FISCAL YEAR 2008 PERFORMANCE AND ACCOUNTABILITY REPORT

SELECTIVE SERVICE SYSTEM – NOVEMBER 2008

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November 2008

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MESSAGE FROM THE DIRECTOR

The Selective Service System (SSS) recognizes the importance of public disclosure and accountability. This report is a demonstration of our commitment to fulfill our statutory and fiduciary responsibilities to the American taxpayer.

SSS seeks to document staff responsibility and accountability through implementation of its family of plans: the FY 2008 Performance Budget, the FY 2006-2011 Strategic Plan, and this Performance and Accountability Report (PAR). We systematically reviewed and assessed program performance together with financial management systems to guarantee that our organizational stewardship is in accordance with the Government Performance and Accountability Act, the Government Management and Reform Act, and the Federal Managers' Financial Integrity Act.

After extensive efforts and a change in leadership, I am happy to report an unqualified audit assurance. The independent audit disclosed several material weaknesses during the FY 2006 and 2007 audit, all of which have been corrected during FY 2008.

The financial statements contained herein fairly present the Agency's financial position and were prepared in accordance with generally accepted accounting principles and in accordance with Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, Revised June 3, 2008.

William A. Chatfield

William A. Chatfield
Director
Selective Service System

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HOW TO USE THIS REPORT

This PAR contains the SSS' performance goals, measures, results, and accounting activities for FY 2008. The SSS' assessment of performance is a comparison of actual performance to the annual goals contained in the Agency's FY 2008 Performance Budget.

The report has five parts:

- Management's Discussion and Analysis

  This section contains our Agency's Mission, History, Organizational Structure, Performance Highlights, Financial Highlights, Management Control, and the President's Management Agenda.

- Performance Details

  This section contains detailed performance information for FY 2008. It contains our annual performance goals, actual performance, discussion, impacts, planned action/schedule, and verifications and validations.

- Financial Details

  This section contains details about our financial performance for FY 2008. It includes our audited financial statements, notes, and reports from the independent auditing firm of Leon Snead & Company, P. C.

- Appendix

  This section contains a chart presenting five years of Agency performance results data for FY 2004 thru FY 2008 and the Performance Targets for FY 2009.

- Glossary

MANAGEMENT'S DISCUSSION AND ANALYSIS

Agency at a Glance

Mission

The SSS' missions are to remain prepared to provide untrained personnel to the Department of Defense (DoD) in the event of a national emergency, and to provide an Alternative Service Program for those from the manpower pool who seek and are granted conscientious objector status.

Although only the registration function is publicly visible in peacetime, components of our mission greatly increase timeliness, fairness, and equity in the event of an actual mobilization. The higher the registration rate, the more fair and equitable any future draft will be for each registrant. The Agency works through its registration and compliance programs to (1) register all eligible men; (2) identify non-registrants and remind them of their obligation to register; and, (3) inform young men that they need to register to remain eligible for numerous Federal and state benefits which include student financial aid, job training, government employment, and U.S. citizenship for male immigrants.

Many states and U.S. territories reinforce the registration requirement by implementing laws that require or allow men to register with the Selective Service when they apply for a state driver's license or identification card. Increasing the percentage of electronic registrations (through sources such as driver's license legislation, Internet and telephone) reduces the cost per registration and advances the efficiency of the overall registration process. Although no requirement currently exists to register anyone other than 18- through 25-year-old men, our systems are designed to accommodate potential future registration requirements.

Another aspect of the SSS' mission is to mobilize, if ordered to do so by the President and Congress. In the event of a mobilization, SSS will hold a national draft lottery, contact those registrants selected via the lottery, and arrange for their transportation to a Military Entrance Processing Station (MEPS). This procedure would be followed for a mobilization of untrained personnel.

Once notified of the results of their evaluation at the MEPS, a registrant may choose to file a claim for exemption, postponement, or deferment. If a claimant is re-classified as a conscientious objector, he has a requirement to serve in a non-military capacity for two years. The SSS places these workers with non-military employers and tracks their fulfillment of a two-year service requirement.

As the Agency embraces its traditional missions, it focuses on the future. The SSS leadership understands that events both national and international will require fresh perspectives and a clear recognition of changing realities in this new century. Therefore, it stands ready to respond to future events with a level of readiness determined by limited resources.

History

For more than 60 years, the SSS and the registration requirement for America's young men have served as a backup system to provide manpower to the U.S. Armed Forces during times of national crisis.

President Franklin Roosevelt signed into law the Selective Training and Service Act of 1940 that created the country's first peacetime draft and formally established the SSS as an independent Federal agency. From 1948 until 1973, during both peacetime and periods of conflict, men were drafted to fill vacancies in the Armed Forces that could not be filled through voluntary means.

In 1973, the draft ended and the U.S. converted to an all-volunteer military. The registration requirement was suspended in April 1975; then resumed in 1980 by President Carter in response to both the Soviet Union's invasion of Afghanistan and the results of various DoD readiness exercises. The exercises indicated that, without a peacetime registration program, it would take too long to provide personnel for an expanded military. Registration has continued uninterrupted since that time.

Our Nation's all-volunteer military forces have worldwide commitments. Maintaining the SSS and draft registration provides a hedge against unforeseen threats and a relatively low cost "insurance policy" against underestimating the maximum level of threat we expect the U.S. Armed Forces to face. As fewer and fewer members of society have direct military experience, it is increasingly important to maintain the link between the All-Volunteer Force and our society-at-large. The Armed Forces also must know that the general population stands behind them, committed to serve, should the preservation of our national security so require.

The SSS faces the same challenge confronting numerous defense and quasi-defense agencies – that of striking a balance between current budgetary constraints and being adequately prepared for future contingencies. To accommodate the uncertainty of the future, we must build flexibility into our programs, systems, and mobilization scenarios. To satisfy budgetary constraints, the Agency has utilized its resources as efficiently and effectively as possible.

Organization

The SSS is comprised of a diverse composition of career employees, military personnel, and private citizen volunteers dedicated to satisfy its statutory goals of peacetime registration and mobilization readiness. The SSS is currently authorized 136 full-time equivalent civilian positions going into FY 2009. The

Agency also is authorized 750 part-time Reserve Force Officers (RFOs) and is currently funded for 200 positions comprised of military personnel representing all of the U.S. Armed Services. The SSS' RFOs are assigned throughout the U.S. and its territories where they perform monthly training, executing a variety of critical peacetime and mobilization missions. They are "grass root" SSS contacts for state and local agencies and the public.

The largest component of the Agency's workforce is the 11,028 uncompensated civilian men and women who serve as volunteer Local, District, and National Appeal Board Members. In a mobilization, these citizen volunteers will decide the classification status of men seeking exception or deferments, based on conscientious objection, hardship to dependents, or their status as ministers or ministerial students.

In addition to those private citizens who support our peacetime mobilization programs, currently 86%, or 17,903, of the Nation's 20,735 high schools each had an uncompensated volunteer acting as a Selective Service high school registrar authorized to administer and receive registrations from young men. Their public service is an invaluable asset and is important to the success of the Agency's peacetime registration efforts. They remind America's young men of their registration obligation and help ensure that the men remain eligible to take advantage of the numerous Federal and state benefits that are tied to the registration requirement.

Performance Highlights

Goals Overview

The SSS' goals are to: (1) ensure preparedness and the capacity to provide timely manpower to the DoD during a national emergency; and (2) ensure management excellence.

Goal 1: Ensure preparedness and the capacity to provide timely manpower to the DoD during a national emergency.

Objective 1.1: Be prepared to call, classify, and deliver personnel.

When activated, the SSS will hold a national draft lottery, activate Agency components, contact those registrants who have been selected via the lottery, and arrange for their transportation to a MEPS for physical, mental, and moral evaluation, and as required send induction notices. Once that occurs, registrants, who chose to do so, can begin the process of filing claims for reclassification if they are found to be acceptable for induction into the Armed Forces.

The SSS updated the National Headquarters Basic Readiness Plan which provides guidance at the national level for activation of mobilization plans when conscription is requested by the President and approved by Congress. The Readiness Plan is supplemented by Standard Operating Procedures that define and govern the operational activities of the Agency at the national level during a mobilization. Near the end of FY 2008, the SSS began a systematized project management effort to re-tool the Agency's "Family of Readiness Plans" and revise the Registrant Integrated Processing System Manual to help ensure the Agency is better prepared if ever called upon to initiate conscription. The plans and procedures relating to mobilization functions will be in alignment with Information Technology related support and the Agency's Enterprise Architecture.

The SSS continues to provide training to Board Members, State Directors, and Reserve Force Officers to ensure sustainment of operational knowledge in the event the Agency returns to conscription. In FY 2008, the development of cost effective Web-based training is scheduled to become the primary means of preparedness training in FY 2009.

Objective 1.2: Ensure acceptable registration compliance rates.

The higher the registration rate, the more fair and equitable any future draft will be for each registered individual. 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, such as student financial aid, job training, government employment, and U. S. citizenship for male immigrants.

Goal 2: Ensure management excellence.

In concert with the President's Management Agenda (PMA), the SSS continues the implementation of a multi-year technology upgrade of the Agency's hardware, software, and systems development. An overall plan and strategy to ensure alignment and integration among its human capital management process and the financial, operational, information technology, and logistical processes, are underway. Included in that plan is an expansion of the Agency's e-government, budget and performance integration, and improvements in financial performance initiatives. The Agency's full implementation of an Integrated Financial Management System will enhance its ability to align its budgetary resource expenditures with Agency's goal performance.

Objective 2.1: Effective and efficient resource and procurement management

An increased focus on improving policies, procedures, and standards is necessary to better align Agency operations with the PMA. Over the next five years, the Agency projects a larger than average rate of retirement, increased hiring competition from the public and private sectors, and continued fiscal pressures. The Agency's new Human Capital Management Plan (HCMP) is crucial as it will provides a tool to better manage the Agency's most valuable resource – its personnel.

Objective 2.2: Effective and efficient financial management.

Financial management activity continues to focus on enhancing and improving operational practices in an effort to achieve success in support of the PMA. The basic goal remains to achieve a "clean audit" opinion in adherence with the Accountability of Tax Dollars Act of 2002. In accordance with the PMA, the Agency completed its implementation of an integrated financial management system (Oracle Federal Financials) in FY 2006. This has provided improvements in the financial performance arena and an overall upgrade in the areas of budget, human capital, and performance integration.

Objective 2.3: Effective and efficient information technology management.

The Agency continues its multiyear efforts to modernize the technical environment of the Agency in accordance with the President's Management Agenda, Government Performance Results Act, Information Technology Management Results Act, Federal Information Security Management Act, and other statutory or regulatory documents. During the next five years, the Information Technology (IT) staff will provide leadership, innovations, flexibility, and responsive technical services while expanding information resources, access, and solutions for the Agency. It will create a secure, technically advanced information environment that will facilitate numerous enhancements and increase SSS' capabilities to effectively satisfy mission requirements.

Objective 2.4: Effective and efficient management of public and intergovernmental affairs.

The public and intergovernmental affairs activity faces the ongoing paradoxical challenge of public concern: a) the more communications made, the greater the public concern about an imminent draft; and, b) the less SSS says, the greater the amount of misinformation available. Over the coming six years, all efforts will focus upon seeking to maintain benchmark registration with declining resources, and fostering public understanding of the Agency mission. With over 6,000 young men turning 18 every day, our outreach to community leaders, other governmental and corporate entities, public and private influencers, and media should play an expanding role.

Strategic Planning and Reporting

This Report is aligned with the SSS' Strategic Plan (FY 2006 - 2011) and is an outgrowth of extensive internal evaluations of Agency statutory responsibilities viewed in light of new challenges, fiscal issues, and the needs of Agency customers. Measurement of the Agency's institutional progress toward improved programmatic activities, service to customers, and the prudent management of fiscal resources is the basis for the development of this plan. Performance measurement provides the path for assessing accountability between the Agency's long-term strategic vision and the day-to-day activities of its employees.

Planning and Funding Challenges

The challenges of integrating budget and performance are somewhat clouded in that all funds for the SSS are allocated in one appropriation. This one appropriation (Salaries and Expenses) is allocated throughout the Agency to support salaries and expenses, as well as programs. Thus, it has been somewhat difficult to link the amount of appropriated funds with the level of program results for any particular fiscal year since the salaries and expenses are consolidated with programmatic costs. The introduction of a new, integrated financial management system during FY 2008 has helped to alleviate some of the complexity associated with this effort during Fiscal Year 2008. In addition, management has taken a new approach toward identifying individual programmatic costs at the directorate level to assist with the effort to integrate budget with performance at the program level.

The primary operational focus of the Agency is to register men, and all performance results continue to be accumulated toward that goal. This report endeavors to show how the FY 2008 budget allocation was expended in support of the Agency's Strategic Goals and Objectives.

Financial Highlights

Financial Position

FY 2008 is the sixth full year of operation where the SSS' audited financial statements are being submitted to OMB in compliance with the Accountability Act of Tax Dollars of 2002. The preparation of these statements is a part of the Agency's goal to improve financial management and provide accurate and reliable information that is useful for assessing performance and allocating resources.

The SSS' financial management team, together with the Agency's leadership, is responsible for the integrity and objectivity of the financial information presented in the financial statements. The financial statements and financial data reflected in this report have been prepared from the accounting records of the SSS in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The Agency's financial management team and leadership intend to optimize utilization of all available resources and thus increase its ability to meet the stated strategic goals and objectives of the Agency.

Balance Sheet

The balance sheet displayed on page 39 reflects total assets of $14M for the Agency. This is a net change of 9.9% over the previous fiscal year's total. This change also is attributable to management's strict adherence to the guidelines and mandates as outlined in the PMA. Likewise, the Agency has maintained a strict adherence to the Prompt Payment Act.

Statement of Net Cost

The Agency's costs are consistent with its stated Strategic Goals and Objectives, the PMA, and its appropriated budget. The SSS has maintained an essentially straight-lined budget from FY 2004 to FY 2007. In FY 2008, SSS budget decreased 11% to a total of $22M. Consequently, there has been some mission readiness degradation as directed by Administration and Congressional guidance.

Statement of Budgetary Resources

This statement provides information about the provision of budgetary resources and their status as of the end of the reporting period. The statement displayed on page 42 shows that the Agency had $31.6M in budgetary authority of which $17K remained unobligated, with $7.4M not available at year-end. The Agency had $23M in Net Outlays for FY 2008.

Financial Management

The Agency has completed the effort of implementing the Oracle Federal Financial System in FY 2006 and has been working toward enhancing its utilities throughout its organizational elements to include the Field Offices. One of the major challenges facing the Agency is integrating the financial management system with the newly adopted automated E2 travel and transportation system. In accordance with the General Services Administration's (GSA) mandate and guidance, the Agency implemented the eTravel program in FY 2007 to transfer travel-related activities to the automated E2 travel system. The E2 travel system provides an automated ticketing, reservation, and claims processing tool whereby employees are relieved of the requirement of submitting paper vouchers for reimbursement, among other advantages.

Utilizing the Oracle Federal Financial System, the SSS has enhanced its capability to develop methodologies that will help to ensure that the Agency is able to integrate its budget and performance data as part of its budgetary processes.

Director's Integrity Act Statement for Fiscal Year 2008

The Selective Service System (SSS) management is responsible for establishing and maintaining effective management control, financial management systems and internal control over financial reporting that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). SSS provides an unqualified statement of assurance that management control, financial management systems and internal controls over financial reporting meet the objectives of FMFIA.

SSS conducted its assessment of the financial management systems and internal control over (1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008, and (2) financial reporting as of September 30, 2008, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of the Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control."

Last year's financial audit clearly indicated to me that changes in leadership and its processes were necessary. The accounting system and management controls in place did not satisfy my standards for accountability and integrity. Specifically, material weaknesses involving internal controls over accounting operations, transaction processing, and financial reporting, including documenting the control procedures and related financial management operational processes, led me to replace the Agency's Comptroller and contract, in part, with our shared service provider, to find and correct errors so that we could prepare valid financial statements for FY 2008. This year after much hard work from the new financial management leadership, I am happy to report the financial management systems conform with the objectives of FMFIA and the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over (1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations, and (2) financial reporting as of September 30, 2008.

During our 2008 financial statement audit, an additional item remnant of the FY 2007 Anti-deficiency Act (ADA) violation was identified as a potential ADA violation. SSS had obligated and disbursed about $22,000 using 2007 single year funds for the rental of storage space during fiscal year 2008. This problem has been attributed to personnel entering an incorrect fiscal year funding code on the obligation document. This item will be reported as an addendum to the FY 2007 reported ADA.

Finally, I remain committed to providing the best service possible to the Nation. SSS stands ready to play its part if called upon during a national emergency. I will continue my efforts to upgrade the Agency's processes and talent pool. My focus is on continuing to achieve unblemished audits that indicate we are ready in all aspects to answer that call.

William A. Chatfield

William A. Chatfield
Director
Selective Service System
November 17, 2008

Management Controls

Federal Managers' Financial Integrity Act Report on Management Control

Background

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires ongoing evaluations of internal control and financial management systems culminating in an annual statement of assurance by the agency head that:

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

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

In addition to FMFIA, 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 A-123, "Management's Responsibility for Internal Control." Assessment results are reviewed and analyzed by the SSS Senior Staff.

SSS operates a broad internal control program to ensure compliance with FMFIA requirements and other laws, and OMB Circulars A–123 and A–127, "Financial Management Systems." All SSS managers are responsible for ensuring that their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles and related requirements. In conjunction with an independent accounting firm and GAO, SSS management has been working responsibly to determine the root causes of its material weaknesses to efficiently correct them.

SSS remains committed to reducing and eliminating the risks associated with its deficiencies and efficiently and effectively operating its programs in compliance with FMFIA.

FY 2008 Results

In FY 2006, an independent accounting firm identified one material weakness: Controls over Financial Management. During FY 2007, SSS was not able to reduce or resolve this material weakness. Two new material weaknesses were added in FY 2007. In the beginning of FY 2008 SSS had a total of three material weaknesses. During FY 2008, all material weaknesses have been corrected. Therefore, the "Director's Statement of Assurance" provides an unqualified assurance that SSS' system of internal control complies with FMFIA's objectives. The following Exhibit provides a summary of the 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	2	0	2	0	0	0
IT Security	1	0	1	0	0	0
Total Material Weaknesses	3	0	3	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

	0	0	0	0	0	0
	0	0	0	0	0	0
Total Non-conformances	0	0	0	0	0	0

Required Reporting

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

Exhibit 2: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA 2)						
Statements of Assurance	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	2	0	2	0	0	0
Total Material Weaknesses	2	0	2	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	1	0	1	0	0	0
Total Material Weaknesses	1	0	1	0	0	0
Conformance with Financial Management System Requirements (FMFIA 4)						
Statements of Assurance	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0

Total Non-conformances	0	0	0	0	0	0

Outstanding Material Weakness

SSS was able to resolve its material weakness for FY 2006 and FY 2007.

Summary of Outstanding Material Weaknesses: There are no outstanding material weaknesses.

President's Management Agenda

The SSS seeks continuous operational improvements through an array of programs and policy changes based on the PMA. The SSS' strategy is to utilize e-commerce initiatives to improve the Agency's procurement and financial processes through implementation of an integrated financial management system. The Agency completed the automation of its e-travel and security clearance processes utilizing new technology to enhance programs and services. The e-Quip process, sponsored by OPM, is functioning properly. The SSS has shifted contract support from the National Business Center (NBC) to the General Services Administration (GSA) to meet the personnel identification and verification requirements of Homeland Security Presidential Directive-12 (HSPD-12).

The Agency will continue to expand upon workforce development strategies and the HCMP to close mission-critical skills, knowledge, and competency gaps. The analysis of SSS mission, goals, and organizational objectives resulted in an action plan and an accountability system for achieving activities, measures, and expected outcomes in the areas of: strategic alignment, leadership and knowledge management, performance culture, talent management, and accountability. The Agency continues to use the online learning portal, GoLearn, to provide its employees and managers with support tools to help assist in meeting the training needs of the Agency's workforce. The Agency improved the work-life aspects of the job by increasing the capabilities to support telework and expanding participation in the program to cover over 70% of the workforce. Additional flexibilities have been added to work schedules to heighten morale and enhance job performance, as well as to improve recruitment and retention efforts.

During 2008, the SSS continued work on a major modernization effort to migrate all of its RCV information systems from a legacy mainframe platform to a modern server-based environment. This effort will decrease operating and maintenance costs, ensure system compliance with all Federal security and information technology requirements (FISMA, NIST, Clinger Cohen Act, Paperwork Reduction Act, etc.), increase the Agency's technical capabilities and allow seamless integration with the other systems throughout the Agency's Enterprise

Architecture. The new system is projected to provide a positive return on investment within approximately three years.

One of the challenges that the Agency faced was integrating the management system with the automated E2 travel and transportation system. In accordance with GSA mandate and guidance, the Agency implemented the eTravel program to provide an automated ticketing, reservation, and claims processing tool whereby employees are relieved of the requirement of submitting paper voucher for reimbursement, among other advantages.

Utilizing the OFF System, the SSS continues to enhance its capability to develop methodologies that will help to ensure that the Agency is able to fully integrate its budget and performance data.

Additional efforts in the areas of procurement, human capital management, and information technology will be implemented as resources and technical support are identified to enable the Agency to follow the examples set by OMB, OPM, DOE, and others.

PERFORMANCE DETAILS

Program Evaluation

Program evaluation within the SSS has expanded greatly since the Agency implemented GPRA. The scope of evaluations has grown beyond those designed to satisfy regulatory requirements. What has evolved in the Agency is a system where all of its major programs are evaluated on a regular basis with special focus placed on procedures where specific problems or deficiencies are identified. Thus, the Agency is better able to assess the effects of new or continuing initiatives on program performance and customer satisfaction. These evaluations also are used to build baselines for performance goals and validate the results of the data contained in the Performance Report.

The program evaluations for this report were independent systematic studies conducted to assess how well programs were working and if they should be continued/maintained. A variety of program evaluations and methodologies were used including: process evaluation, outcome evaluation, impact evaluation, cost-benefit/cost-effectiveness, and varied combinations of the above.

Evaluations Conducted During FY 2008

Management reviews for the Agency computer systems, listed below, were conducted by SSS personnel and validated/certified as mission capable.

Federal Payroll Personnel System (FPPS)

Administrative Support Systems Applications
Selective Service Local/Wide Area Network and Communications
Integrated Mobilization Information System

Program evaluations were scheduled and conducted for the following areas:

- Registration and Registration Compliance Programs
- Registrar Program
- Federal Information Security Management Act
- Financial Management
- Administrative Support Services
- Alternative Service Program

Program evaluation/reviews were conducted for each of the above listed FY 2008 annual performance goals, the results of which are identified and discussed in the next section of this report.

SSS Performance

This FY 2008 PAR identifies the activities and strategies that took place during the fiscal year to achieve Agency goals and objectives. It also identifies relevant performance measurement target goals to be achieved.

The following is a list of the annual SSS Performance Goals as outlined in the FY 2008 Performance Budget.

Performance Goals

1. Maintain the Agency's Readiness Plans, which include the Call and Deliver, Reclassify, Alternative Service, and the Lottery Standard Operating Procedures.
2. Be prepared to activate State Headquarters, Area Offices, and board members to timely, fairly and equitably process reclassification claims.
3. Modify the Alternative Service Processing System (ASPS) and incorporate the changes into the Central Registrant Processing Portal when work begins again on the project.
4. Increase outreach to historic peace churches and other organizations both in person and via electronic means.
5. Increase membership in the Alternative Service Employer Network (ASEN) through initiatives undertaken by its State Directors and Reserve Force Officers at the local level.
6. Attain a 90% or greater registration compliance rate for men ages 18- through 25-years of age.
7. Obtain 83% of all registrations electronically.
8. Attain and appoint Registrars in 87% of the Nation's High Schools.
9. Implementation of the SSS Human Capital Management Plan.

10. Implement the full Homeland Security Presidential Directive (HSPD-12) initiative.
11. Implement the OPM-sponsored electronic Official Personal File (e-OPF).
12. Implement the SSS Acquisition and Logistics Management Plan.
13. Implementation of Financial Management Plans.
14. Complete Performance and Budget Integration.
15. Complete the development and implementation of the registration modernization project.
16. Completion of CRPP, Phase 2: Complete design, development and testing of the remaining Mobilization Functionality (Registrant Management, Claim/Appeals Processing, Alternative Service Management, Location Management, RFO Management, Board Member Management, etc.).
17. Ensure compliance with FISMA requirements to include meeting annual auditing and reporting tasks as well as protecting personal identification information entrusted to Selective Service.
18. Ensure the Agency is in compliance with OMB Directive M-06-16 by implementing NIST 800-53 guidance.
19. Distribute quality public service advertising materials to every national media market and obtain public service air time in at least 90 percent of the major markets and 95 percent of all media markets.
20. Improve the turnaround times, in accordance with provisions of the Agency's Administrative Services Manual, for all types of responses: White House, congressional, media, registrants, and the general public.

FY 2008 Performance

Strategic Goal 1: Ensure preparedness and the capability to provide manpower to DoD during a national emergency.

Objective 1.1: Be prepared to call, classify, and deliver personnel.

Significant Activity:

The SSS, at the end of this FY, began a systematized project management effort to review and update the Agency's "Family of Readiness Plans" that include National Headquarters, Region Headquarters, State Headquarters, and Area/Alternative Service Offices, as well as Registrant Integrated Processing procedures to help ensure the Agency is better prepared if ever called upon by the Congress and the President to initiate conscription. The aforementioned plans and procedures relating to mobilization functions are expected to align with Information Technology related support and needs as well as their association with the Agency's Enterprise Architecture.

In mid-2008, the Planning/Reclassify Division assumed additional operational training responsibilities and became the Planning, Reclassify, and Training Division (OP/PRT). As a result, OP/PRT will oversee the preparedness training for the Agency's Board Members, State Directors, and Reserve Force Officers to ensure sustainment of operational knowledge and preparedness in the event the Agency returns to conscription. Web-based training is currently being developed to provide a cost-effective alternative to costly "classroom-type" training.

For FY 2008, the SSS set five performance goals for Objective 1.1.

1.1.1 Maintain the Agency's Readiness Plans, which include the Call and Deliver, Reclassify, Alternative Service, and the Lottery Standard Operating Procedures.

Was the goal achieved? Yes.

Results:

The Agency's Basic Readiness Plan, completely re-written in 2007, was in the "maintenance mode" for 2008. This required systematic review and update to Modules and Standard Operating Procedures (SOPs), which also included the completed Information Technology, Public and Intergovernmental Affairs, Location Expansion, Personnel Expansion, Financial Management, and a complete draft of the Reclassify SOPs. Late in FY 2008, a determination was made to begin a new and refined project management effort (called the Preparedness Project) to re-tool the Agency's "Family of Readiness Plans" and update the Registrant Integrated Processing System Manual to ensure the Agency is better prepared if ever called upon to initiate conscription.

Discussion:

The plans and procedures relating to mobilization functions will align with Information Technology related support and the Agency's Enterprise Architecture.

Impact:

This updated approach to preparedness, once completed, will better serve the Agency.

Planned Actions/Schedule:

Continue to re-tool the Family of Readiness Plans.

Verification and Validation:

Evaluation and review standards are built into the development and validation of the Preparedness Project.

1.1.2. Be prepared to activate State Headquarters, Area Offices, and Board Members to timely, fairly and equitably process reclassification claims.

Was the goal achieved? Yes.

Results:

The development of the Agency's Basic Readiness Plan, with its accompanying Standard Operating Procedures, provides guidance and instruction to Agency employees on all aspects of a mobilization.

Discussion:

The re-tooling of the Family of Readiness Plans, via the Preparedness Project, will further refine the ability of the Agency to mobilize. The update to the Registrant Integrated Processing System (RIPS) Manual will further enhance this effort.

Impact:

The decision to re-tool and update the documents that provide step-by-step mobilization instructions and guidance, plus the completion of the development of state of the art software support systems, will help ensure the Agency is prepared for any mobilization scenario.

Planned Actions/Schedule:

Finalize the update/re-tooling of the Family of Readiness Plans.

Verification and Validation:

Complete on-going review of the work accomplished to ensure the processes developed will provide in-depth detail of the mobilization process.

1.1.3. Modify the Alternative Service Processing System (ASPS) and incorporate the changes into the Central Registrant Processing Portal when work begins again on the project.

Was the goal achieved? No.

Results:

Completion of the CRPP has been postponed.

Discussion:

Staff deficiencies and other resource issues resulted in a decision to delay this initiative until such time as it is expected that circumstances will allow forward movement in this area.

Impact:

It is projected that in any return to conscription, the pre-expansion period will be sufficient to complete the CRPP. The impact of this delay is negligible.

Planned Actions/ Schedule:

Continue to maintain current automated mobilization systems as a back-up to the incomplete CRPP.

Verification/Validation:

Internal management assessments and determinations.

1.1.4. Increase outreach to historic peace churches and other organizations both in person and via electronic means.

Was the goal achieved? Yes.

Results:

In this fiscal year the Alternative Service Division re-established its relationship with the Molokan, a Russian emigre Anabaptist group headquartered near Los Angeles. Prior last contact with this group took place in the early 1970s. In addition, we met with the Dunkard Brethren Baptist and the Mid-Atlantic Mennonite Fellowship. In addition, we have unsuccessfully sought to establish contact with Islamic and other religious minority groups.

Discussion:

Outreach of this sort is politically sensitive and we have expected that progress will be slow. We have made known through select channels that we are interested in increasing our contacts within the religious and secular conscientious objector-advocacy communities.

Impact:

Our current open/user friendly lines of communication with our core constituency of historic peace churches and secular conscientious objector advocacy groups is likely the best it has ever been. Without question, it is yielding good dividends for the Agency. We have developed a reputation for honesty and fairness. This will work to our advantage in any return to conscription because it will reduce the potential for legal conflict that is so debilitating to any organization with a mission to serve the public interest.

Planned Actions/ Schedule:

Use web-conferencing and other communications technologies to reach out to groups without the means to travel to Selective Service National Headquarters.

Verification/Validation:

Program evaluation.

1.1.5. Increase membership in the Alternative Service Employer Network (ASEN) through initiatives undertaken by its State Directors and Reserve Force Officers at the local level.

Was the goal achieved? No.

Results:

We have been unable to remove roadblocks to important agreements with the Public Health Service and the Corporation for Community and national Service. Negotiations for several other Memorandums or Understanding (MOUs) are pending.

Discussion:

This is politically sensitive work that must proceed with caution. The Presidential Elections contest has been a backdrop to efforts taken to remove roadblocks. The realities of the national political cycle have required caution and no doubt hindered our efforts this year.

Impact:

This issue requires attention. However, other actions to reinforce recruitment efforts are proceeding apace.

Planned Actions/ Schedule:

We expect more traction with the change of administration. New administrators may be more interested in helping to work through the issues. We are preparing to approach them with our need. In addition, we will use this time to build recruitment competencies in our State Director, Reserve Force Officer, and Region personnel.

Verification/Validation:

Management reports/program evaluations.

Objective 1.2: Ensure acceptable registration compliance rates.

Maintaining an ongoing Registration Program of men age 18 through 25 is fundamental to mission success. To implement a "fair and equitable" draft, a 90% compliance rate for 18- through 25-year-old men is required.

Significant Activity:

By the end of FY 2008, 36 states (Alabama, Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin), three territories (Guam, Northern Mariana Islands, and Virgin Islands), plus the District of Columbia, had enacted Driver's License Legislation linked to the registration requirement. As a result, 864,114 men were registered pursuant to legislation in CY 2007.

For FY 2008, the SSS set three performance goals for Objective 1.2.

1.2.1. Attain a 90% or greater registration compliance rate for men ages 18- through 25-year olds.

Was the goal achieved: Information not available.

Results:

Projected: 91 percent (18-25 YOB Groups). Results for this goal will not be available until the end of the Calendar Year. The latest information available is for CY 2007, the year group registration rate was 91 percent. (See note below)

Discussion:

Registration is a crucial component of any future induction or draft to furnish personnel to the Department of Defense. The primary factors that foster registration compliance include: (1) enactment and implementation in states and territories of driver's license legislation requiring registration with the SSS to obtain a motor vehicle driver's license or state identification card; (2) continued use of on-line registration via the SSS Web site (www.sss.gov), (3) emphasis on soliciting volunteer SSS High School Registrars; (4) mailings to states having the lowest compliance rates, along with 19 year-olds nationwide who had not registered; (5) targeted cost effective registration awareness initiatives, including public service broadcast messages (in English and Spanish); and outreach efforts to the educational and community leaders and influencer groups – however, these important registration awareness initiatives/efforts had to be limited during FY-08 because of funding constraints.

Impact:

For CY 2007, the Selective Service national overall estimated registration compliance rate was 91 percent, down two percent from CY 2006, for men ages 18 through 25 who were required to be registered. For 18 year of birth (YOB) group, the compliance rate was 68 percent, down eight percent; the 19 YOB group was 91 percent, up one percent; and the 20-15 YOB groups were 95 percent, down one percent.

Efforts to increase registration compliance will help ensure fairness and equity in any future draft. However, a continued straight line budget or a reduced allocation for FY 09 will most likely continue to adversely impact Registration Compliance.

Planned Actions/Schedule:

With anticipated continued straight line, or even less, funding for Registration Compliance and the associated Registration Improvement Process, the Agency will continue to capitalize upon existing resources and modified programs as outlined in Agency Directive 600-24 (Registration Improvement Plan, FY 2009). For FY 2009, primary registration improvement emphasis will continue to be used to assist states and territories in their efforts to enact legislation requiring SSS registration in order to obtain a driver's license or identification card. Our goal is 100% coverage of the Nation's potential registrant population; thus, as states enact and implement Driver's License Legislation in support of the registration requirement, the percentage of electronic registrations will increase, resulting in lower costs expended by the Agency for registration compliance.

Verification and Validation:

The estimated rates of registration compliance with the Military Selective Service Act (50 U.S.C., app 451 et seq.) are an essential component in evaluating the Agency's registration program. As a result, the Agency compiles Registration Compliance Statistical Information (RCSI), which is used to provide the Agency with statistical information for the evaluation of the registration and registration compliance programs. RCSI allows management to target low/moderate registration compliance states/territories and evaluate the registration compliance program.

Note: Registration rates are for Calendar Year (CY) not Fiscal Year (FY) since registration is based on Year of Birth (YOB) Groups. For example, the 20 YOB Group covers the period of January 1 through December 31 since all registrants born in that year are the same age required for any induction requirement.

1.2.2. Attain and appoint Registrars in 87% of the Nation's high schools.

Was the goal achieved? No.

Results:

Projected: 87 percent - Actual: 86 percent.

Discussion:

As of 9/30/08, 86% of the Nation's 20,735 high schools were participating in SSS' High School Registrar Program. Registrars are uncompensated civilian volunteers who are authorized to administer and receive registrations from young men. The High School Registrar Program is a most effective awareness program that informs male students -- face-to-face -- about the requirement to register with the SSS. Registration is a prerequisite for many Federal job opportunities and student financial assistance programs. The program also provides a convenient location for young men to register – their high school.

The High School Registrar Program is augmented by additional uncompensated SSS Registrars for the Farmworkers Opportunity Program and the Workforce Investment Act Program. The result has enhanced registration awareness and contributed to compliance by registration age men participating in those programs. On-line registrant verification resulted in improved customer service by providing High School Registrars, as well as registrants, Student Financial Aid Officers, and Workforce Investment Act officials, the ability to check or verify registrations through the Agency. All SSS Registrars are able to provide prompt customer service to prospective registrants.

Impact:

The decrease in the number of SSS Registrars is partially responsible for the decrease in the estimated registration compliance for the 18 Year of Birth Group.

Planned Actions/Schedule:

The Agency will continue to: focus upon those states/territories that have not as of yet enacted legislation requiring registration with Selective Service to obtain a motor vehicle operator license or state ID card; track responses to solicitation letters to high schools; and, provide materials used to conduct the program. The SSS will monitor the participation of high schools in the programs and contact high schools to further explain the benefits of the program including the use of the Internet to apply to be a Registrar. Agency personnel evaluate feedback from personal contact with high school administrators and Registrars; encourage Agency force multipliers (i.e. uncompensated Board Members and State Resource Volunteers), as well as paid staff to "Adopt-a-High School" to solicit registrars, especially in state/territories without implemented driver's license legislation; and, implement national registration improvement programs such as those outlined in Agency Directive 600-24 (Registration Improvement Plan, FY 2009).

Verification and Validation:

Agency Headquarters Order 08-10: The SSS Registration Improvement Program, and Agency Directive 600-23 (Registration Improvement Plan, FY 2008), provided policy, direction, and identified resources for this objective.

1.2.3. Obtain 83% of all registrations electronically.

Was the goal achieved? Yes.

Results:

Projected: 83 percent of total - Actual: 84 percent of total.

Discussion:

Eighty-four percent of all registrations for FY-08 were electronic, up one percent from FY 07. Driver's license legislation, Internet registration at www.sss.gov, and data exchanges with various Federal agencies make up a significant portion of electronic registrations.

Impact:

Electronic registrations improve customer service by providing a streamlined and timely method of registering at a reduced cost.

Planned Actions/Schedule:

Continue to maintain automated registration programs. Continue to provide technical assistance, as possible, to requesting states which are in the process of implementing driver's license legislation in support of the SSS registration requirement.

Verification and Validation:

Statistical reports that measure processing timelines and evaluates program results periodically.

Strategic Goal 2: Ensure management excellence.

In concert with the PMA, SSS implemented technology upgrades of the Agency's hardware, software, and systems development processes. An overall plan and strategy to ensure alignment and integration among its human capital management process and the financial, operational, information technology, and logistical processes, is underway. Included are an expansion of the Agency's e-government, budget and performance integration, and improvements in financial performance initiatives.

Objective 2.1: Efficient and effective resource and procurement management.
Significant Activity:

The Agency published its first ever HCMP, covering activities, measures, and expected outcomes in the areas of strategic alignment, leadership and knowledge management, performance culture, talent management, and accountability. More detailed discussion of the HCMP is outlined later under the Strategic Plan section of this report.

For FY 2008, the SSS set four performance goals for Objective 2.1.

2.1.1. Implementation of the SSS Human Capital Management Plan.

Was the goal achieved? Yes.

Results:

HCMP was signed and published.

Discussion:

Full implementation of the HCMP requires additional coordination, training and updating of the plan.

Impact:

Provides the long-term strategies of enhancing the Agency's most valuable resource: its people.

Planned Actions/Schedule:

Create and implement supporting programs such as the Individual Development Plan program, which has been an issue in the past due to insufficient funding of training.

Verification and Validation:

OPM was provided a copy of the Agency's HCMP for comment.

2.1.2. Implement the full Homeland Security Presidential Directive (HSPD-12) initiative.

Was the goal achieved? Yes.

Results:

The first HSPD-12 identification card was issued in FY07; changed service providers; began issuing cards within National Headquarters during FY08. The initiative was implemented.

Discussion:

Production problems with our original service provider required SSS to switch to the GSA contract for full execution.

Impact:

Over one-half of Agency personnel do not have the new HSPD-12 identification cards.

Planned Actions/ Schedule:

Continue to work with GSA to ensure all cards are issued before the end of FY09 Q2.

Verification/Validation:

N/A.

2.1.3. Implement the OPM sponsored Electronic Official Personnel File (e-OPF)

Was the goal achieved? No.

Results:

No action was taken on this "desired" project due to lack of funding.

Discussion:

Due to lack of funding, the Agency was unable to initiate this project. Efforts to create a consortium of small agencies to lessen the significant start-up cost were unsuccessful.

Impact:

Minimal impact on daily Agency operations; the current automated system that HR utilizes will continue. Employees will not be able to access/view their personnel files via an online process.

Planned Actions/ Schedule:

The cost of implementing this project is too expensive for small agencies; therefore should be deleted.

Verification/Validation:

N/A.

2.1.4. Implement the SSS Acquisition and Logistics Management Plan

Was the goal achieved? No

Results:

No action taken or necessary.

Discussion:

Determined that the requirement for an Acquisition and Logistic Management Plan is not applicable to a small agency such as SSS with very limited contractual work.

Impact:

Limited: The Agency has existing policy and procedures in place.

Planned Actions/Schedule:

Review and update as necessary all acquisition related publications. Evaluate procurement and logistic process for process improvement.

Verification and Validation:

Evaluate procurement and logistic programs/processes based upon comparison with other small agencies plans and programs.

Objective 2.2: Efficient and effective financial management.

Significant Activity:

The OFF system, which was implemented in FY 2006, serves as the Agency's primary conduit for implementing the overall financial management software system. The system modules controlling the acquisition and property management were completed and implemented to ensure that all acquisitions are catalogued and included in the property management system. The automated E2 Travel system continues to support employee travel. The Agency has chosen to streamline the approval process for all travel requests. This streamlining process has centralized all approvals at the National Headquarters level and has significantly reduced the number of submission errors.

For FY 2008, the SSS set two performance goals for Objective 2.2.

2.2.1. Implementation of Financial Management Plan.

Was the goal achieved? No.

Results:

Projected: 75%; Actual: 20 %. The new Comptroller focused efforts on updating the most critical functions and processes within the Fiscal Manual as identified by finance staff, the external financial auditors and contracted financial support. Updated the critical policies and procedures necessary to ensure management controls are in place.

Discussion:

Build the required structure to develop and execute a sound financial management plan that will serve as the basic cornerstone by which the Financial Management Division will perform its mission and functions for the foreseeable future. Centered on the revised/updated Fiscal Manual (FM) covering office operations, the initial draft of the FM was prepared and staffed however, due to the turnover of the Accounting Officer and Budget Officer, the draft was not completed and has yet to be finalized.

Impact:

The Agency continues to operate and function based on the guidelines and rules established in the outdated FM manual that has been supplemented with several operational directives as the need arises). An updated FM remains necessary as the "overarching" document that establishes guidelines and procedures for the day-to-day operations.

Planned Actions/Schedule:

The Fiscal Manual will be staffed and comments to be incorporated in the revised/updated version during fiscal year 2009. The priority for this action was shifted to the day-to-day operation and to focus on a clean audit opinion.

Verification and Validation:

Once the Fiscal Manual has been completely updated a periodic (annual) review and updates will be performed by the resident

Financial Management staff members to ensure that the Fiscal Manual is up-to-date.

2.2.2. Complete Performance and Budget Integration.

Was the goal achieved? Yes.

Results:

The OFF provides an integrated financial system that ties to the budget development/execution process, the acquisition system, property management and depreciation processes.

Discussion:

The Agency's budget and strategic planning documents were aligned for implementation and execution as outlined in the Strategic Plan. Additional plans were established whereby all personnel costs (pay, benefits, etc.) are accounted in accordance with the Strategic Plan. A further refinement was planned but not funded - a revised Time and Attendance Reporting system will enable better activity-based-accounting. Restructured accounting codes were implemented, enabling better accountability of operations in support of Strategic goals and initiatives.

Impact:

The Agency's ability to apply activity-based-costing principles has not yet been fully achieved. Changes to the Agency's Strategic Plan along with the lack of a new Time and Attendance process may cause a revision of the current scheme to align the budgetary resources to the Strategic Plan. The potential for change is a minor concern and rectifiable within the accounting structure.

Planned Actions/Schedule:

The revised accounting structure will be reviewed and aligned with the new Strategic Plan to ensure that the established Goals and Objectives as outlined are aligned with the requested funding in the Agency's annual budget request. An updated Time and Attendance Reporting system will be procured and integrated with the OFF System and implemented so that all Agency personnel costs can be recorded in accordance with the budget and Strategic Plan. However, due to a lack of funding, this purchase has been postponed to FY 2009.

Verification and Validation:

The Financial Management Division will review the funding as approved by the Office of Management and Budget to ensure that the reported budget and performance data is aligned as outlined in the most recent and current Strategic Plan for the Agency.

Objective 2.3: Efficient and effective information technology management.

Significant Activity:

The SSS continued to update its IT network to help meet the President's e-Government initiative. The Agency's main web site provides several services to the general public such as online registration through which a man can register with Selective Service in real-time. The site also features registration verification so that an individual can check an existing registration. Work also continued to upgrade the current Interactive Voice Response (IVR) system that automatically handles telephone calls to SSS. The FY 2008 FISMA audit resulted in a higher compliance rating than the previous year's audit. Some work remains to be in full compliance with FISMA, but substantial progress was made during the year.

The Agency continued work on a major modernization effort to migrate all of its Registration, Compliance, and Verification (RCV) information systems from the U.S. Military Entrance Processing Command mainframe platform to a modern server-based environment. This effort will increase the Agency's technical capabilities and allow seamless integration with the other systems throughout the Agency's Enterprise Architecture, ensuring system compliance with all Federal security and information technology requirements.

Information security continued to be a major focus during this fiscal year, and the Agency remains committed to securing and protecting personally identifiable information (PII) it receives from men complying with the registration requirement. No security breaches occurred at SSS, but the Agency did work with the U.S. Computer Emergency Readiness Team to mitigate a number of incidents in which a registrant's data was captured by a malicious keystroke logging program which infected a number of computers external to SSS. Also, the Agency's firewalls and intrusion detection systems intercepted numerous attacks per week against the SSS' network.

The Agency underwent an annual FISMA audit, and the results confirmed that improvements were made since the last audit in 2007. Some work remains to be done to be in full compliance with all FISMA guidance, but the Agency made substantial progress in ensuring the data it is entrusted with remains secure.

For FY 2008, the SSS set four performance goals for Objective 2.3.

2.3.1. Complete the development and implementation of the registration modernization project.

Was the goal achieved? No.

Results:

The contractor hired to perform SDLC (System Development Life Cycle) of the system was terminated due to non-performance in April 2007, and a new contractor was awarded the contract in August 2007. As a result, acquisition costs will be higher than originally anticipated, and the project will not be completed until FY 2010 rather than FY 2008.

Discussion:

Due to the requirements/planning phase taking longer than anticipated, this goal will be completed in FY 2010.

Impact:

This goal will not be completed until FY 2010, and as a result, the Agency will continue work on the major modernization effort to migrate its core Registration, Compliance, and Verification Information systems from a legacy mainframe platform to a modern server-based environment.

Planned Actions/Schedule:

SSS has secured a new vendor to develop a design and to develop and implement a plan of migration off the mainframe. The contract was awarded in August 2007. The targeted completion date for the implementation of the mainframe migration is 2010.

Verification and Validation:

Development and completion of all Unit Test, Systems Test, and Parallel Text requirements will be developed by the contracted vendor as part of their SDLC methodology. SOW/RFP solicitation is available in PDF format for review.

2.3.2. Completion of Phase 2 of CRPP - Complete design, development and testing of the remaining Mobilization Functionality (Registrant Management, Claim/Appeals Processing, Alternative Service Management,

Location Management, RFO Management, Board Member Management, etc.)

Was the goal achieved? No.

Results:

The program evaluation was postponed. Development activities are scheduled to begin in FY 2011.

Discussion:

The development of the CRPP will capture the refinements to the business rules. During FY 2006 and FY 2007, the internal team assigned to complete the CRPP software had been reduced from six to three members. Two staff members were lost due to retirement, and one of the staff members has since been reassigned. The initial projection to attain this goal was based on the availability of the full team of six members. In addition, the existing staff members were trained in the new technologies being implemented on the CRPP project over the course of FY 2006 and FY 2007.

Impact:

Due to the 50% reduction in staff assigned to the project and the current team members being less experienced with the technologies involved, the team has thus far not been able to perform within the timelines originally projected. With the current staff and resources assigned to this project, this goal will not be attained until FY 2011 at the earliest.

Planned Actions/Schedule:

The Operations Directorate has put into place plans to mitigate this problem by recruiting two FTE to supplement the team internally as well as budgeting additional funds in FY 2009 to outsource the development of the project.

Verification and Validation:

Testing and evaluation standards will be developed to validate exercise results.

2.3.3. Ensure compliance with FISMA requirements to include meeting annual auditing and reporting tasks as well as protecting personal identification information entrusted to Selective Service.

Was the goal achieved? No.

Results:

The FY 2008 FISMA audit resulted in a higher compliance rating than the previous year's audit. While an unqualified audit opinon was obtained, some work will be required to remain fully compliant with FISMA.

Discussion:

FISMA audits occur each year, and SSS makes every effort to correct deficiencies noted in the audit.

Impact:

N/A.

Planned Actions/Schedule:

Every effort is taken to correct deficiencies noted in the FISMA audit. Due to funding, some corrections take longer to achieve than others.

Verification and Validation:

N/A.

2.3.4. Ensure the Agency is in compliance with OMB Directive M-06-16 by implementing NIST 800-53 guidance.

Was the goal achieved? No.

Results:

This deals mainly with safeguarding information on our PCs. Since we stopped using IMIS and started using the IMIS Bandaid, we are partially compliant; however, until we get off the mainframe we will not be compliant.

Discussion:

Work is continuing on the major modernization effort to migrate its core Registration, Compliance, and Verification Information systems from a legacy mainframe platform to a modern server-based environment.

Impact:

Once information systems migration from a legacy mainframe platform to a modern, server-based environment is achieved, the Agency will be in compliance with the OMB Directive.

Planned Actions/Schedule:

Continue work on migration of the Agency's core Registration, Compliance, and Verification Information systems from a legacy mainframe platform to a modern server-based environment.

Verification and Validation:

N/A.

Objective 2.4: Efficient and effective management of Communications with the Public.

Significant Activity:

In FY 2008, the Agency responded to an unexpected influx of inquiries, correspondence, and phone calls expressing concern about reinstatement of a military draft and especially questions relating to one's registration status to qualify for assorted government benefits and programs.

During the first nine months of FY 2008 before the National Archives and Records Administration took full ownership, control and storage of SSS records for men born before 1960, over 14,000 requests for records were received, researched, and responded to by this Agency.

Numerous news outlets both print and broadcast, contacted the SSS for general interviews or specific information.

The SSS completed its third year of employing the air show platform to convey the Agency's messages. The SSS Air Show Program utilized the Navy's "Blue Angels" and Air Force's "Thunderbirds," as well as public address announcements, to publicize Agency's messages at seven air shows located in high priority markets with lower registration compliance rates across the U.S.

Additionally, SSS partnered with educational and ethnic, community-based national associations to reach thousands of grassroots community leaders and influencers. These leaders helped introduce the SSS registration message to their local communities: register and stay eligible for jobs, job training, school loans and grants, and citizenship for immigrants.

The Agency staff traveled to Los Angeles, Philadelphia, and New York to conduct focus group studies because these cities were areas where registration compliance fell short of the national average. Also, eighty outreach meetings were conducted in concert with the focus groups to capitalize upon Agency staff being in the local areas and partner with community associations that reach out daily to young men of registration age.

Further, PIA redistributed its radio package, "Something Every Young Man Needs to Know," with a compilation of 19 radio spot public service announcements in English and Spanish and announcer-read scripts for live radio public service announcements to all major media markets. However, no television public service announcements were produced or distributed again this year.

Finally, SSS High School Publicity Kit materials are being distributed in November 2008 to more than 36,000 high school principals and SSS high school registrars who are members of the staff or faculty. The kit featured posters and other communication materials with an important registration message for high school men.

For FY 2008, the SSS set two performance goals for Objective 2.4.

2.4.1. Distribute quality public service advertising materials to every national media market and obtain public service air time in at least 90% of the major markets and 95% of all media markets.

Was the goal achieved? Yes.

Results:

Projected: 90% Major Markets; Actual: 100%. Projected: 95% All Media Markets; Actual: 100%

Discussion:

This goal was achieved.

Impact:

Awareness of the registration requirement is out in the public square. Further, publicity to retain access to programs/benefits by disadvantaged youth took place. However, the tracking service for play rates, frequency, and time slots was not funded so that measure of effectiveness was lacking.

Planned Actions/Schedule:

For FY 2009, awaiting management decision to resource programs which support national communications program, registration awareness and compliance, and organizational outreach.

Verification and Validation:

N/A: only limited voluntary feedback through bounce-back cards from media stations.

2.4.2. Improve the turnaround times, in accordance with provisions of the Agency's Administrative Services Manual, for all types of responses: White House, congressional, media, registrants, and the general public.

Was the goal achieved? No.

Results:

Projected for Acknowledgement Letters: 15 days; Actual: 18 days.
Projected (all other responses): 8 days or less; Actual: 5 days or less.

Discussion:

Response times have increased because of expanding workload; fewer dedicated servicing staff, and a national environment of greater personal verification. As the economy contracts more men seek government job training; as baby boomers retire greater numbers of men seek government employment with concomitant security clearances; as jobs become more complex further education is necessary; and the number of men seeking U.S. naturalization continues to grow. All these factors have caused an explosion in registration verification workload with no increase in servicing staff. Thus, a rise in turnaround times can be expected.

Impact:

Unacceptable customer service levels.

Planned Actions/Schedule:

Perform as best possible until programmatic remedies are in place.

Verification and Validation:

Statistical reports that measure processing time lines, program evaluations and public feedback.

FINANCIAL DETAILS

Message from the Comptroller

The SSS recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability. The Agency is committed to fulfilling the requirements of the Government Performance and Accountability Act, the Government Management and Reform Act, and the Federal Managers' Integrity Act.

SSS daily programs and activities affect America's young men. To facilitate these programs, the Comptroller is entrusted with a certain amount of taxpayers' resources. Strong financial systems and internal controls ensure that accountability, integrity, and reliability will remain an Agency priority. Because I am keenly aware of the importance of this fiduciary responsibility, I remain committed to the performance and accountability mandates put forward by the President and Congress. However, since implementation of the new accounting system, we continue to struggle to satisfy the mandates in financial management which I have adopted. Nevertheless, together with hard working, innovative, dedicated and skilled career employees, we have been able to resolve and overcome most difficulties and deficiencies.

As the new Comptroller, appointed on October 15, 2007, I have been dedicated to providing sound management of the resources under my stewardship, and communicating the performance of my programs through this report. After 12 months as Comptroller I can now guarantee an unqualified assurance of compliance with the Federal Managers' Financial Integrity Act, and the financial systems requirements of the Federal Financial Management Improvement Act.

Carlo Verdino
Comptroller

Overview of Financial Statements

Purpose of the financial statements:

- The balance sheet shows asset vs. liabilities
- Statement of Net Cost shows the cost of operations
- Statement of Change in Net Position identifies the accounting actions which caused the change in Net Position
- Statement of Budgetary Resources shows how resources were made available during the budget year and the year end status of those resources

Financial Statements

Balance Sheet:

Selective Service System
Consolidated Balance Sheets
As of September 30 2008 and 2007
(in Dollars)

		2008		2007
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury (Note 2)	$	12,139,493	$	13,685,886
Accounts and Interest Receivable				341,115
Total Intragovernmental Assets		12,139,493		14,027,001
Accounts and Interest Receivable, Net (Note 3)		10,162		
General Property, Plant and Equipment, Net (Note 4)		1,936,674		1,572,686
Assets Under Capital Lease				34,065
TOTAL ASSETS	$	14,086,329	$	15,633,752
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable (Note 7)	$	757,963	$	971,118
Other				
Accrued Payroll and Benefits		104,083		
Federal Employee Compensation Benefits (Note 6,10)		548,596		598,114
Total Intragovernmental Liabilities		1,410,642		1,569,232
Accounts Payable (Note 8)		536,329		703,248
FECA Actuarial Liability (Note 6,10)		2,982,055		3,055,153
Environmental and Disposal Liabilities				
Other				
Unfunded Annual Leave (Note 10)		823,121		807,055
Accrued Payroll and Benefits (Note 8)		433,250		509,602
TOTAL LIABILITIES		6,185,397		6,644,290
Net Position				
Unexpended Appropriations		10,229,988		10,098,391
Cumulative Results of Operations		(2,329,056)		(1,108,929)
TOTAL LIABILITIES AND NET POSITION	$	14,086,329	$	15,633,752

Statement of Net Cost:

Selective Service System
Consolidated Statements of Net Cost of Operations
for the Fiscal Years Ended September 30, 2008 and 2007
(in Dollars)

	2008	2007
Total Costs (Note 9)	$ 22,672,316	$ 25,163,614
Less: Total Earned Revenue (Note 9)	354,719	334,110
Net Cost of Operations	$ 22,317,597	$ 24,829,504

Category	FY 2008 (in dollars)	FY 2007 (in dollars)
Intragovernmental Gross Cost	$ 10,484,762	$ 7,894,490
Less Earned Revenue	354,719	334,110
Intragovernmental Net Cost	$ 10,130,043	$ 7,560,380
Gross Costs with the Public	$ 12,187,554	$ 17,269,124
Less Earned Revenue	-	-
Net Costs with the Public	$ 12,187,554	$ 17,269,124
Net Cost of Operations	**$ 22,317,597**	**$ 24,829,504**

Statement of Changes in Net Position:

Selective Service System
Consolidated Statements of Changes in Net Position
for the Fiscal Years Ended September 30, 2008 and 2007
(in Dollars)

	2008	2007
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	$ (1,108,929)	$ (1,783,123)
Adjustments		
Correction of Error (Note 14)	(1,513,046)	
Beginning Balance, as adjusted	(2,621,975)	(1,783,123)
Budgetary Financing Sources		
Appropriations-Used	21,630,829	24,468,642
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others (Note 1)	979,685	1,035,056
Total Financing Sources	22,610,514	25,503,698
Net Cost of Operations	22,317,597	24,829,504
Net Change	292,917	674,194
Ending Balance - Cumulative Results of Operations	$ (2,329,056)	$ (1,108,929)
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$ 10,098,391	$ 10,567,833
Adjustments		
Correction of Error (Note 14)	1,615,333	-
Beginning Balance, as adjusted	11,713,724	10,567,833
Budgetary Financing Sources		
Appropriations Received	22,000,000	24,850,423
Appropriations-Used	(21,630,829)	(24,468,642)
Other Adjustments	(1,852,908)	(851,223)
Net Change	(1,483,737)	(469,442)
Ending Balance - Unexpended Appropriations	$ 10,229,988	$ 10,098,391
TOTAL NET POSITION	$ 7,900,932	$ 8,989,462

Statement of Budgetary Resources:

Selective Service System
Combined Statements of Budgetary Resources
As of September 30 2008 and 2007
(in Dollars)

		2008		2007
Budgetary Resources:				
Unobligated balance, beginning of Fiscal Year	$	6,787,686	$	5,783,293
Recoveries of prior year unpaid obligations		2,429,945		5,335
Budget Authority				
Appropriation		22,000,000		24,850,423
Spending authority from offsetting collections				
Earned				
Collected		696,162		159,259
Change in receivables from Federal sources		(341,115)		174,852
Change in unfilled customer orders				
Without advance from Federal sources		(16,027)		16,027
Total Budget Authority		31,556,651		30,989,189
Permanently not available		(1,852,908)		(894,391)
Total Budgetary Resources	$	29,703,743	$	30,094,798
Status of Budgetary Resources:				
Obligations incurred				
Direct	$	22,063,851	$	22,888,081
Reimbursable		195,460		419,030
Total Obligations incurred		22,259,311		23,307,111
Unobligated balance available				
Apportioned		17,417		1,012,831
Total Unobligated balance available		17,417		1,012,831
Unobligated balance not available		7,427,015		5,774,857
Total Status of Budgetary Resources	$	29,703,744	$	30,094,799
Obligated Balance:				
Obligated balance, net				
Unpaid obligations, brought forward, beginning of Fiscal Year	$	7,255,342	$	7,925,903
Less: Uncollected customer payments from Federal sources, brought forward, beginning of Fiscal Year		357,142		166,263
Total unpaid obligated balances, net, beginning of Fiscal Year		6,898,200		7,759,640
Obligations incurred, net		22,259,311		23,307,111
Less: Gross outlays		22,389,649		23,972,337
Less: Recoveries of prior year unpaid obligations, actual		2,429,945		5,335
Change in uncollected customer payments from Federal sources		357,142		(190,877)
Total, unpaid obligated balance, net, end of period	$	4,695,060	$	6,898,202
Obligated Balance, net, end of period - by component:				
Unpaid obligations		4,695,060		7,255,343
Less: Uncollected customer payments from Federal sources		-		(357,141)
Total, unpaid obligated balance, net, end of period	$	4,695,060	$	6,898,202
Net Outlays:				
Net Outlays				
Gross outlays		22,389,649		23,972,337
Less: Offsetting collections		(696,162)		(159,258)
Net Outlays(Receipts)	$	21,693,487	$	23,813,079

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Accounting and Presentation

The financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources in accordance with U. S. Generally Accepted Accounting Principles (GAAP) and Financial Reporting Requirements of the Office of Management and Budget (OMB) prescribed in OMB Circular A-136, Financial Reporting Requirements (as revised June 2008).

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

C. Budget Authority

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

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

D. Fund Balance with Treasury

Fund balances with Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. See Note 2 for additional information.

E. Accounts Receivable

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

F. Property, Plant, and Equipment, Net

The basis for recording purchased general Property, Plant, and Equipment (PPE) is full costs, including all costs incurred to bring the PP&E to and from a location suitable for its intended use. The SSS PP&E consists of equipments, 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 $10,000 or more and a useful life of at least 3 years. The dollar threshold for capitalization of bulk purchases is $50,000. Assets are depreciated using straight-line method of depreciation with useful lives ranging from three to seven years. See Note 4 for additional information.

G. Accrued Liabilities and Accounts Payable

Accrued Liabilities and Accounts Payable represent a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when incurred, regardless of whether they are covered by budgetary resources. Liabilities cannot be liquidated without legislation that provides resources to do so. Also, the government, acting in its sovereign capacity, can abrogate SSS liabilities. See Note 10 for information on "Liabilities Not Covered by Budgetary Resources", Note 8 for information on "Other Liabilities", and Note 7 for information on Accounts Payable.

H. Accrued Workers Compensation and Other Actuarial Liabilities

Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and to pay beneficiaries of employees whose deaths are attributable to job-related injuries or occupational disease. The FECA program is administered by the United States Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the Selective Service System for these paid claims.

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

I. Pension Costs, Other Retirement Benefits, and Other Post Employment Benefits

SSS 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 SSS contributes 7% 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% of base pay and matches any employee contributions up to an additional 4% 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 the SSS, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefit Program (FEHBP) and the Federal Group Life Insurance Program (FEGLIP). SSS reports to the full cost of providing other retirement benefits (ORB). The SSS also recognizes an expense and liability for other post employment benefits (OPEB), which includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. During fiscal years 2008 and 2007, the cost factors relating to FEHBP were $5,220 and $5,572 respectively, per employee enrolled. During fiscal years 2008 and 2007, the cost factor relating to FEGLIP was .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 / Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. These constitute subsidized costs which are recognized by the receiving entity. SSS recognized imputed costs and financing sources in fiscal years 2008 and 2007 to the extent directed by the OMB, such as: employees' pension, post-retirement health and life insurance benefits; other post-employment benefits for retired, terminated, and inactive employees, which include unemployment and workers compensation under the Federal Employees Compensation Act (FECA) and losses in litigation proceedings.

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 which is recognized when earned; i.e. 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 Costs and imputed financing for these costs is recognized in the Statement of Changes of 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 the U.S. Treasury

Fund balances with Treasury consisted of the following at September 30, 2008 and 2007:

Fund Balances	**2008**	**2007**
Appropriated Funds	$12,139,493	$13,685,886

Status of Fund Balance With Treasury		
Unobligated Balance		
Available	17,417	1,012,803
Unavailable	7,427,016	5,774,855
Obligated Balance not yet Disbursed	4,695,060	6,898,201
Total	$12,139,493	$13,685,886

NOTE 3 Accounts Receivable, Net

On September 30, 2007, SSS had one uncollected bill recorded in accounts receivable for reimbursable services provided under the Memorandum of Agreement between SSS and the Department of Defense (DoD).

On September 30, 2008, SSS had two accounts receivable from current employees and one receivable from a vendor. These amounts are deemed to be fully collectible.

	FY 2008 (In Dollars)	FY 2007 (In Dollars)
Intragovernmental	$ -	$ 341,115
Public	$ 10,162	$ -
Total	$ 10,162	$ 341,115

NOTE 4 Property, Plant, and Equipment, Net

SSS policy is to capitalize individual purchases of property and equipment with a cost of $10,000 or more and a useful life of at least 3 years. The dollar threshold for capitalization of bulk purchases is $50,000. Assets are depreciated using straight-line method of depreciation with useful lives ranging from three to seven years. Additionally, internal use software development and acquisition costs of $10,000 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 for the following as of September 30, 2008 and 2007.

Asset Class	**Useful Life**
Equipment	3- 7 years
Assets Under Capitalized Lease	3 years
Information Technology Software	3 years
Internal Use Software	7 years

Asset Class	**Acquisition Value**	**Accumulated Depreciation**	**2008 Net Book Value**
Equipment	$1,068,166	$851,503	$216,663
Assets Under Capitalized Lease	153,293	153,293	0
Information Technology Software	821,310	398,851	422,459
Internal Use Software in Development	1,297,553	0	1,297,553
Total	**$3,340,322**	**$1,403,647**	**$1,936,675**

Asset Class	**Acquisition Value**	**Accumulated Depreciation**	**2007 Net Book Value**
Equipment	$890,775	$779,178	$111,597
Assets Under Capitalized Lease	153,293	119,228	34,065
Information Technology Software	773,104	271,394	501,710
Internal Use Software in Development	959,379	0	959,379
Total	**$2,776,551**	**$1,169,800**	**$1,606,751**

Depreciation expense was $237,470 and $317,294 for fiscal years ending September 30, 2008 and 2007, respectively, and is contained in the accumulated depreciation.

NOTE 5 Leases

The Selective Service System leases office and storage space from commercial vendors and the General Service Administration (GSA). In addition, SSS rents copiers and other office equipment from commercial vendors and vehicles from GSA and commercial vendors. With the exception of the commercial leases on two office buildings (Colorado and Georgia) and the occupancy agreement (OA) with GSA (Virginia), all rentals are one-year. Because these rentals are considered cancelable, minimum lease payments due are restricted to the two commercial leases and the OA with GSA.

Selective Service System has executed three long-term leases for office space. The three leases are as follows: (1) Region II Headquarters in Smyrna, Georgia, (2) Region III Headquarters in Denver, Colorado, and (3) National Headquarters in Arlington, Virginia.

The lease for the Region II Headquarters space is a ten-year lease initiated in 2004 and expiring in 2014. The annual rent of $69,654 in 2004 escalates between 6% and 4% each year to $105,820 in 2014.

The lease for the Region III Headquarters is a five-year lease initiated in January 2006 and expiring in December 2011. The annual rent of $94,023 has no escalation charge. However, the lease requires payment of the pro rata share of expenses related to operating, maintaining, repairing and managing the property. In 2007, the monthly expense was $151. In 2008, the monthly expense was $301.

Office space for National Headquarters is obtained from General Services Administration (GSA) via an Occupancy Agreement (OA) which expires in October 2013. The base year rent of $525,462 can escalate from 5% to 10% each year for anticipated increases in operating costs.

Fiscal Year	Office Space	Total FY2008	Office Space	Total FY2007
2008			$727,030	$727,030
2009	$764,558	$764,558	775,278	775,278
2010	775,132	775,132	827,262	827,262
2011	715,386	715,386	883,276	883,276
2012	703,858	703,858	847,634	847,634
2013	714,035	714,035	1,033,973	1,033,973
2014 and beyond	83,958	83,958	1,949	1,949
Total Future Lease Payments		**$3,756,927**		**$5,096,402**

NOTE 6 FEDERAL EMPLOYEES' COMPENSATION ACT

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

FECA are administered by the Department of Labor (DOL) and are paid, ultimately, by SSS.

For 2007, and again in 2008, 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 $2,982,055 and $3,055,153 as of September 30, 2008, and September 30, 2007, respectively, is reported on SSS' Balance Sheet. SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2008 and September 30, 2007, of $548,595 and $598,114, respectively, but not yet reimbursed to DOL by SSS. The amount owed to DOL is reported on SSS' Balance Sheet as an Intragovernmental liability

NOTE 7 Intragovernmental Liabilities – Accounts Payable

Intragovernmental Liabilities are the amounts that the SSS owes other federal government agencies.

	FY 2008 (In Dollars)	*FY 2007* (In Dollars)
Department of the Defense	$659,459	$755,290
U.S. Postal Service	22,500	146,677
Government Printing Office	0	29,001
Department of Justice	0	21,732
Government Services Agency	3,034	18,418
Department of Labor	0	0
Department of Homeland Security	197	0
Office of Personnel Management	20,836	0
USDA Graduate School	2,640	0
Department of Navy	7,366	0
Social Security Administration	4,600	0
Department of Army	37,331	0
TOTALS	$757,963	$971,118

NOTE 8 Other Liabilities

The accrued liabilities for SSS are comprised of program and lease expense accruals, payroll accruals, and unfunded annual leave earned by employees. Program expense accruals represent expenses that were incurred prior to year-end, but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end, but were not paid.

	FY 2008 (in Dollars)	FY 2007 (in Dollars)
Intragovernmental Liabilities		
FECA	$548,596	$598,114
Accounts Payable	757,963	971,118
Accrued Payroll	104,083	
Subtotal Intragovernmental	1,410,642	1,569,232
Public Liabilities		
Accrued Funded Payroll and Leave	$433,250	$807,055
Actuarial FECA	2,982,055	3,055,153
Accounts Payable	536,329	703,248
Other Liabilities	823,121	509,602
Subtotal Public	4,774,755	5,075,058
Total Liabilities	$6,185,397	$6,644,290

NOTE 9 Intragovernmental Costs and Exchange Revenue

	FY 2008 (In Dollars)	FY 2007 (In Dollars)
Intragovernmental Gross Cost	$10,484,762	$7,894,490
Less: Earned Revenue	(354,719)	(334,110)
Intragovernmental Net Cost	$10,130,043	$7,560,380
Gross Cost with the Public	$12,187,554	$17,269,124
Less: Earned Revenue	0	0
Net Costs with the Public	$12,187,554	$17,269,124
Net Cost of Operations	$22,317,597	$24,829,504

Intragovernmental costs are those expenses paid by SSS to other federal government entities. They include, but are not limited to, the Army National Guard Bureau, Department of the Interior, General Services Administration, Government Printing Office and Great Lakes Naval Station Public Works.

Public costs are expenses paid to all other entities, to include state and local governments and the general public.

All earned revenue was with other federal government agencies.

NOTE 10 Liabilities Not Covered by Budgetary Resources

The liabilities on Selective Service System's Balance Sheet as of September 30, 2008, 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, 2008, and September 30, 2007, is as follows:

	FY 2008 (In Dollars)	FY 2007 (In Dollars)
Intragovernmental liabilities:		
Other		
Unfunded FECA	$548,595	$598,114
Total Intragovernmental liabilities	$548,595	$598,114
Other		
Unfunded Annual Leave	$823,121	$807,055
Actuarial FECA	2,982,055	3,055,154
Total Liabilities Not Covered By Budgetary Resources	$4,353,771	$4,460,323

NOTE 11 Undelivered Orders at the End of the Period

Undelivered orders are purchase orders issued by SSS during Fiscal Year 2008 that have not had delivered of required product or service as of September 30, 2008. It is anticipated that these undelivered items will be provided in future periods and will require resources obligated during Fiscal Year 2008.

	FY 2008 (In Dollars)	FY 2007 (In Dollars)
Undelivered Orders	$4,695,060	$4,903,268

Total Undelivered Orders	$4,695,060	$4,903,268

NOTE 12 President's Budget

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget (Budget of the United States Government).

A comparison of FY 2007 Statement of Budgetary Resources to the President's Budget is shown in the following table.

	Budgetary Resources	Obligations Incurred	Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	30,094,798	23,307,111	(159,258)	23,813,079
Difference A	894,391			
Difference B	149,577		159,258	186,921
Difference C	(5,783,293)			
Difference D	(355,473)			
Difference E		1,692,889		
Budget of the U.S. Government	25,000,000	25,000,000	-	24,000,000

The President's Budget with the estimated FY 2009 amounts was released on February 5, 2008, and the President's Budget with the FY 2008 actual amounts is estimated to be released in February 2009. This information can be found on the OMB website: www.whitehouse.gov/omb. As such, the actual amounts for 2008 have not been published at the time the financial statements were prepared.

Budgetary resources and status of those resources presented in the Combined SBR for the period ended September 30, 2007, differ from the amounts presented in the President's FY 2007 Budget. Following is an explanation of those reason codes from the table above:

A. Cancelled Accounts
   Differences relate to cancelled accounts being included in the Combined SBR but not in the President's Budget.

B. Differences related to rounding or line items are not reported on the President's Budget.

C. Unobligated balances of expired funds brought forward at the beginning of the year included in SBR but not in President's Budget.

D. Budgetary resources from offsetting collections on SBR but not in President's Budget.

E. Budget Justification shows $23,307 new obligations, reported in error as $25,000 in President's Budget.

NOTE 13 Reconciliation of Net of Operations (Proprietary) to Budget (Formerly the Statement of Financing)

Effective September 30, 2007, OMB revised Circular A-136 and changed the Statement of Financing from one of the principle financial statements to a note presentation. Under the new guidance, agencies must comply with the reconciliation as prescribed in Statement of Federal Financial Accounting Standards (SFFAS) 7 but are given broad discretion in the note's structure and presentation. SFFAS 7, along with the related Implementation Guide, require a uniform structure to the reconciliation, but do not prescribe any specific line items or USSGL crosswalk treatment.

The reconciliation performed in the note explains the bridge between an entity's budgetary and proprietary accounting. It articulates the relationship between net obligations derived from an entity's budgetary accounts and net cost of operations derived from the entity's proprietary accounts by identifying and explaining key differences between the two methods of accounting. The differences result from distinct and known variations in the two accounting methods, such as timing differences.

Reconciliation of Net Cost of Operations to Budget
For the Fiscal Years Ending September 30 2008 and 2007

(in Dollars)

	FY 2008	FY 2007
Budgetary Resources Obligated		
Obligations Incurred	22,259,312	23,307,111
Less: Spending Authority from Offsetting Collections and Recoveries	2,768,964	164,593
Obligations Net of Offsetting Collections and Recoveries	19,490,348	23,142,518
Less: Offsetting Receipts	0	0
Net Obligations	19,490,348	23,142,518
Other Resources		
Imputed Financing from Costs Absorbed by Others	979,685	1,035,056
Other	0	
Net Other Resources Used to Finance Activities	979,685	1,035,056
Total Resources Used to Finance Activities	20,470,033	24,177,574
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	(2,189,029)	0
Resources that Fund Expenses Recognized in Prior Periods		
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations		
Other		
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	447,161	537,727
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	0	(840,797)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(1,741,868)	(303,070)
Total Resources Used to Finance the Net Cost of Operations	22,211,901	24,480,644
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	16,067	
Increase in Exchange Revenue Receivable from the Public	(10,162)	
Other	(1,740)	
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	4,165	
Components not Requiring or Generating Resources		
Depreciation and Amortization	237,470	317,294
Revaluation of Assets or Liabilities	(120,232)	
Other	(15,707)	31,566
Total components of Net Cost of Operations that will not Require or Generate Resources	101,531	348,860
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	105,696	348,860
Net Cost of Operations	22,317,597	24,829,504

NOTE 14 Corrections of Errors

SSS' 2008 Statement of Changes in Net Position has been corrected to address errors made in the prior year's Cumulative Results of Operations and Unexpended Appropriations line items. SSS determined the cause of the errors were due to incorrect posting models, journal vouchers processed for incorrect amounts and/or to improper accounts, and other accounting errors. SSS has strengthened its controls over the processing of journal vouchers and implemented other actions to further strengthen its controls over financial reporting. SSS has also worked with its service provider to correct the posting model errors identified. The following table describes the corrections made, the line items corrected, and the amounts of the corrections.

Financial Statement	Line Item	Amount of Error
Statement of Changes in Net Position	Cumulative Results of Operations – Correction of Error	$(1,513,046)
Statement of Changes in Net Position	Unexpended Appropriations – Correction of Error	$ 1,615,333

SELECTIVE SERVICE SYSTEM

Independent Auditor's Report

Financial Statements as of and for the Years Ended
September 30, 2008 and 2007

Submitted By

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

LEON SNEAD
& COMPANY, P.C.

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Director, Selective Service System

Independent Auditor's Report

We have audited the accompanying balance sheet of the Selective Service System (SSS), as of September 30, 2008, and the related statements of net cost, changes in net position, and budgetary resources (financial statements) for the year then ended. We were engaged to audit the accompanying balance sheet of SSS, as of September 30, 2007, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended.

SUMMARY

As stated in our opinion on the financial statements, we found that SSS's financial statements, as of and for the year ended September 30, 2008, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. As discussed in our 2007 audit report, SSS's accounting records were not sufficient to support certain transactions, account balances, and amounts reported in its financial statements. As a result of these problems, coupled with material weaknesses in SSS's internal controls over financial reporting, we were not able to apply other auditing procedures to satisfy ourselves as to the completeness and accuracy of those amounts. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the 2007 financial statements.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified no material weaknesses in financial reporting. We did identify three internal control weaknesses that we consider to be significant deficiencies. We noted another control deficiency that we have reported to the management of SSS and those charged with governance in a separate letter dated November 3, 2008.

The results of our tests of compliance with certain provisions of laws and regulations disclosed one instance of noncompliance that is required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

SSS officials, in a memorandum dated November 3, 2008, agreed with the findings and recommendations and are implementing actions to address the problems noted in our report.

OPINION ON THE FINANCIAL STATEMENTS

Except as explained in the following paragraph, we conducted our audits of the accompanying balance sheets of the SSS, as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended in accordance with auditing standards generally accepted in the United States of America.

Our 2007 audit identified material weaknesses in SSS's internal control over financial reporting that raised significant concerns about the ability to audit SSS's financial statements. SSS was unable to provide sufficient evidential matter to support certain transactions and account balances presented in the 2007 financial statements. Since the accounting records were not sufficient to support amounts reported in the financial statements, it was impractical to extend our procedures to determine the extent, if any, to which SSS financial statements may have been affected by the matters discussed above.

Because of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the balance sheet of the SSS, as of September 30, 2007, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the SSS, as of and for the year ended September 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of Selective Service System management regarding the methods of measurement and presentation of the supplementary information and analysis of the information for consistency with the financial statements. However, we did not audit the information and express no opinion on it. The Performance and Accountability Report, except for Management's Discussion and Analysis, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of SSS, as of and for the years ended September 30, 2008, in accordance with auditing standards generally accepted in the Unites States of America, we considered SSS's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SSS's internal control. Accordingly, we do not express an opinion on the effectiveness of SSS's internal control.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

FINDINGS AND RECOMMENDATIONS

1. Financial Reporting Controls Strengthened but Additional Actions Needed

After we issued our financial statement audit report in December 2007, SSS took prompt action to address the serious problems identified in that report with internal controls over financial reporting. During fiscal year 2008, SSS established a project team to address the systemic weaknesses, and to implement the audit's recommendations. Our follow-up tests, performed as part of 2008 financial statements audit, found substantial improvements in internal controls over financial reporting. While not all problems have been fully corrected, SSS has taken sufficient actions so that the issues that remain no longer represent material weaknesses to SSS's financial management operations. It should be noted that many of the errors impacting the 2008 financial statements were due to control weaknesses in SSS's service provider's internal controls.

Control Problems Continue with Journal Voucher Processing

- Control weaknesses relating to journal vouchers (JV) processed to SSS's general ledger continued for 2008. SSS contracted with its service provider to complete JV's necessary to process certain financial transactions during 2008. However, our audit continued to find errors with the JVs processed similar to those we reported in 2007. For example, we found that about one-half of the JVs processed by the service provider were for the correction of errors it had made in prior JVs, or contained errors we identified during our tests of JVs. The errors noted included postings to incorrect general ledger accounts, incorrect amounts and other problems.

Financial Statement Errors

- Our audit of SSS's June 30, 2008, interim financial statements, prepared by SSS's service provider, identified a significant number of errors and omissions that were material to the interim statements. As a result, the interim statements provided to OMB were materially misstated. Our tests of the year-end 2008 financial statements submitted by the service provider also noted significant problems. Because of the problems identified in the statements prepared by the service provider, SSS compiled the financial statements and footnotes for audit. Our audit of these financial statements found that SSS had corrected problems noted in the prior statements, and the statements were fairly presented in all material respects.

Processing Capital Assets

- Additional improvements are needed in the processes followed by SSS to record capital assets. We found that SSS had incorrectly processed several property transactions as non-capital items, even though the property met all requirements for capitalization. When we provided this information to SSS, it processed corrected transactions to the general ledger. In addition, SSS procurement officials have recently conducted training with administrative and other appropriate personnel on the procedures to be followed for capitalized assets which should help ensure that this problem is corrected promptly.

Problems Noted in Transactions Tested

- Documentation to support the appropriateness of SSS's disbursements had been strengthened since our prior audit. However, SSS needs to take additional actions to ensure that transactions are processed to its financial records in accordance with SGL and agency requirements, and required documentation is maintained. Problems identified during our tests included incorrect coding of property as an expense rather than a capital asset, a potential Antideficiency Act violation (see finding below), and a duplicate payment to a vendor.

Recommendations

1. Require the service provider to obtain SSS's approval for all JVs processed to SSS's general ledger.

2. Work with the service provider to strengthen its controls over the preparation of financial statements. Establish an independent second party review of the statements prior to submission to OMB.

3. As an interim control, require purchases of property over the capitalization thresholds to be reviewed by the accounting officer to ensure that transactions are properly classified as an expense or capital asset.

4. Strengthen controls to ensure that duplicate payments are not made in the future, and ensure that the duplicate payment identified is refunded to SSS.

2. Cost Accounting

SSS has not implemented a cost accounting system that complies with Federal Accounting Standards Advisory Board (FASAB) standards.

SSS performs reimbursable work for the Department of Defense, and in prior years for other governmental entities. SSS currently relies on methods that do not meet FASAB standards to cost out these areas. For fiscal year 2009, OMB requires agencies to provide full cost information for financial and budget data, as well as costs to entities with which it does business. For example, for fiscal year 2009, SSS is required to report full costs in its financial statements (e.g. unbilled office space and other costs at its Data Management Center). SSS may also need to report this information to other Federal entities if the costs are material to the receiving entity. Also, without the information from a cost accounting system, SSS managers have reduced information they can use to plan the utilization of staff resources, manage staff workloads properly, and to determine costs of various operations.

Statement of Federal Financial Accounting Standards (SFFAS) No. 4: *Managerial Cost Accounting Standards and Concepts* provides that managerial cost accounting should be a fundamental part of the financial management system and, to the extent practicable, should be integrated with other parts of the system. Managerial costing should use a basis of accounting, recognition, and measurement appropriate for the intended purpose. Cost information developed for different purposes should be drawn from a common data source, and output reports should be reconcilable to each other.

SFFAS No. 4 states "Requirement for cost accounting - Each reporting entity should accumulate and report the costs of its activities on a regular basis for management information purposes. Costs may be accumulated either through the use of cost accounting systems or through the use of cost finding techniques. The cost assignments should be performed using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically practicable, (b) assigning costs on a cause-and effect basis, or (c) allocating costs on a reasonable and consistent basis."

OMB Circular A-136, for fiscal year 2009, provides that the reporting entity should report the full cost of each program's output, which consists of (a) both direct and indirect costs of the output, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. The reporting entity should accumulate and assign costs in accordance with the costing methodology in SFFAS No. 4.

Recommendation

Establish a project to identify services provided to and received from other entities and determine whether full cost information is provided or obtained. Using FASAB statements and interpretations develop plans to ensure SSS meets GAAP requirements for 2009, and that it has cost information to enable SSS management to know the cost of specific operations, projects or functions.

3. **IT Security Controls**

Our 2008 evaluation of SSS's compliance with the Federal Information Security Management Act determined that SSS had made progress in addressing the weaknesses in its IT security program that we reported in 2007. A summary of the issues we identified in our 2008 FISMA evaluation follow:

- SSS has improved security over sensitive Personally Identifiable Information (PII) data during 2008. SSS took action to secure sensitive PII data for its general support system major applications, purchased software to enable encryption of registration data moved offsite, and is working with one of its service providers to strengthen security of PII data transmitted to SSS. As a result, most issues we reported in 2007 have been resolved, and SSS plans to complete actions for the remaining areas within the next few months.

- While SSS has policies and procedures that address OMB and National Institute of Standards and Technology (NIST) guidance, due to limited funding and other human resource issues, SSS's IT security program does not yet meet OMB and NIST requirements concerning security planning, and certification and accreditation of its systems.

- SSS's vulnerability scanning program needs to be strengthened so that vulnerabilities are timely identified and more effectively corrected with proper supporting documentation. SSS advised that it has purchased a scanning application, will ensure that periodic scans are performed, and necessary corrective actions are taken and appropriately documented.

- SSS's contingency planning for its mission critical system did not meet Federal requirements. Since our last report, SSS has completed significant portions of its Continuity of Operations Plan, but a critical aspect of the plan remains unfinished for its Registration system. In addition, specific contingency plans for each of its systems have not yet been developed or tested.

Since SSS officials have agreed with the findings and recommendations in our FISMA report, we are not making any additional recommendations in this report.

We noted another control deficiency over financial reporting and its operation that we have reported to the management of SSS and those charged with governance in a separate letter dated November 3, 2008.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed one instance of noncompliance with laws and regulations, discussed in the following paragraph that is required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04.

During our 2008 financial statement audit, we identified a potential Antideficiency Act violation when SSS obligated and disbursed about $22,000 using 2007 single year funds for the rental of storage space during fiscal year 2008. We attributed this problem to SSS personnel entering an incorrect fiscal year funding code on the obligation document. SSS officials agreed to report this violation.

Recommendation

Report this Antideficiency Act violation to the President and Congress, and adjust SSS accounting records to show that fiscal year 2008 is the obligating year for this payment.

RESPONSIBILITIES

Management Responsibilities

Management of SSS is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the FMFIA are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, except as noted in our report on the 2007 financial statements; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*.

An audit includes (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion for 2008. For 2007, as discussed in other sections of this report, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the SSS balance sheet as of September 30, 2007, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In planning and performing our audit, we considered SSS's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

As required by OMB Bulletin 07-04, with respect to internal control related to performance measures determined to be key and reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions and determined whether they had been placed in operation. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

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 specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Selective Service System.

Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

AGENCY COMMENTS AND AUDITOR EVALUATION

The Director, in a memorandum dated November 3, 2008, concurred with the findings and recommendations in the report. The Director's response is included as an attachment to the report.

The agency's written response to the significant deficiencies identified in our audit has not been subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

DISTRIBUTION

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

Leon Snead & Company, P.C.

Leon Snead & Company, P.C.
November 3, 2008

Status of Prior Year Findings

2007 Issues and Recommendations	Actions Taken by SSS	2008 Status
Control problems identified with SSS's reconciliation of its FBWT.	Established controls to ensure proper reconciliation procedures are followed by SSS. As an interim measure, contracted with service provider to perform 2008 FBWT reconciliations. Issued draft operational and control procedures for this area.	Prior years FBWT have been properly reconciled. No problems identified with 2008 balances. Issue resolved.
JVs processed to SSS's general ledger not supported, or made in error.	SSS contracted with its service provider to provide selected financial management operations including the preparation of JVs during 2008. SSS also issued draft operational and control policies for this area.	We continued to find problems with the preparation, support, and accuracy of JV processed to SSS's general ledger. We have discussed this problem in more detail in finding 1.
SSS's financial statements were not prepared in accordance with OMB Circular A-136.	SSS contracted with its service provider to prepare its interim and final financial statements for 2008.	Problems similar to those we reported with financial reporting controls in our 2007 audit continued in the 2008 interim financial statements we tested. See finding 1 for further details.
Establish a project team and implement a time-phased corrective action plan to address the internal control weaknesses.	During 2008, SSS established a project team to address each problem area identified in the audit.	Our audit tests found that SSS actions were sufficient to address each problem area that was under its direct control. As noted, however, problems continued in some financial management areas that had been contracted out to its service provider.
Provide sufficient training to financial management staff to enable them to obtain the knowledge and skills to perform SSS financial management activities, including sufficient skills relating to the Oracle financial system.	SSS provided detailed training to its key program staff and to its entire financial management staff relating to Oracle financial system.	Issue resolved.
Purchases made by SSS did not have required supporting documentation.	SSS provided training to personnel during fiscal year 2008.	Documentation was improved; however, we found problems in this area, as discussed in finding 1.

Agency policies concerning the review of access authorities granted to users of SSS's financial management system were not effectively implemented.	SSS implemented a review of user's access authorities and took action to address review results.	Issue resolved.
Separation of duty controls in SSS's financial management operations needed strengthening.	SSS separated incompatible duties and/or implemented compensating controls.	Issue resolved.
Controls over processing of transactions related to capital assets need improvement.	SSS improved controls over credit card purchases, and plans further training in 2009 in this area.	Issue remains open.
SSS did not implement an effective control process over transactions that had been suspended, rejected, or not fully processed by the accounting system.	SSS reviewed all transactions and corrected those transactions that represented valid issues. System reporting problems impacted the usefulness of these reports.	Issue resolved.
SSS controls over the billing and collection of funds from another Federal agency were not sufficient.	SSS drafted operational and control policies in this area and corrected problems identified.	Issue resolved.

THE DIRECTOR OF SELECTIVE SERVICE
Arlington, Virginia 22209-2425

November 3, 2008

Mr. Leon Snead, President
Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, Maryland 20850

Dear Mr. Snead:

In response to your letter dated October 30, 2008, the Selective Service System concurs with the Draft Audit Report for FY 2008. If you have any questions, please contact either Carlo Verdino, Comptroller, at 703-605-4022 or Regina Dougherty, Accounting Officer, at 703-605-4018.

Sincerely,

William A. Chatfield

William A. Chatfield

APPENDIX

FY 2008 Performance Chart

Agency-wide Annual Performance Results and Targets

Performance Goals	Objective	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Target 2009
Maintain the Agency's Readiness Plans, which include the Call and Deliver, Reclassify, Alternative Service, and the Lottery Standard Operating Procedures.	1.1.1	N/A	N/A	N/A	100%	90%	100%
Be prepared to activate State Headquarters, Area Offices, and board members to timely, fairly and equitably process reclassification claims.	1.1.2	N/A	N/A	N/A	N/A	90%	100%
Modify the Alternative Service Processing System (ASPS) and incorporate the changes into the Central Registrant Processing Portal when work begins again on the project.	1.1.3	N/A	N/A	N/A	N/A	N/A	N/A
Increase outreach to historic peace churches and other organizations both in person and via electronic means.	1.1.4	N/A	N/A	N/A	N/A	N/A	N/A
Increase membership in the Alternative Service Employer Network (ASEN) through initiatives undertaken by its State Directors, Reserve Force Officers, and Region staff at the local level.	1.1.5	5	5	5	5	5	12
Attain a 90% or greater registration compliance rate for men ages 18– through 25-years of age.	1.2.1	93%	94%	93%	93%	91%	90%
Attain and appoint Registrars in 87% of the Nation's High Schools.	1.2.2	84%	85%	87%	87%	86%	87%
Obtain 83% of all registrations electronically.	1.2.3	79%	81%	83%	83%	84%	83%
Implementation of the SSS Human Capital Management Plan.	2.1.1	N/A	N/A	10%	90%	100%	N/A

Performance Goals	Objective	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Target 2009
Implement the full Homeland Security Presidential Directive (HSPD-12) initiative.	2.1.2	N/A	N/A	N/A	10%	35%	100%
Implement the OPM-sponsored electronic Official Personal File (e-OPF).	2.1.3	N/A	N/A	N/A	0	0	0
Implementation of the Acquisition and Logistics Management Plan.	2.1.4	N/A	N/A	N/A	10%	N/A	N/A
Implementation of Financial Management Plans.	2.2.1	N/A	N/A	N/A	10%	20%	N/A
Complete Performance and Budget Integration.	2.2.2	N/A	N/A	N/A	60%	60%	60%
Complete the development and implementation of the registration modernization project.	2.3.1	N/A	N/A	N/A	N/A	N/A	N/A
Completion of Phase 2 of CRPP - Complete design, development and testing of the remaining Mobilization Functionality (Registrant Management, Claim/Appeals Processing, Alternative Service Management, Location Management, RFO Management, Board Member Management, etc.)	2.3.2	N/A	N/A	N/A	N/A	N/A	N/A
Ensure compliance with FISMA requirements to include meeting annual auditing and reporting tasks as well as protecting personal identification information entrusted to Selective Service.	2.3.1	N/A	N/A	N/A	60%	85%	90%
Ensure the Agency is in compliance with OMB Directive M-06-16 by implementing NIST 800-53 guidance. This goal should be removed from future documents.	2.3.2	N/A	N/A	N/A	N/A	N/A	N/A. This goal is included in the above goal, dealing with FISMA.
Distribute quality public service advertising materials to every national media market and obtain public service air time in at least 90% of the major markets and 95% of all media markets.	2.4.1	N/A	N/A	N/A	100%	100%	Unknown
Improve the turnaround times: for DMC Correspondence & all other PIA Responses (White House, congressional, media, internal customers, and the general public).	2.4.2	16 days & 16 days	16 days & 10 days	16 days & 10 days	16 days & 8 days	18 days & 5 days	55 Days & Unknown

GLOSSARY

Abbreviations and Acronyms

Terminology	**Acronym**
Alternative Service Office	ASO
Alternative Service Program	ASP
Annual Performance Plan	APP
Conscientious Objector	CO
Department of Defense	DoD
Government Performance and Results Act	GPRA
Interactive Voice Response System	IVR
Local Board	LB
Local Board Member	LBM
Military Entrance Processing Station	MEPS
Performance and Accountability Report	PAR
President's Management Agenda	PMA
Reserve Force Officer	RFO
Selective Service System	SSS
State Director	SD
Strategic Plan	SP