SELECTIVE SERVICE SYSTEM

FISCAL YEAR 2024 **ANNUAL FINANCIAL REPORT**

SELECTIVE SERVICE SYSTEM

National Headquarters | Arlington, Virginia 22209-2425

National Headquarters
Selective Service System FY 2024 Annual Financial Report
Arlington, Virginia 22209-2425

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FROM THE DIRECTOR

The Selective Service System (SSS) submits this Annual Financial Report (AFR) for fiscal year (FY) 2024. This report contains the results of the FY 2024 audit of the Agency's financial statements; measures performance against established goals and objectives; highlights the past year's accomplishments; and identifies future challenges.

SSS continues to thoughtfully modernize its organizational structure and essential capabilities, prioritizing three elements that advance the execution of the SSS mission and are at the center of the SSS Strategic Vision and Strategic Plan: readiness, registration, and management excellence. Moreover, these elements advance the President's Management Agenda, the National Security Strategy, and the National Defense Strategy.

- Readiness focuses on strengthening the Agency's core capabilities and being prepared to deliver manpower to the Department of Defense (DoD) if called upon to do so in a national emergency.
- Registration is focused on efforts to improve registration compliance rates across the United States, while confronting significant challenges such as the removal of the registration requirement for Federal student aid. Ensuring the highest registration rate possible enhances the fairness and equity that SSS seeks to uphold during active standby and if America mobilizes in response to a national emergency.
- Management excellence is about SSS remaining "always audit ready" by continuously improving support functions, such as finance, information technology (IT), contracting, and human resources, while delivering an outstanding customer experience. The annual financial audit and the Federal Information Security Management Act (FISMA) audit provide an opportunity for third parties to ensure the Agency is correctly managing resources to execute the mission. I appreciate the recommendations contained in the audit report and I have ensured that the Agency is proactive in addressing them.

The financial statements contained in the FY 2024 AFR accurately capture the Agency's financial position and were prepared in accordance with United States Generally Accepted Accounting Principles (GAAP) and the Office of Management and Budget's (OMB) Circular A-136, Financial Reporting Requirements. SSS always strives to deliver outstanding results, and I can proudly report that for the third straight year, SSS received an unmodified financial audit opinion.

Joel C. Spangenberg
Acting Director

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Agency at a Glance

Vision

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

Mission

To register males and maintain a system that, when authorized by the President and Congress, rapidly provides personnel in a fair and equitable manner while managing an alternative service program for conscientious objectors.

The Selective Service System is an independent Federal agency responsible for managing America's ability to conduct a fair and equitable military draft. With a notable history of public service spanning more than 100 years, the Agency's size during peacetime understates its significant mission to provide military personnel to DoD during a time of national crisis. Its mission also includes administering the Alternative Service Program (ASP) in lieu of military duty for men classified as conscientious objectors (COs). SSS registration of men ages 18 through 25 directly relates to its strategic goal of readiness, in that it can support DoD during a national emergency and demonstrate America's resolve to international allies and adversaries.

Registration is the most publicly visible aspect of the Agency's mission, and it happens even during times of peace. The higher the registration compliance rate, the fairer and more equitable any future draft will be for each registrant. The Agency works through its registration and compliance programs to: (1) register all eligible males; (2) identify non-registrants and remind them of their obligation to register; and (3) inform young males that they need to register to remain eligible for numerous Federal and state benefits, which include student financial aid, job training, government employment, state driver's licenses, and U.S. citizenship for male immigrants.

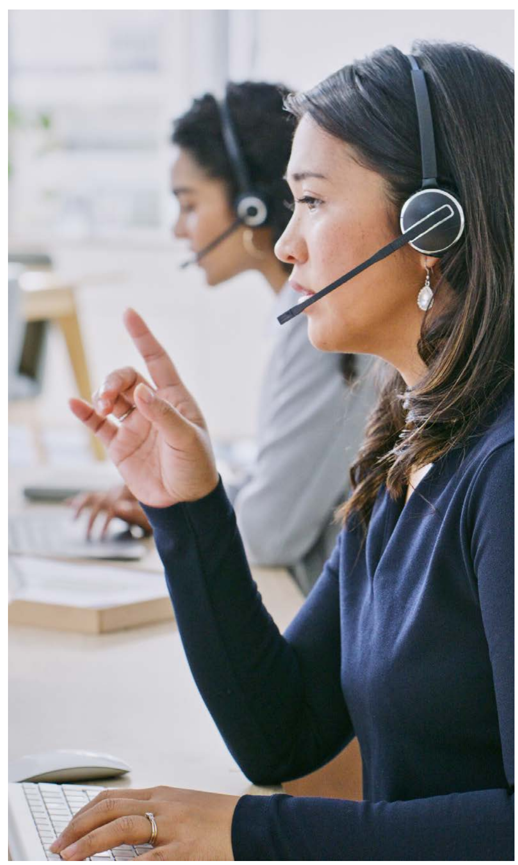
Most U.S. states and territories reinforce the registration requirement by means of laws that require males to register with SSS to remain eligible for state government job training and state-based student financial aid. Moreover, many states and territories have laws that require or permit males to register with SSS while they apply for a driver's license, learner's permit, identification card, or a commercial driver's license.

Managing a conscription program for the U.S. Armed Forces, if authorized by Congress and directed by the President, is central to the SSS mission. Should this ever happen, SSS readiness plans include holding a national draft lottery, contacting those registrants selected through the lottery process, and transporting them to a Military Entrance Processing Station for testing and evaluation for military service.

A notified registrant may choose to file a claim for exemption, postponement, or deferment. If a claimant is reclassified by a local board as a CO, he is still required to serve for two years in a non-military capacity. By contrast, someone who is classified for induction serves two years in military service. SSS places claimants who have been reclassified as COs with non-military employers as part of its ASP and tracks their fulfillment of the two-year service requirement.

Organization

The Selective Service System employs approximately 120 full-time staff who support its National Headquarters, the Data Management Center (DMC), and three site offices. Additionally, the Agency manages up to 56 state directors and 1 deputy state director, who are part-time employees representing the 50 states, Guam, the Northern Mariana Islands, Puerto Rico, the U.S. Virgin Islands, the District of Columbia, and New York City. SSS also includes reserve service members (RSMs) from most branches of the U.S. Armed Forces, with up to 175 authorized to serve nationwide. Furthermore, over 6,000 volunteers across the nation dedicate their time, serving as state resource volunteers and board members. Board members are responsible for deciding the reclassification claims of inductees seeking deferments, exemptions, or postponements when conscription is authorized by Congress and the President. SSS state directors, RSMs, and volunteers are managed through its offices located at three other sites, which are in North Chicago, IL; Marietta, GA; and Aurora, CO. The three site offices also spearhead readiness efforts within their respective areas. Based in North Chicago, IL, the DMC manages the registration functions, maintains the registration database, and is home to the SSS national call center.



PERFORMANCE HIGHLIGHTS

Goals Overview

SSS's FY 2024-2026 Strategic Plan includes three strategic goals directed toward the achievement of its statutory mission.

Strategic Goal 1: Readiness

Strategic Goal 2: Registration

Strategic Goal 3: Management Excellence

Goal 1: Readiness

The Agency's primary mission is to institute and execute a national conscription program for DoD when authorized to do so by Congress and directed by the President. To accomplish this mission, SSS conducts training and exercises to ensure its readiness to meet national mobilization requirements.

In FY 2024, SSS updated 54 percent of the Agency Response Plan (ARP) to incorporate modernization and lessons learned from internal and external workshops and exercises. The Agency also hosted a workshop with U.S. Military Entrance Processing Command to discuss the planning considerations for meeting DoD's manning requirement of 100,000 inductees following a change in law to begin conscription. This workshop also included key representatives from Headquarters, Department of the Army, U.S. Army War College, and U.S. Army Training and Doctrine Command. This was the first time in over two decades that all crucial elements had come together to discuss conscription requirements.

Through a series of interactive virtual exercises, involving over 450 members from various local and district appeal boards, the Agency continues to refine its training and exercise program to develop more proficient volunteer board members. SSS will continue to increase the participation of local and district appeal board members in its training and exercise program.

In FY 2024, the Agency signed significant memorandums of understanding with AmeriCorps and Peace Corps focused on the ASP, participation in the Alternative Service Employer Network, collaboration on national service opportunities awareness, and data sharing. Moreover, the Agency participated in several outreach events hosted by the various historical peace church communities, while also continuing to engage governor's offices in Wisconsin, Washington, Kentucky, North Dakota, Tennessee, and Puerto Rico about potential agreements.

Goal 2: Registration

Registration is a critical component of the Selective Service System's readiness and stands out as a mission essential function that occurs during peacetime and in times of national emergency. If conscription becomes necessary, the Agency must have registered as many eligible men as possible to assure the public of a fair and equitable conscription process.

By registering, men comply with Federal law and remain eligible for student aid in several states, job training, and government employment opportunities. In the case of immigrant men, their eligibility for U.S. Citizenship is protected through registration.

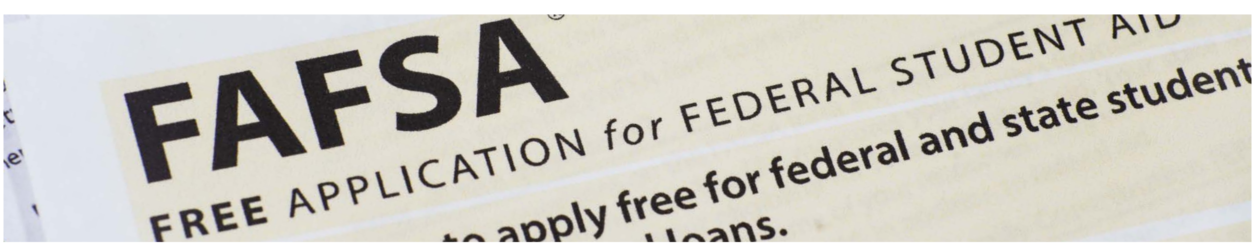
Since the DMC's realignment to the Public & Intergovernmental Affairs (PIA) Directorate in June 2023, PIA has expanded its use of DMC's performance metrics and data analytics to make better informed decisions regarding outreach and public affairs strategies, both nationally and within states. This has allowed PIA to successfully reach and communicate with targeted demographics across the nation.

The calendar year (CY) 2023 national registration rate for men aged 18 to 25 is 84 percent. This represented a further decline of 0.3 percent in the national registration rate from the previous year. The total number of registrations nationwide for men, ages 18 to 25, declined from 15.6 million in 2022 to 15.2 million in 2023.

This was largely driven by the loss of the requirement for men to register with SSS to receive Federal student aid and the removal of the option for men to register on the Free Application for Federal Student Aid (FAFSA) form. These were both outcomes of the passage of the FAFSA Simplification Act in 2020. This method of registration historically accounted for approximately 20 percent of all annual registrations nationwide.

The Agency was able to slow the decline in the registration rate across America using a new, data-driven approach to registration awareness beginning in the fourth quarter of CY 2023. SSS hopes to further slow the downward trend in the national registration rate using data-informed strategies, including through social media, outreach, and legislation.

In addition to this, 46 states and territories have enacted driver's license legislation (DLL) or other laws supporting SSS registration. In total, more than 1.17 million young men registered through DLL in 2023, representing approximately 62 percent of all registrations processed nationwide. SSS continues to work on getting DLL passed into law in the remaining states that do not have such a law in place.



Goal 3: Management Excellence

SSS strives for management excellence in many ways. One major indicator of this excellence is the recognition it recieved from the Partnership for Public Service for its ranking of 7th out of 30 small Federal agencies in the most recent Best Places to Work in the Federal Government results.

The Agency also places significant emphasis on customer service and support. In addition to maintaining an accurate registration database to serve as the foundation for induction and appeals in the event of a national emergency, SSS's timely processing of public inquiries is intended to provide a positive customer experience to anyone applying for benefits associated with registration compliance.

The Agency's primary interface with customers is through its call center, located at the DMC. In FY 2024, SSS continued to maintain an average wait time of less than 1 minute and decreased the response time for written requests for registration status to fewer than 5 days, 15 days below the Agency's internal benchmark.

During FY 2024, SSS continued to refine its policies, practices, processes, and systems for planning, programming, budgeting, and executing its annual appropriation. These efforts enabled the Agency to manage funds effectively and efficiently according to established statutes, regulations, and best practices, and to execute organizational objectives consistent with the Strategic Plan.

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

To maximize efficiency and advance compliance efforts, SSS embarked on the procurement of a contract writing system compatible with its financial management system. This acquisition and system implementation will have a transformational effect on the overall Agency contracting program. The system implementation occurred during FY 2024 and SSS will go live and begin utilizing the system beginning in FY 2025.

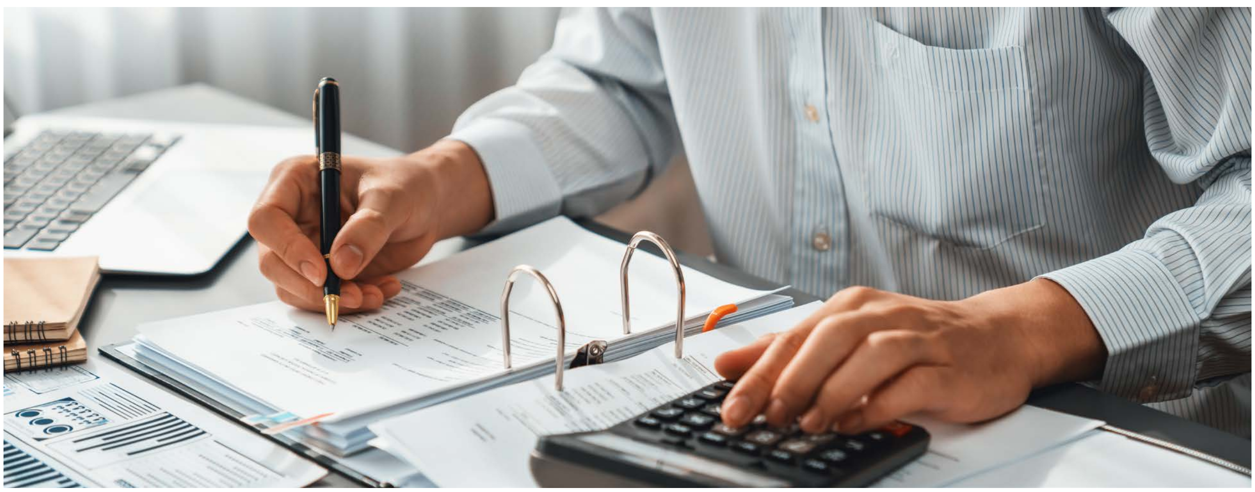
SSS also continued to focus on elevating its management capabilities in support of its mission. The Agency procured services to integrate Agile Government principles, practices, and training into its operations which will strengthen its ability to be responsive to emerging requirements and customer needs.

FINANCIAL HIGHLIGHTS

Financial Position

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

SSS used all available resources to satisfy its stated strategic goals and objectives. The financial statements and financial data reflected in this report have been prepared from the accounting records of SSS in conformity with GAAP in the United States. The GAAP are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).



Limitations of the Financial Statements

SSS management is responsible for the integrity and objectivity of the financial information presented in the financial statements. The financial statements accompanying this report are prepared to report the results of SSS financial operations and policies. While these financial statements have been prepared from SSS books and records, the statements stand in addition to other financial reports used to monitor and control budgetary resources. The financial statements should be read with the realization that SSS is an agency in the Executive Branch of the United States Government. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subject to enactment of appropriations.

Discussion and Analysis of Financial Statements

The Selective Service System's FY 2023 and FY 2024 financial statements report the Agency's financial position and results of operations on an accrual basis. Annual financial statements are composed of Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources, and related footnotes, which provide a clear description of the Agency, its mission, and the significant accounting policies used to develop the statements.

BALANCE SHEETS

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

Assets

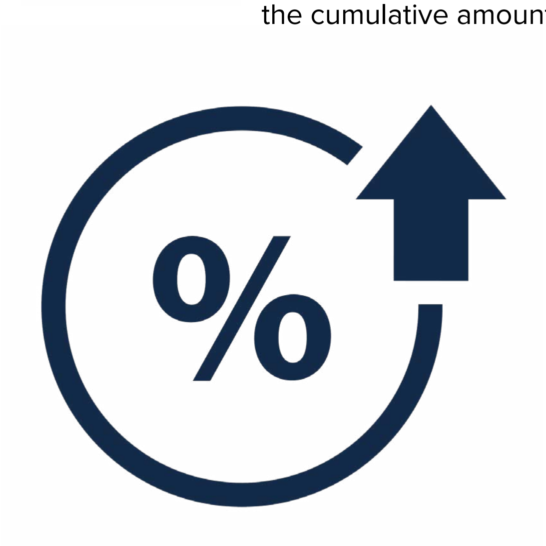
Assets represent Agency resources that will have future economic benefits. SSS assets totaled $22.27 million in FY 2024. Fund balances with the U.S. Treasury, mostly undisbursed cash balances from appropriated funds, constituted about 83 percent of the total assets. General property, plant, and equipment accounted for nearly 17 percent of SSS assets. SSS does not maintain any cash balances outside of the Treasury and does not have any revolving funds or trust funds.

Liabilities

Liabilities are recognized when incurred, regardless of coverage by budgetary resources. In FY 2024, SSS had total liabilities of about $6.96 million. Agency liabilities were unfunded Federal Employees' Compensation Act (FECA) and Federal employee and veteran benefits of nearly $1.40 million. Accounts payable, employer contributions, and payroll taxes totaled nearly $3.32 million. Accrued payroll and leave, plus unfunded leave, totaled nearly $1.96 million. In FY 2022, the General Services Administration awarded a capital investment in an SSS IT modernization project using the Technology Modernization Fund (TMF). SSS must pay back a modest portion of the investment and so has a category of Other Liabilities Without Related Budgetary Obligations related to this project of $0.26 million.

Net Position

SSS's net position reflects the difference between assets and liabilities and represents the Agency's financial position of nearly $15.31 million. The amount is divided into two categories: one, unexpended appropriations (related to undelivered orders and unobligated balances) at $12.39 million; and two, cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at $2.92 million.

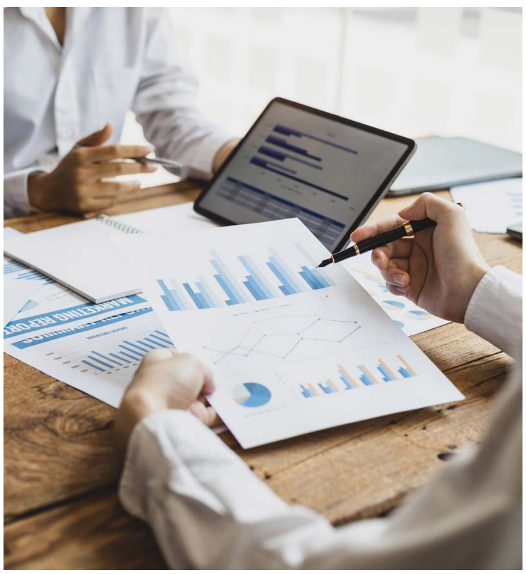


STATEMENTS OF CHANGES IN NET POSITION

The Statements of Changes in Net Position reports changes in net position during the reporting period. SSS ended FY 2024 with a net position total of $15.31 million, an increase of $1.78 million from FY 2023's position of $13.53 million.

STATEMENTS OF NET COST

The Statements of Net Cost represent the cost of operating the Agency. Net costs are composed of gross costs less earned revenues. FY 2024 net cost of operations was $34.38 million: $34.88 million in gross costs less $0.50 million in reimbursable revenues (from DoD).



STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources focuses on available appropriations and reimbursable activity; their status (obligated or unobligated) at the end of the reporting period; and the relationship between the available appropriations and reimbursable activity and the corresponding outlays (collections and disbursements). The Selective Service System's FY 2024 budgetary resources totaled $36.47 million in budget authority.

Financial Management

In FY 2024, the Agency successfully managed resources, properly procured and delivered quality goods and services to stakeholders and met its financial reporting requirements. An independent audit disclosed no material weaknesses. SSS continues to improve financial management policies, processes, and procedures, and is working to document those changes in updates to the Agency's Fiscal Manual.

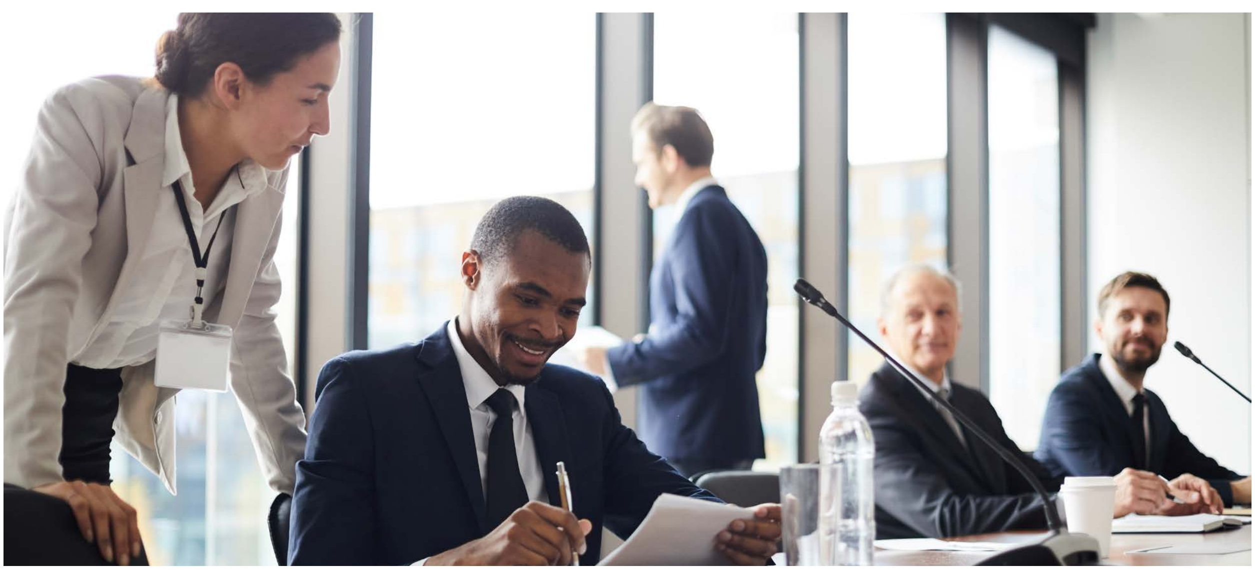
FORWARD-LOOKING INFORMATION/ ANALYSIS

SSS engages in strategic foresight to help identify risks, uncertainties, and events that could affect the Agency's future. Among them:

- Adequately resourcing strategic initiatives. As SSS thoughtfully modernizes, there is a risk of inadequately funding future years of the plan, thereby curtailing initiatives such as the IT Modernization Plan and scaling up of national-level exercises. To mitigate this, SSS seeks multiple sources of funding such as the TMF and the assistance of agencies with more flexible and extensive resources to assist.

- Attracting and retaining a quality workforce. Unemployment remains near four percent nationally, creating a challenging and competitive hiring environment for Federal agencies. SSS uses a multi-pronged approach to mitigate this risk. This includes the Agency partnering with the Interior Business Center for shared human resources services to improve personnel management and the hiring process and placing emphasis on continually improving the employee experience.

- Erosion in public awareness and interest in service. America faces a challenge as today's youth exhibit less propensity for national, military, and public service than in the past. This has a direct impact on SSS registration compliance rates and portends potential issues should there ever be a national emergency requiring a return to conscription. SSS is extremely proactive in addressing this risk, partnering with other agencies such as AmeriCorps and the Peace Corps to create better awareness of service opportunities. SSS also continues its decades-long work with DoD to assist with military recruiting.



THE DIRECTOR OF SELECTIVE SERVICE
Arlington, Virginia 22209-2425

November 14, 2024

DIRECTOR'S FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) STATEMENT OF ASSURANCE

The Selective Service System's (SSS) senior leaders are responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. SSS conducted its assessment of risk and internal controls in accordance with Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

Based on the results of that assessment, SSS can provide reasonable assurance that its internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024.

Joel C. Spangenberg
Acting Director

MANAGEMENT CONTROLS

Federal Managers' Financial Integrity Act Report on Management Control

Background

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

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

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

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

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

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

FY 2024 Results

In FY 2024, an independent audit found the Selective Service System's IT security program to be free of any material weaknesses. An independent audit of the Agency's financial statements also identified no material weaknesses. Exhibit 1 provides a summary of the reported material weaknesses and all items corrected.

Exhibit 1: Summary of Material Weaknesses

Audit Opinion	Unmodified					
Restatement	No					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
IT Security	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Internal Controls (FMFIA Section 2)

Statements of Assurance	Qualified Statement of Assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
IT Security	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Financial Management System (FMFIA Section 4)

Statements of Assurance	Qualified Statement of Assurance					
Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformance	0	0	0	0	0	0

Required Reporting

Exhibit 2 is provided to meet the reporting requirements of OMB Circular No. A-136, Financial Reporting Requirements, and includes a summary by various categories related to the Financial Statement Audit and Management's Statement of Assurance for FMFIA.

Exhibit 2: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA 2)

Statements of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls Over Financial Management	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control Over IT Security (FMFIA 2)

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

Conformance with Financial Management System Requirements (FMFIA 4)

Statements of Assurance	Qualified					
Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformance	0	0	0	0	0	0

Outstanding Material Weaknesses

No previously identified material weaknesses existed at the end of FY 2024.

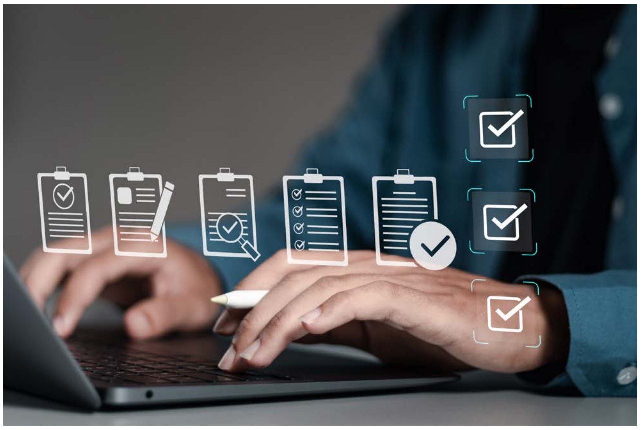
New Material Weaknesses

No new material internal control weaknesses were identified during FY 2024.

IT Security Program

No new material weaknesses were identified during FY 2024.

PERFORMANCE DETAILS



Program Evaluation

The program evaluations for this report consisted of systematic reviews conducted to assess how well programs were working, and to determine if they should be continued or modified. A variety of program evaluations and methodologies were used, including independent third-party reviews, after-action reports, process evaluation, outcome evaluation, impact evaluation, cost-benefit / cost-effectiveness, and combinations thereof.

Evaluations Conducted During FY 2024

Management reviews for the SSS' computer systems were conducted as part of the annual FISMA audit, where external auditors validated and certified the SSS as mission capable and cybersecure. The Agency has a corrective action plan in place to address the lone finding.

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

The Office of Personnel Management (OPM) conducted a suitability oversight evaluation of the SSS personnel security system that identified its need to improve vetting actions within covered national security positions. The Agency subsequently entered into a shared service agreement with the Interior Business Center (IBC). IBC assumed responsibility to support personnel vetting actions to include, but not limited to initiations, adjudications, clearance verification (reciprocity determinations), and clearance suspensions and revocations. IBC will also manage Continuous Vetting Enrollment with the Office of the Director of National Intelligence and implement compliance with the requirements of Trusted Workforce 2.0 and security certifications.

The Selective Service System also conducted an internal self-assessment of operations-related computer systems to assess their continued compliance with the Agency's policies and regulations and to guide modernization efforts.

Financially, in addition to the above Financial Statement Audit, the Agency conducted its internal Statement of Assurance assessment in compliance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The overall assessment did not identify any material weaknesses and highlighted that SSS controls were adequate and operating effectively.

Payment Integrity Information Act

The Payment Integrity Information Act (PIIA) requires Federal agencies to complete the annual data call issued by OMB and provide a link to PaymentAccuracy.gov in their Annual Financial Report. The data call helps to fulfill reporting requirements under the Payment Integrity Information Act of 2019 (Pub. L. No. 116-117) and provides the public with comprehensive improper payment data and information. A recovery audit is used to evaluate and review an agency or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments that is specifically designed to identify and recover overpayments. For more information on PIIA, please refer to PaymentAccuracy.gov.

In 2022, SSS had an independent review of its payment and disbursement process performed by its previous year's auditors. The auditors found SSS's estimated improper payments to be within the thresholds defined by the Improper Payments Elimination and Recovery Improvement Act.

SSS will continue to work with the independent auditors to continuously test improper payment integrity and implement internal controls necessary to mitigate any identified risks.

Annual Federal Information Security Modernization Act Audit

SSS underwent a security assessment from April 24 through July 12, 2024, based on FY 2024 Inspector General (IG) FISMA Reporting Metrics provided by DHS and OMB. During this time, the Information Systems Security Line of Business Center of Excellence (ISSLoB COE) interacted with SSS personnel and reviewed evidence and artifacts to assess the implementation of SSS information systems. The FY 2024 IG FISMA Reporting Metrics included core and supplemental security controls and requirements for the following domains:

- Identify (Risk Management and Supply Chain Risk Management (SCRM))
- Protect (Configuration Management, Identity, and Access Management, Data Protection and Privacy, and Security Training)
- Detect (Information Security Continuous Monitoring)
- Respond (Incident response)
- Recover (Contingency Planning)

It is ISSLoB's professional assessment based upon the results of the security evaluation, that SSS has complied with all security control requirements tested during the security assessment of the SSS General Support System (GSS).

Harper, Rains, Knight & Company

INDEPENDENT AUDITORS' REPORT

Acting Director and Chief Financial Officer
Selective Service System

Report on the Audit of the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act, we have audited the financial statements of the Selective Service System (SSS). SSS's financial statements comprise the balance sheets as of September 30, 2024, and 2023, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, SSS's financial statements present fairly, in all material respects, SSS's financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SSS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Responsibilities of Management for the Financial Statements

SSS's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAS, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SSS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on SSS's financial statements. The information in the From the Director, Performance, Highlights, Management Controls, and Performance Details sections contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

Report on Internal Control over Financial Reporting

In planning and performing our audit of SSS's financial statements as of and for the year ended September 30, 2024, in accordance with GAS, we considered SSS's internal control relevant to the financial statement audit as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SSS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SSS's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of SSS's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

During our 2024 audit, we identified a deficiency in SSS's internal control over financial reporting that we do not consider to be a material weakness or significant deficiency that, nonetheless, warrants management's attention. We have communicated this matter to SSS management and, where appropriate, will report on it separately.

Report on Internal Control over Financial Reporting (continued)

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether SSS's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, that have a direct effect on the determination of material amounts and disclosures in SSS's financial statements, and to perform certain other limited procedures, but not for the purposes of expressing an opinion on SSS's compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to SSS. SSS management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our tests of compliance with these selected provisions of applicable laws, regulations, and contracts, and grant agreements disclosed no instances of noncompliance for the year ended September 30, 2024, that would be reportable under Government Auditing Standards or OMB Bulletin No. 24-02. We caution that noncompliance may occur and not be detected by these tests.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards is solely to describe the scope of our testing of internal control and compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of SSS's internal control or compliance. These reports are an integral part of an audit performed in accordance with GAS and OMB Bulletin No. 24-02 in considering the entity's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

Harper, Rains, Knight & Company, P.A.

November 15, 2024
Washington, D.C.

SELECTIVE SERVICE SYSTEM

National Headquarters | Arlington, Virginia 22209-2425

DATE: November 15, 2024

TO: Harper, Rains, Knight & Company, P.A.

FROM: Alexander Rud

SUBJECT: RESPONSE TO FISCAL YEAR 2024 FINANCIAL STATEMENT AUDIT

The Selective Service System (SSS) reviewed the Independent Auditors' Report from Harper, Rains, Knight & Company, P.A., for FY 2024. The Agency takes no exception with the report. The Agency has continued to make tremendous progress over the last 12 months and is committed to further maturing and continue to identify process improvements to strengthen our internal controls.

Alexander Rud

Alexander Rud
Associate Director for Support Services
Chief Financial Officer

OVERVIEW OF FINANCIAL STATEMENTS

The purpose of the financial statements is to present the following information:

- The Balance Sheets present the combined amounts available for use (assets) versus the amounts owed (liabilities) and the residual amounts after liabilities are subtracted from assets (net position).

- The Statements of Net Cost present the annual cost of operations and are determined by the Agency's gross costs less any earned revenue.

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

- The Statements of Budgetary Resources present how budgetary resources were made available for use during the fiscal year, and the status of those resources at the end of the fiscal year.

FINANCIAL STATEMENTS

Selective Service System
Balance Sheets
As of September 30, 2024 and 2023
(in dollars)

	2024	2023
Assets		
Intra-governmental Assets		
Fund Balance with Treasury (Note 2)	$ 18,477,391	$ 16,428,990
Total Intra-governmental Assets	18,477,391	16,428,990
Other Than Intra-governmental Asset		
Accounts receivable, Net (Notes 3)	1,301	1,301
Property, plant, and equipment, net (Note 4)	3,791,232	2,789,598
Total Other than Intra-governmental Assets	3,792,533	2,790,899
Total Assets	$ 22,269,924	$ 19,219,889
Liabilities		
Intra-governmental Liabilities		
Other Liabilities (Notes 6)		
Other liabilities (without reciprocals) (Note 6)		
Employer Contributions and Payroll Taxes Payable (Note 6)	$ 55,381	$ 51,239
Other Liabilities (Note 6)		
Other Liabilities Without Related Budgetary Obligations - General Fund of the U.S. Government (Note 5, Note 6)	264,752	269,061
Other Current Liabilities - Benefit contributions payable (Note 6)		
Employer Contributions and Payroll Taxes Payable (Note 6)	177,562	171,352
Unfunded FECA Liability (Note 5, Note 7)	213,222	231,892
Total Intra-governmental Liabilities	710,917	723,544
Other Than Intra-governmental Liabilities		
Accounts payable	3,055,826	1,788,414
Federal employee salary, leave, and benefits payable (Note 5)		
Accrued Funded Payroll and Leave	859,518	698,671
Employer Contributions and Payroll Taxes Payable (Note 6)	33,855	31,675
Unfunded Leave (Note 5)	1,106,328	1,098,310
Pensions, other Post-employment, and veterans benefits payable (Note 5)		
Actuarial FECA Liability (Note 5, Note 7)	1,190,447	1,350,624
Total Other than Intra-governmental Liabilities	6,245,974	4,967,694
Total liabilities	$ 6,956,891	$ 5,691,238
Net position		
Total Unexpended Appropriation (Combined or Consolidated)	$ 12,393,231	$ 10,103,427
Unexpended appropriations - Funds from other than Dedicated Collections	12,393,231	10,103,427
Total Cumulative Results of Operations (Combined or Consolidated)	2,919,802	3,425,224
Cumulative results of operations - Funds from other than Dedicated Collections	2,919,802	3,425,224
Total net position	$ 15,313,033	$ 13,528,651
Total liabilities and net position	$ 22,269,924	$ 19,219,889

Selective Service System
Statements of Net Cost
As of September 30, 2024 and 2023
(in dollars)

	2024	2023
Gross costs (Note 9)	$ 34,879,729	$ 31,733,305
Less: earned revenue (Note 9, Note 10)	500,000	500,000
Net cost of operations	$ 34,379,729	$ 31,233,305

Selective Service System
Statements of Changes in Net Position
For the Years Ended September 30, 2024 and 2023
(in dollars)

	2024	2023
Unexpected Appropriations:		
Beginning Balance	$ 10,103,427	$ 8,061,923
Correction of errors (+/-)	1,981,635	(91,880)
Beginning balance, as adjusted	12,085,062	7,970,043
Appropriations received	31,300,000	31,700,000
Appropriations transferred-in/out (+/-)	1,961,997	1,703,386
Other Adjustments (+/-)	(833,100)	(718,675)
Appropriations used	(32,120,728)	(30,551,327)
Net Change in Unexpended Appropriations	308,169	2,133,384
Total Unexpended Appropriations - Ending	$ 12,393,231	$ 10,103,427
Cumulative Results of Operations:		
Beginning Balance	$ 3,425,224	$ 1,555,984
Corrections of errors (+/-)	(1,791,003)	-
Beginning balance, as adjusted	1,634,221	1,555,984
Appropriations used	32,120,728	30,551,327
Imputed financing	3,544,582	2,551,218
Net Cost of Operations	(34,379,729)	(31,233,305)
Net Change in Cumulative Results of Operations	$ 1,285,581	$ 1,869,240
Cumulative Results of Operations - Ending	$ 2,919,802	$ 3,425,224
Net Position	$ 15,313,033	$ 13,528,651

Selective Service System
Statements of Budgetary Resources
For the Years Ended September 30, 2024 and 2023
(in dollars)

	2024	2023
Budgetary resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 4,669,966	$ 4,020,872
Appropriations (discretionary and mandatory)	31,300,000	33,589,755
Spending authority from offsetting collections (discretionary and mandatory)	500,000	500,000
Total budgetary resources	$ 36,469,966	$ 38,110,627
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 32,296,258	$ 35,739,010
Unobligated balance, end of year:		
Apportioned, unexpired account	2,263,718	258,285
Unexpired unobligated balance, end of year	2,263,718	258,285
Expired unobligated balance, end of year	1,909,990	2,113,332
Unobligated balance, end of year (total)	4,173,708	2,371,617
Total budgetary resources	$ 36,469,966	$ 38,110,627
Outlays, Net and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	$ 30,679,936	$ 30,308,726
Agency outlays, net (discretionary and mandatory)	$ 30,679,936	$ 30,308,726

SELECTIVE SERVICE SYSTEM

Notes to Principal Financial Statements
As of and for the Years Ended
September 30, 2024, and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

The 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.

The SSS' financial statements have been prepared from its books and records and include accounts for all funds under its control. 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. The budgetary method recognizes the obligation of funds according to legal requirements, which in many cases records obligations before the occurrence of an accrual-based transaction. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying prepared financial statements conform with U.S. GAAP for federal entities as prescribed by the standards promulgated by Federal Accounting Standards Advisory Board (FASAB). Certain assets, liabilities, earned revenues, and costs have been classified as intragovernmental on the financial statements and notes. Intragovernmental is defined as transactions or events made between two federal government entities.

(c) Budget Authority

Budget authority is the legal authority provided by federal law to federal agencies to enter into financial obligations that will result in immediate or future outlays involving federal government funds. This authority permits agencies to spend funds on their programs and activities. The basic forms of budget authority include (1) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting collections. Budget authority can be classified by its duration as 1-year, multi-year, or no-year fund.

The SSS' budget authority primarily comprises annual appropriations and offsetting collections. The Congress passes appropriations annually that provide the SSS with authority to obligate funds for necessary expenses to carry out mandated program activities. Annual appropriations are used, within statutory limits, for operating and capital expenditures for essential and specified purposes. The SSS also performs reimbursable services for another Federal entity which reimburses the SSS for the costs of performing services. The funds collected by federal agencies are used to finance the SSS' reimbursable operation.

From FY 2022 through FY 2024, the SSS received about $6 million of the multi-year Technology Modernization Fund (TMF) from General Services Administration (GSA) in the form of Non-expenditure Transfer Authorization. TMF funding was authorized by the Modernizing Government Technology Act of 2017 to fund projects for technology-related activities to improve information technology and provide better cybersecurity for sensitive systems and data across the federal government. The SSS' projects to modernize registration and enrollment verification checks were approved by the Technology Modernization Board in 2022 and funds for the projects had been distributed incrementally by GSA, contingent on the performance targets and successful execution of milestones. The SSS is required to repay 5 percent of the funding to GSA in accordance with the written agreement and repayment schedule, starting from FY 2023 until FY 2029.

The SSS places internal restrictions and system controls on fund expenditures to ensure the efficient and proper use of all funds. These controls are designed to prevent misuse, ensure compliance with laws and regulations, and promote effective use of resources. They include segregation of duties, monthly Fund Balance with Treasury (FBWT) reconciliation, and detailed tracking of funds using an accounting system, and training on financial policies and procedures, etc.

(d) Fund Balance with Treasury

FBWT is an asset account that shows the available budget spending authority in the SSS' accounts with the U.S. Treasury. Increases to the SSS' FBWT are primarily comprised of an annual s appropriation and collections on reimbursable agreements. FBWT decreases with disbursements or payments for goods or services provided by other federal agencies and vendors. The SSS' available funds are used to meet authorized expenditures, pay current liabilities and finance authorized purchase obligations. The fund balance on the SSS' records is reconciled with Treasury's Central Accounting Reporting System (CARS) account statement on a monthly basis to ensure the accuracy of the government receipts and disbursements.

(e) Accounts Receivable

Accounts Receivable is an asset account, and it represents 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

Property, plant, and equipment (PP&E) are long-term tangible assets that are used in the operations of federal agencies. The basis for recording purchased PP&E is full historical costs, including all costs incurred to bring the PP&E to and from a location suitable for its intended use, such as purchase price, installation costs, transportation fees, and other directly attributable expenses.

The SSS PP&E consists of equipment, software, assets under capitalized lease, and internal use software in development. The SSS's policy is to capitalize individual purchases of property and equipment with a cost of $50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is $100,000.

PP&E assets are depreciated using straight-line method of depreciation over the estimated useful life of the asset, ranging from three to ten years.

(g) Accrued Liabilities and Accounts Payable

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

(h) Accrued Workers Compensation and Other Actuarial Liabilities

Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and to pay beneficiaries of employees whose deaths are attributable to job-related injuries or occupational disease. The FECA program is administered by the United States Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the SSS for 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 SSS. The second component is the actuarial liability, which estimates the liability for future payments as a result of past events. The actuarial liability includes the expected liability for death, disability, medical, and miscellaneous cost for approved compensation cases.

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

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

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

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

Similar to federal retirement plans, OPM rather than the SSS, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefit Program (FEHBP) and the Federal Group Life Insurance Program (FEGLIP). The SSS reports the full cost of providing other retirement benefits. The SSS also recognizes an expense and liability for other post-employment benefits (OPEB), which includes all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. During fiscal years 2024 and 2023, the cost factors relating to FEHBP were as follows, per employee enrolled.

Cost Factors		**2024**		**2023**
Quarter 1	$	2,319	$	2,370
Quarter 2		2,347		2,397
Quarter 3		2,375		2,423
Quarter 4		2,404		2,440
FY 2024	$	9,445	$	9,640

During fiscal years 2024 and 2023, the cost factor relating to FEGLI was .02% 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 at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, these constitute subsidized costs which are recognized by the receiving entity. The SSS recognized certain costs of the providing entity that are not fully reimbursed as imputed costs, and are offset by imputed financing sources in fiscal years 2024 and 2023 to the extent directed by the OMB, such as: employees' pension, post-retirement health and life insurance benefits; other post-employment benefits for retired, terminated, and inactive employees, which include unemployment and workers compensation under the Federal Employees Compensation Act (FECA) and losses in litigation proceedings. In addition, the SSS recognized imputed costs for services received from other Federal agencies without reimbursement; these services included office space from the General Service Administration (GSA) and Department of Defense (DoD), and Reserve Service Member services from the U.S. Marine Corps Reserves and the U.S. Navy Reserves.

(l) Revenues and Other Financing Sources

The SSS' activities are financed either through exchange revenue for services provided to other Federal government entities or through appropriations. A reimbursable agreement with the Department of Defense provides the exchange revenue which is recognized when earned. Appropriations used are recognized as financing sources when related expenses are incurred, or assets purchased. The SSS also incurs certain costs that are paid in total or in part by other Federal entities, such as pension plan and employee benefit costs received from OPM. These subsidized costs are recognized on the Statement of Net Cost and imputed financing for these costs is recognized in the Statement of Changes in Net Position. Imputed financing must equal the amount of imputed costs. As a result, there is no effect on Net Position.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Significant transactions subject to estimates include costs regarding benefit plans for the SSS employees that are administered by the OPM and DOL.

(n) Expired Accounts and Canceled Authority

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

(o) Change in Accounting Standards for Leases

In April 2018, the Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards 54: Leases (SFFAS 54), which among other things, requires lessees to (1) recognize operating leases as lease assets and lease liabilities on the balance sheet and (2) disclose key information about significant leasing arrangements. Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. For FY 2024, the SSS has not recognized a lease liability, or a lease asset related to non-intragovernmental, non-short-term contracts or agreements.

NOTE 2 – FUND BALANCE WITH TREASURY

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The amounts shown on the Balance Sheets represent the SSS' right to draw on Treasury for valid expenditures. Treasury requires that federal agencies reconcile their FBWT accounts on a regular and recurring basis (at a minimum monthly) to ensure the integrity and accuracy of their internal and government-wide financial report data. The fund balance on the SSS' records is reconciled monthly with Treasury for the accuracy of deposits and disbursements.

Fund Balance with Treasury consisted of the following at September 30, 2024 and 2023:

(in dollars) **Fund Balance:**	**2024**	**2023**
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	2,263,718	258,285
Unavailable	1,909,990	2,113,332
Obligated Balance Not Yet Disbursed	14,303,683	14,057,373
Non-Budgetary	-	
Total Status of Fund Balance with Treasury	18,477,391	16,428,990

NOTE 3 – ACCOUNTS RECEIVABLE, NET

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

Accounts Receivable from the Public consists of the following:

(in dollars)		**2024**		**2023**
Accounts Receivable from the Public				
Current	$	-	$	-
1-180 Days Past Due		-		-
181-365 Days Past Due		-		-
1 to 2 Years Past Due		-		480
Over 2 years Past Due		1301		821
Total Billed Accounts Receivable - Public		1301		1301
Unbilled Accounts Receivable		-		-
Total Accounts Receivable - Public		1301		1301
Allowance for Doubtful Accounts - Public		-		-
Total Accounts Receivable - Public, Net	$	1301	$	1301

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT, NET

The SSS policy is to capitalize individual purchases of property and equipment with a cost of $50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is $100,000. Assets are depreciated using the straight-line method of depreciation with useful lives ranging from three to ten years. Additionally, internal use software development and acquisition costs of $50,000 or greater are capitalized as software development in progress until the development stage has been completed and the software successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software costs and amortized using the straight-line method over the estimated useful life. Purchased commercial software that does not meet the capitalization criteria is expensed.

Capitalized property and equipment, net of accumulated depreciation, consisted of the following as of September 30, 2024 and 2023:

(in dollars)	Service Life	Acquisition Value	Accumulated Depreciation	2024 Net Book Value	2023 Net Book Value
Equipment	3-7 yrs	$ 3,914,419	$ 3,307,631	$ 606,788	$ 969,539
Information Technology Software	3 yrs	14,764,418	14,122,214	642,204	959,449
Internal Use Software in Development	7 yrs	1,526,738	-	1,526,738	860,610
Leasehold Improvements		1,118,890	103,388	1,015,502	-
Total		$ 21,324,465	$ 17,533,233	$ 3,791,232	$ 2,789,598

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on the SSS' Balance Sheet as of September 30, 2024, include liabilities not covered by budgetary resources, which are liabilities for which Congressional action is required 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, 2024 and 2023 is as follows:

(in dollars)	2024	2023
Intra-governmental Liabilities:		
Unfunded FECA Liability	$ 213,222	$ 231,892
Other Liabilities Without Related Budgetary Obligations	264,752	269,061
Total Intra-governmental Liabilities	477,974	500,953
Other than intra-governmental Liabilities:		
Federal employee salary, leave, and benefits payable Unfunded Leave	1,106,328	1,098,310
Pensions, other Post-employment, and veterans benefits payable Actuarial FECA Liability	1,190,447	1,350,624
Total Other than intra-governmental Liabilities	2,296,775	2,448,934
Total Liabilities Not Covered by Budgetary Resources	2,774,749	2,949,887
Total Liabilities Covered by Budgetary Resources	4,182,142	2,741,351
Total Liabilities	$ 6,956,891	$ 5,691,238

(a) Other Information

Unfunded Workers Compensation Benefits Liabilities consist of: 1) Unfunded FECA Liability - workers' compensation claims payable to the Department of Labor (DOL), which will be funded in a future period; and 2) Actuarial FECA Liability - an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. The actuarial calculation is based on the DOL's FECA actuarial model that takes the amount of benefit payments made over the last 12 quarters (3 years) and calculates the annual average of payments. For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

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

Other Liabilities Without Related Budgetary Obligations represent the liability to repay the Technology Modernization Fund (TMF) to the General Services Administration (GSA). The TMF was authorized by the Modernizing Government Technology Act of 2017 to improve information technology and enhance cybersecurity across the Federal government. The Technology Modernization Board approved the SSS' project to modernize registration and enrollment verification checks. From FY 2022 through FY 2024, the SSS received the non-expenditure transfer that is required to repay to GSA's TMF in accordance with the repayment schedule and written agreement. Annual repayments started in the FY 2023 after initial funding from GSA.

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

NOTE 6 – OTHER LIABILITIES

Other liabilities consisted of the following as of September 30, 2024, and 2023:

(in dollars)	2024	2023
Intra-governmental Liabilities:		
Other Liabilities		
Other Liabilities (without reciprocals)		
Employer Contributions and Payroll Taxes Payable	$ 55,381	$ 51,239
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	-	-
Other Liabilities Without Related Budgetary Obligations	264,752	269,061
Other Current Liabilities - Benefit contributions payable		
Employer Contributions and Payroll Taxes Payable	177,562	171,352
Unfunded FECA Liability	213,222	231,892
Total Intra-governmental Liabilities	710,917	723,544
Total Other Liabilities	$ 710,917	$ 723,544

NOTE 7 - FEDERAL EMPLOYEES' COMPENSATION ACT

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

For FY 2024, and FY 2023, the SSS used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other Federal agencies. The SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2024 and 2023, of $213,222 and $231,892, respectively, but not yet reimbursed to DOL by the SSS.

The SSS recorded an estimated actuarial liability for future costs that represent the expected liability for approved compensation cases beyond the current fiscal year. This estimated actuarial liability of $1,190,447 and $1,350,624 as of September 30, 2024 and 2023, respectively, is reported on the SSS' Balance Sheet.

NOTE 8 – LEASES

The SSS leases office from the General Service Administration (GSA) and Department of Defense (DoD). The SSS has executed four long-term leases for office space. The four leases are as follows: (1) DMC & Region I Headquarters in Illinois, (2) Region II Headquarters in Georgia, (3) Region III Headquarters in Colorado, and (4) National Headquarters in Arlington, Virginia. The Selective Service System is still in the process of renewing their National HQ lease with the GSA, which will expire on 9/30/2024.

For FY 2024, the SSS has not recognized a lease liability, and a lease asset associated with non-intragovernmental, non-short-term contracts or agreements, pursuant to SFFAS 54.

Intragovernmental Annual Lease Expense for the fiscal year ended September 30, 2024:

(in dollars)

Fiscal Year	National HQ	DMC	Region 1	Region 2	Region 3	Totals
FY2024	$171,256	-	-	-	-	$171,256
Total Intragovernmental Lease Expense	$171,256					$171,256

NOTE 9 – INTRAGOVERNMENTAL COSTS

Intragovernmental costs are those expenses paid by the SSS to other federal government entities for goods or services provided by another federal agency. They include, but are not limited to, the Army National Guard Bureau, Department of the Interior, General Services Administration, Government Printing Office, Great Lakes Naval Station Public Works, and Office of Personnel Management. Public costs are expenses paid to all other entities, to include state and local governments and the general public.

All earned revenue consists of the income generated by the SSS from providing services to other federal government agencies.

(in dollars)		2024		2023
Intragovernmental Costs	$	12,496,043	$	11,324,428
Public Costs		22,383,686		20,408,877
Total Costs		34,879,729		31,733,305
Less: Earned Revenue		500,000		500,000
Net Program Cost	$	34,379,729	$	31,233,305

NOTE 10 – EXCHANGE REVENUE

The Statement of Federal Financial Accounting Standards (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, defines exchange revenue as inflows of resources to a governmental entity that the entity has earned. They arise from exchange transactions that occur when each party to the transaction sacrifices value and receives value in return. Exchange revenue is earned for services provided to other government agencies through reimbursable agreements. The SSS recovers the cost of services from other agencies. Amounts are earned at the time the expenditures are incurred against the reimbursable order. During fiscal years 2024 and 2023, the SSS earned $500,000 and $500,000 under an agreement with the U.S. Department of Defense. The DoD reimburses the SSS for the difference in postage cost between what the SSS currently paid to mail Acknowledgments and what it would cost to include DoD materials in the SSS Acknowledgments. The SSS is also reimbursed for the difference between what they were paying to lease equipment for the mailing and the increase in lease costs for the additional equipment necessary to insert the materials for DoD.

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed.

For the years ended September 30, 2024 and 2023, undelivered orders amounted to:

(in dollars)		2024		2023
Unpaid:				
Federal	$	4,049,590	$	3,857,301
Non-Federal		6,071,951		7,458,721
Paid:				
Non-Federal		-		-
Totals	$	10,121,541	$	11,316,022

NOTE 12 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY24 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2025 and can be found at the OMB website: http://www.whitehouse.gov/omb. The 2025 Budget of the United States Government, with the actual column completed for 2023, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 13 – BUDGET AND ACCRUAL RECONCILIATION

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

Selective Service System
Budget and Accrual Reconciliation
For the Period Ended September 30, 2024
(in dollars)

	Intragovernmental	With the Public	Total FY2024
Net Operating Cost (SNC)	11,996,043	22,383,686	34,379,729
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(602,783)	(602,783)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	-	(1,267,412)	(1,267,412)
Salaries and benefits	(10,353)	(163,028)	(173,381)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	18,669	152,160	170,829
Other financing sources			
Federal employee retirement benefit costs paid by OPM and imputed to agency	(3,544,582)	-	(3,544,582)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(3,536,266)	(1,881,063)	(5,417,329)
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	1,118,890	666,129	1,785,019
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	1,118,890	666,129	1,785,019
Other Temporary Timing Differences	(67,483)	-	(67,483)
Net Outlays (Calculated Total)	9,511,184	21,168,752	30,679,936
Agency Outlays, Net (SBR Line 4210)			30,679,936

Selective Service System
Budget and Accrual Reconciliation
For the Period Ended September 30, 2023
(in dollars)

	Intragovernmental	With the Public	Total FY2023
Net Operating Cost (SNC)	10,815,240	20,418,065	31,233,305
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(558,225)	(558,225)
Property, plant, and equipment disposal and reevaluation	-	(110,393)	(110,393)
Property, plant, and equipment depreciation	-	14,169	14,169
(Increase)/Decrease in Assets not affecting Budget Outlays:			
Accounts recievable	-	(3,315)	(3,315)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	-	1,441,544	1,441,544
Salaries and benefits	(29,113)	48,356	19,243
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	27,714	(6,705)	21,009
Other financing sources			
Federal employee retirement benefit costs paid by OPM and imputed to agency	(2,551,218)	-	(2,551,218)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(2,552,617)	825,431	(1,727,186)
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	793,419	793,419
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	-	793,419	793,419
Other Temporary Timing Differences	9,188		9,188
Net Outlays (Calculated Total)	8,271,811	22,036,915	30,308,726
Agency Outlays, Net (SBR Line 4210)			30,308,726

SELECTIVE SERVICE SYSTEM