities	\$ 249,978	\$ 279,447
Liability for Non-Entity Assets	-	1,291
Total Intragovernmental	\$ 249,978	\$ 280,738
Public Liabilities:		
Federal Employee and Veteran Benefits – FECA Actuarial Liability	\$ 1,477,530	\$ 1,615,241
Unfunded Annual Leave	964,699	867,674
Total Public	\$ 2,442,229	\$ 2,482,915
Total Liabilities Not Covered by Budgetary Resources	\$ 2,692,207	\$ 2,763,653
Total Liabilities Covered by Budgetary Resources	\$ 4,211,764	\$ 3,208,240
Total Liabilities	\$ 6,903,971	\$ 5,971,893

(b) Other Information

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

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

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

NOTE 6 - FEDERAL EMPLOYEES' COMPENSATION ACT

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

For 2022, and again in 2021, 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 \$1,447,530 and \$1,615,241 as of September 30, 2022, and 2021, respectively, is reported on SSS' Balance Sheet. SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2022, and 2021, of \$249,978 and \$279,447, respectively, but not yet reimbursed to DOL by SSS.

NOTE 7 - LEASES

SSS leases office and storage space from commercial vendors and the General Services 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 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 OA with GSA. SSS has executed one long-term lease for office space located at National Headquarters in Arlington, Virginia.

(in dollars)

Fiscal Year	Period	NHQ	DMC	Region 1	Region 2	Region 3	Totals
FY 2023	10/1/2022 - 09/30/2023	\$ 917,302	-	-	-	-	\$ 917,302
FY 2024	10/1/2023 - 09/30/2024	\$ 917,302	-	-	-	-	\$ 917,302
Total Future Lease Payments		\$ 1,834,604					\$ 1,834,604

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, National Archives and Records Administration, 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.

(in dollars)	2022	2021
Intragovernmental Costs		
Intragovernmental Costs	\$ 9,217,630	\$ 10,427,755
Public Costs	21,333,145	18,552,524
Total Program Cost	\$ 30,550,776	\$ 28,980,279

NOTE 9 – EXCHANGE REVENUE

The Statements 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 2022 and 2021, SSS earned \$500,000 and \$500,000 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 Registration 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 2022 or FY 2021 that have not had delivery of required product or service as of September 30, 2022, or 2021, respectively. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during FY 2022 or FY 2021.

(in dollars)	2022	2021
Unpaid:		
Federal	\$ 1,618,861	\$ 3,794,183
Non-Federal	4,155,303	1,369,105
Totals	\$ 5,774,164	\$ 5,163,288

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

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources

(SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY 2022 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2023 and can be found at the OMB website: <http://www.whitehouse.gov/omb>. The 2022 Budget of the United States Government, with the actual column completed for 2021, has been reconciled to the Statement of Budgetary Resources, and there were no material differences.

NOTE 12 - RECONCILIATION OF NET COST TO NET OUTLAYS

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.

For the period ended September 30, 2022 (in dollars)

	Intragovernmental	With the Public	Total FY 2022
Net Operating Cost (SNC)	\$ 9,217,630	\$ 21,333,146	\$ 30,550,776
NET COST			
Components of Net Operating Cost Not Part of Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	\$ -	\$ (366,029)	\$ (366,029)
Increase/(Decrease) in Assets:			
Accounts Receivable	\$ -	\$ (14,741)	\$ (14,741)
Increase/(Decrease) in Liabilities:			
Accounts Payable	\$ 1,004,499	\$ (1,839,970)	\$ (826,471)
Salaries and Benefits	(18,331)	(149,096)	(167,427)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	21,132	40,685	61,817
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the Agency	\$ (2,058,502)	\$ -	\$ (2,058,502)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$ (1,051,202)	\$ (2,320,150)	\$ (3,371,352)
Components of Budget Outlays Not Part of Net Operating Cost			
Custodial/Non-Exchange Revenue	\$ (51)	\$ 51	\$ -
Total Components of Budgetary Outlays Not Part of Net Operating Cost	\$ (51)	\$ 51	\$ -
NET OUTLAYS	\$ 8,166,377	\$ 19,013,047	\$ 27,179,424

For the period ended September 30, 2021 (in dollars)

	Intragovernmental	With the Public	Total FY 2021
Net Operating Cost (SNC)	\$ 10,427,755	\$ 18,552,524	\$ 28,980,279
NET COST			
Components of Net Operating Cost			
Not Part of Budgetary Outlays:			
Property, Plant, and Equipment			
Depreciation	\$ -	\$ (864,580)	\$ (864,580)
Other	-	421,159	421,159
Increase/(Decrease) in Assets:			
Accounts Receivable	\$ -	\$ 4,453	\$ 4,453
Other Assets	-	(2,012,192)	(2,012,192)
(Increase)/Decrease in Liabilities:			
Accounts Payable	\$ 77,155	\$ (960,551)	\$ (883,396)
Salaries and Benefits	(29,562)	(123,995)	(153,557)
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	22,633	61,204	83,837
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the Agency	\$ (2,051,531)	\$ -	\$ (2,051,531)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$ (1,981,305)	\$ (3,474,502)	\$ (5,455,807)
Components of Budget Outlays Not Part of Net Operating Cost			
Acquisition of Capital Assets	\$ -	\$ 407,055	\$ 407,055
Total Components of Budgetary Outlays Not Part of Net Operating Cost	\$ -	\$ 407,055	\$ 407,055
Other Temporary Timing Differences			
Corrections and Changes in Accounting Principals	\$ -	\$ 1,070,640	\$ 1,070,640
Total Other Temporary Timing Differences	\$ -	\$ 1,070,640	\$ 1,070,640
Net Outlays Total	\$ 8,446,450	\$ 16,555,717	\$ 25,002,167

PROGRAM EVALUATION

IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT (IPERIA)

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

This legislation lists specific requirements for agencies to comply with this legislation: publishing the annual financial statements for the most recent fiscal year; conducting a program specific risk assessment; publishing improper payments estimates for programs and activities identified as susceptible to significant improper payments; publishing programmatic corrective action plans; publishing reduction targets for programs assessed to be at risk; and reporting on an improper payment rate of less than 10 percent for each program and activity for which an estimate was published under IPIA. The SSS' risk assessment concluded its programs were at low risk for improper payments during FY 2022 and any recapture efforts are not cost effective.

FY 2022 PERFORMANCE CHART

AGENCY-WIDE ANNUAL PERFORMANCE RESULTS AND TARGET

Performance Goals	Target	Actual	Actual	Actual	Actual	Actual
		2018	2019	2020	2021	2022
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	6 days	1 day	5 days	6 days	5 days
PIA: Congressional, media, registrants, the general public:	2 days	3.5 days	2 days	2 days	1-2 days	1 day
PIA: Response to Freedom of Information Act and Privacy Act customers:	≤20 days	≤ 20 days	≤ 20 days	≤ 20 days	≤ 20 days	≤ 20 days

GLOSSARY	
ABBREVIATIONS AND ACRONYMS	
Alternative Dispute Resolution	ADR
Alternative Service Program	ASP
Civil Service Retirement System	CSRS
Conscientious Objector	CO
Cybersecurity and Infrastructure Security Agency	CISA
Data Management Center	DMC
Department of Defense	DoD
Department of Homeland Security	DHS
Department of Labor	DOL
Driver's License Legislation	DLL
Equal Employment Opportunity / Equal Employment Opportunity Commission	EEO / EEOC
Federal Accounting Standards Advisory Board	FASAB
Federal Employee Viewpoint Survey	FEVS
Federal Employees' Compensation Act	FECA
Federal Employees' Group Life Insurance Program	FEGLIP
Federal Employee Health Benefits Program	FEHBP
Federal Employees Retirement System	FERS
Federal Information Security Management Act	FISMA
Federal Managers' Financial Integrity Act	FMFIA
Free Application for Federal Student Aid	FAFSA
Freedom Of Information Act	FOIA
Full-Time Equivalent	FTE
General Services Administration	GSA
Generally Accepted Accounting Principles	GAAP
Government Accountability Office	GAO
Improper Payments Elimination and Recovery Improvement Act	IPERIA
Information Technology	IT
Invoice Processing Platform	IPP
Key Performance Indicator	KPI
Knowledge Management	KM
Memorandum of Agreement / Memorandum of Understanding	MOA / MOU
Military Entrance Processing Station / Command	MEPS / MEPCOM
National Defense Authorization Act	NDAA
National Federation of State High School Associations	NFHS
Office of Management and Budget	OMB
Office of Personnel Management	OPM
Performance and Accountability Report	PAR
Position Management Board	PMB
Public and Intergovernmental Affairs	PIA
Reserve Service Member	RSM
Selective Service System	SSS
Statement of Budgetary Resources	SBR
Statements of Federal Financial Accounting Standards	SFFAS
Status Information Letter	SIL
Supporting Transformation and Results	STAR
Technology Modernization Fund	TMF



SELECTIVE SERVICE SYSTEM
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