



FINANCIAL DISCUSSION AND ANALYSIS

NSF is proud of its record of achievement in the federal financial management arena. It is our goal and commitment to provide excellence in financial management to our stakeholders with the focus on the highest quality of business services. We honor that commitment by preparing annual financial statements in accordance with United States general accepted accounting principles (GAAP) for federal government entities and subjecting the statements to an independent audit to ensure their integrity and reliability in assessing the performance. For FY 2006, NSF received an unqualified opinion that the financial statements were fairly stated in all material respects.

In the FY 2006 Auditor's Report, the two prior year reportable conditions were repeated: post-award oversight for high risk grants and cooperative agreements and, contract monitoring. With respect to post-award oversight, we have made significant progress in the last year. Significant time was invested in the design, planning and implementation of a desk review program. NSF will continue to conduct desk reviews to enhance post-award monitoring. With respect to the contract monitoring reportable condition, the quarterly expenditure reviews of our major contractors by management were completed but not in time for the auditors to fully assess the overall impact of the corrective actions. For further discussion, see Chapter III, Management's Response to the Independent Auditor's Report.

NSF's CFO Five-Year Financial Management Plan supports the President's Management Agenda (PMA) by establishing key components to accomplish our financial management strategic goals. These forward-focused components are: high quality accountability support for NSF's strategic goals; effective stewardship and accountability to maximize the public resources provided to NSF; quality business services to our external and internal customers; efficient delivery of operations, transactions and outreach through e-systems; new and improved business practices through the development of constructive partnerships; and proactive leadership in all endeavors.

While NSF has accomplished much under the current CFO Five-Year Management Plan, we are now focusing our efforts to meet the new financial management goals that are in the updated CFO Five-Year Management Plan that will be implemented in FY 2007. These new goals provide us with the framework to improve upon the record of achievement we have accomplished so far in the areas of financial management and reporting, financial systems, awards management, customer service and a productive workforce.

Understanding the Financial Statements

NSF's FY 2006 financial statements and notes are presented in the format required for the current year by *OMB Circular No. A-136, Financial Reporting Requirements* dated July 24, 2006, which supersedes *OMB Bulletin No. 01-09, Form and Content of Agency Financial Statements*, dated September 25, 2001, and OMB memoranda, specifically *M-04-20, FY 2004 Performance and Accountability Reports and Reporting*, dated July 22, 2004. NSF's current year financial statements and notes are presented in a comparative format. The Stewardship Investment schedule presents information over the last five years. The following table (*Figure 10*) summarizes the significant changes in NSF's financial position during FY 2006.

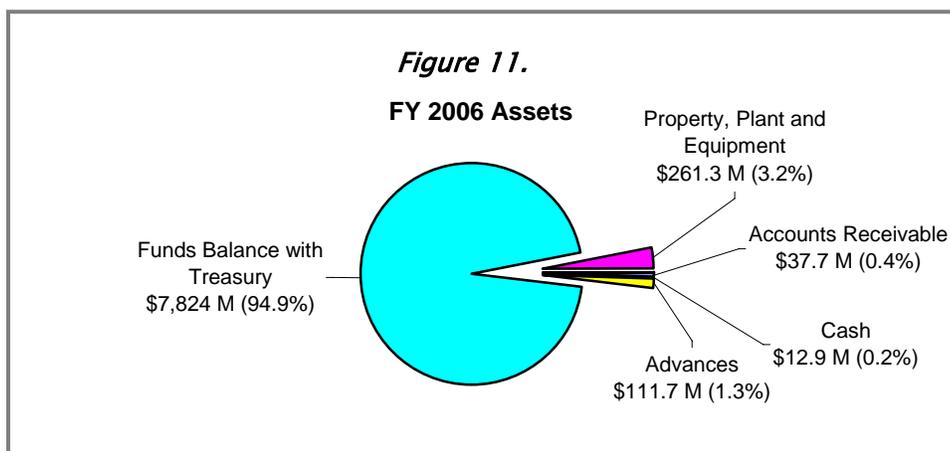


Figure 10.
Significant Changes in NSF's Financial Position in FY 2006
(Dollars in Thousands)

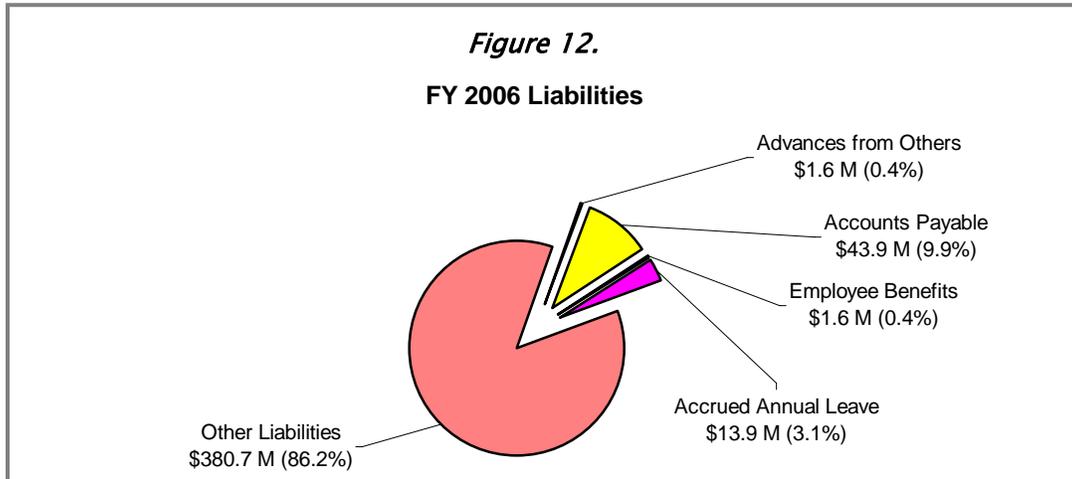
Net Financial Condition	FY 2006	FY 2005	Increase/ (Decrease)	% Change
Assets	\$8,247,611	\$8,075,059	\$172,552	2%
Liabilities	\$441,720	\$377,543	\$64,177	17%
Net Position	\$7,805,891	\$7,697,516	\$108,375	1%
Net Cost	\$5,595,761	\$5,408,174	\$187,587	3%

The following is a brief description of the nature of each required financial statement and its relevance. Certain significant balances or conditions are explained to help clarify their relationship to NSF operations.

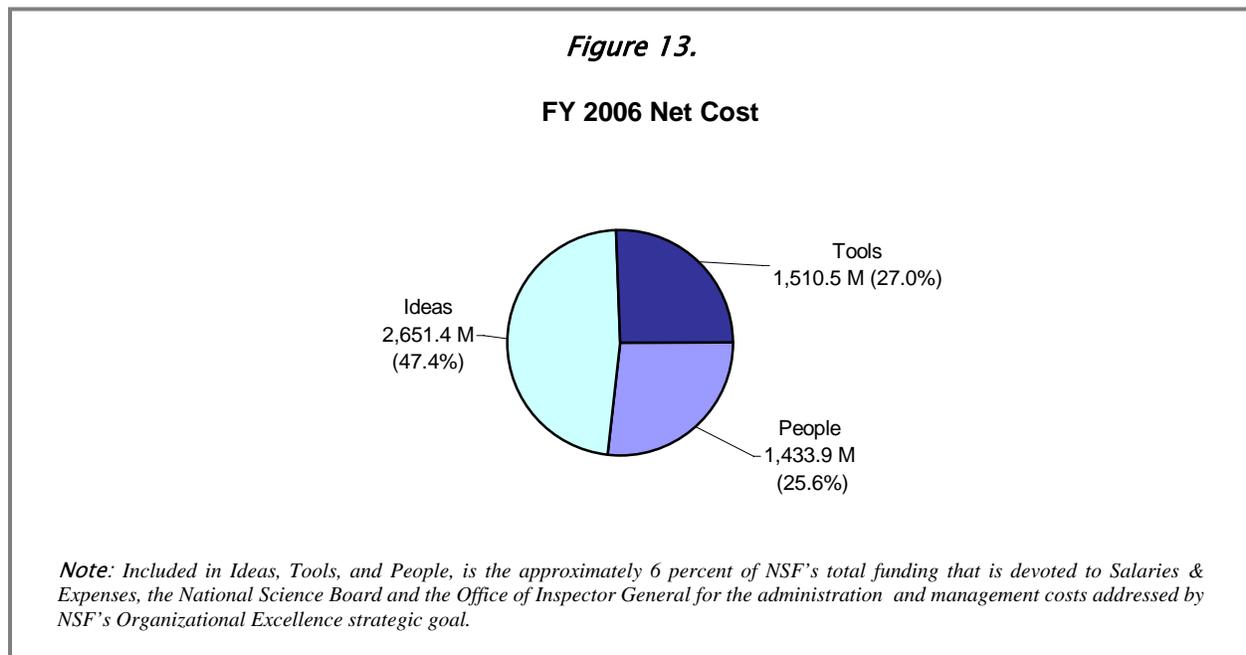
Balance Sheet: The Balance Sheet presents the total amounts available for use by NSF (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position). Three line items consisting of *Fund Balance with Treasury*; *Property, Plant and Equipment*; and *Advances* represent 99 percent of NSF's current year assets (*Figure 11*). *Fund Balance With Treasury* is funding available through the Department of Treasury accounts from which NSF is authorized to make expenditures and pay amounts due. *Property, Plant and Equipment* comprises capitalized property located at NSF headquarters and NSF-owned property in New Zealand and Antarctica that supports the U.S. Antarctic Program (USAP). *Advances* are funds advanced to NSF grantees, contractors, and other government agencies.



Three line items, *Accounts Payable*, *Accrued Liabilities (Other Liabilities)*, and *Accrued Annual Leave* represent 99 percent of NSF's current year liabilities (*Figure 12*). *Accounts Payable* includes liabilities to NSF vendors for unpaid goods and services received. *Accrued Liabilities* are amounts recorded for NSF's grants and contracts for which work has been completed and payment has not been made, as well as accrued payroll and benefits. *Accrued Annual Leave* represents annual leave earned by NSF employees but not yet taken.



Statement of Net Cost: This statement presents the annual cost of operating NSF programs. Gross cost less any offsetting revenue for each NSF program is used to arrive at the net cost of specific program operations. *Intragovernmental Earned Revenues* are recognized when these related program or administrative expenses are incurred and deducted from the full cost of the programs to arrive at the net cost of operation.



Approximately 94 percent of all current year NSF costs incurred were directly related to the support of our *Ideas, Tools, and People* programs (Figure 13). Costs were incurred for indirect general operation activities (e.g., salaries, training, activities related to the advancement of NSF information systems technology, and activities of the NSB and the OIG). These costs were allocated to NSF's investment categories under *Ideas, Tools, and People*, and account for six percent of the total current year *Net Cost of Operations*. These administrative and management activities are the focus of our *Organizational Excellence* strategic goal.



Statement of Changes in Net Position: This statement presents the accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. NSF's Net Position increased to \$7.8 billion in FY 2006—an increase of one percent—due to the increase in *Unexpended Appropriations and Cumulative Results of Operations*. *Unexpended Appropriations* is affected mainly by *Appropriations Received* and *Appropriations Used*, with minor impact from *Appropriation Transfers* from the U.S. Agency for International Development (USAID) and *Other Adjustments*, which include appropriation rescissions and cancellations. In FY 2006, NSF separated its Earmarked Funds portion of *Cumulative Results of Operations* based on new OMB A-136 guidance issued this fiscal year. See footnote 13 in Section III – Notes to the Principal Financial Statements for further details.

Statement of Budgetary Resources: This statement provides information on how budgetary resources were made available to NSF for the year and the status of those budgetary resources at year-end. For FY 2006, new *Budgetary Authority* for Research and Related Activities, Education and Human Resources, Major Research Equipment and Facilities Construction, the combined National Science Board, OIG and Salaries & Expenses were \$4,331 million, \$797 million, \$191 million and \$262 million, respectively. *Total Budgetary Resources* increased by 3.1 percent and *Net Outlays* increased by 2.6 percent in FY 2006. The *Net Outlays* reported on this statement reflects the actual cash disbursed for the year by Treasury for NSF obligations; it is reduced by the amount of Distributed Offsetting Receipts.

Statement of Financing: This statement illustrates the relationship between *Net Obligations* derived from NSF's budgetary accounts and the *Net Cost of Operations* reported on the *Statement of Net Cost*, which is derived from NSF's proprietary accounts. The statement is structured to first identify total resources classified by obligations, and then other adjustments are made to those resources based on how additional items financed those resources or contributed to net cost. *Total Resources Used to Finance Activities* are only resources that have been obligated and are derived from information provided on the Statement of Budgetary Resources. *Total Resources Used to Finance Items Not Part of Net Cost of Operations* consists mainly of an adjustment to undelivered orders of the agency that are reflected in net obligations but not part of *Net Cost of Operations*. *Components Requiring or Generating Resources in Future Periods* adjusts for future funded expenses that are recognized in *Net Cost of Operations* but resources will not be provided until subsequent periods.

Stewardship Investments: Stewardship investments are NSF-funded investments that yield long-term benefits to the general public. NSF investments in research and education yield quantifiable outputs, including the number of awards made and the number of researchers, students, and teachers supported or involved in the pursuit of discoveries in science and engineering and in science and math education. Stewardship investments from FY 2005 to FY 2006 showed incremental increases in research activities in support of NSF's overall mission as reported in monetary investments. The decrease in the number of people directly involved in NSF-supported activities in FY 2006 primarily reflects the phase down of support for the Math and Science Partnership Program.

Limitations of the Financial Statements

In accordance with the revised guidance *OMB Circular No. A-136, Financial Reporting Requirements*, we are disclosing the following limitations of NSF's FY 2006 financial statements, which are in Chapter III of this report. The financial statements have been prepared to report the financial position and results of operations of NSF, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from NSF books and records in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities and the format prescribed by OMB, the statements are in addition to the



financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

Budgetary Integrity: NSF Resources and How They Are Used

NSF is funded primarily through six Congressional appropriations that totaled \$5.6 billion in FY 2006.¹⁶ Other FY 2006 revenue sources included \$100.5 million in reimbursable authority, \$8.0 million in appropriation transfers from other federal agencies, \$105.3 million in H-1B collections and \$31.4 million in donations to support NSF activities. As shown in the Statement of Net Cost, NSF made investments in fundamental research and education through ten investment categories linked to the agency's three mission-oriented strategic outcome goals of *Ideas, Tools, and People*.¹⁷ These investment categories, together with NSF's priority areas, constitute the agency's PART programs. The investment categories are: Individuals; Institutions; Collaborations; Fundamental Science and Engineering; Centers; Capability Enhancement; Large Facilities; Infrastructure and Instrumentation; Polar Tools, Facilities, and Logistics; and Federally Funded Research and Development Centers. NSF provided support across the full range of science and engineering disciplines.

In FY 2006, four key multidisciplinary priority areas were funded: Biocomplexity in the Environment, Nanoscale Science and Engineering, Mathematical Sciences, and Human and Social Dynamics. Major investments were also made in Cyberinfrastructure and in the Networking and Information Technology R&D Program. NSF also supported education activities for students and teachers from pre-K through the post-doctoral level. Among major research facility and equipment projects supported were the Atacama Large Millimeter Array, which when completed will be the world's most sensitive, highest resolution, millimeter-wavelength telescope; EarthScope, a distributed geophysical instrument array that will enhance our understanding of the structure and dynamics of the North America continent; and the IceCube Neutrino Detector Observatory in Antarctica.

At the time of this report, NSF had not yet received its FY 2007 appropriations. However, our priorities for the coming year are clear. NSF looks toward contributing a major role in the Administration's American Competitiveness Initiative, which outlines a 10-year doubling of investments in NSF and other agencies that are principal supporters of the physical sciences and engineering. NSF's task in this ambitious undertaking is to kindle the leadership and excellence in fundamental research and education that keeps America at the leading edge of science, engineering and technology. NSF will focus on supporting frontier research, broadening participation in the science and engineering enterprise, providing world-class facilities and infrastructure, and bolstering NSF's K-12 education portfolio. NSF will also provide support in fundamental research for activities coordinated by the National Science and Technology Council (NSTC): the National Nanotechnology Initiative; the Climate Change Science Program; Networking and Information Technology R&D; and basic research related to homeland security.

¹⁶ NSF's original appropriations were reduced by a government-wide one percent rescission, an across-the-board reduction required in Section 3801.(a) of H.R. 2863 and a 0.28 percent rescission, required in Section 638(a) of the Conference Report H.R. 109-272.

¹⁷ See page I-19 for a discussion of NSF's fourth strategic goal of *Organizational Excellence*, which focuses on the agency's administrative and management activities.



Improper Payments Information Act of 2002: Status

The Improper Payments Information Act (IPIA) of 2002 and the recently issued OMB Circular A-123 Appendix C guidance require agencies to review all programs and activities, identify those that are susceptible to significant erroneous payments, and determine an annual estimated amount of erroneous payments made in those programs.

NSF's FY 2004 initial response to the IPIA requirements focused on awards already identified as high-risk through our pre-existing Award Monitoring and Business Assistance Program. In FY 2005, we revamped our Improper Payments Plan and implemented a process to ensure improper payments testing for NSF's IPIA program portfolio. NSF contracted with McBride, Lock, and Associates, Certified Public Accountants, to conduct a statistical review of grant payment data related to two targeted appropriations (NSF's OMB-identified IPIA program) that represented more than 80 percent of NSF total funding. The baseline results and the very low improper payment rates reported in our FY 2004 and FY 2005 Performance and Accountability Report indicate a low risk program that is well below the IPIA \$10 million and 2.5 percent total outlays thresholds.

Therefore, in accordance with OMB Memorandum 06-23, Circular A-123 Appendix C, Section K issued on August 10, 2006, NSF applied and received relief from the annual IPIA reporting requirement for this year. NSF will remain vigilant in our monitoring and continue efforts towards improving the payment process. In fact, NSF intends to continue other grant expenditure sampling for improper payment in support of the NSF grant monitoring program to ensure that it remains low risk.

Financial System Strategy

The goal of NSF's financial management team has always been to provide the highest quality of business services to our customers, stakeholders, and staff through effective funds control, prompt and streamlined award processes, and reliable and timely financial data to support sound management decisions. NSF's Financial Accounting System (FAS) enables us to achieve these goals. FAS is an online, real-time system that provides the full spectrum of financial transaction functionality required by a grants-making agency. The system allows NSF to consistently meet financial reporting deadlines, helps ensure FFMIA and OMB A-127 compliance, and provides accurate, on-demand financial information to NSF staff.

FAS is extensively integrated with all of NSF's core business systems, including the Proposal and Reviewer System (PARS), the Awards System, Guest (panelists) Travel and Reimbursement System, and the FastLane System that supports grants management. FAS supports both the grant and core financial processes. It is used to monitor, control, and ensure the management and financial accountability of over 20,000 active awards with nearly 2,000 external grantee institutions. FAS distributes funds electronically to grantees in a seamless and highly controlled environment. Grantees can check available funds in real time on a daily basis. The extensive reporting capabilities built into the software include on-line lookups to verify funds, track commitments and obligations, and the ability to generate daily, weekly, monthly, and quarterly reports that provide up-to-date financial information about NSF operations for program and grantee decision support. All FAS-generated reports are posted electronically and are available to staff via Report.web which is a web-based application that streamlines information distribution. Information from FAS is captured and used in our Enterprise Information System reporting. FAS is custom software that was developed and is maintained by NSF to support our extensive grantmaking enterprise.

NSF's ability to meet interface and integration requirements of any government-wide initiative (e.g. e-Travel and e-Learning), to adopt new legislative, regulatory, and policy requirements as they are promulgated, and to implement required technical upgrades is resource dependent. Consistent with NSF's eGovernment Implementation Plan, FAS will remain in a steady-state phase in the FY 2005-FY 2010



timeframe. NSF will be approaching its future financial system requirements as an integral part of its grant process. The agency will conduct an integrated review of the Grants Management Line of Business (GMLoB) and the Financial Management Line of Business (FMLoB) solution in 2007. If the GMLoB/FMLoB Shared Service Provider (SSP) option is determined to be infeasible, NSF will analyze the FMLoB SSP option in 2008. NSF may conduct a Business Case Feasibility Study for the FMLoB solution in 2009. This plan allows NSF to take advantage of the results/findings of the GMLoB process in becoming a SSP to more fully define our financial requirements. NSF anticipates that if a conversion to a new financial management system is necessary, it will substantially impact NSF grantees beginning in 2010.

Key Financial Metrics

The information in this section presents selected key financial measures of NSF core business of awarding grants and our progress in associated electronic processes. NSF has an established record of success in leveraging automation to increase efficiency and productivity. Since the inception of the Department of Treasury's Financial Management Service Scorecard in FY 2004, NSF has consistently received the highest "Green" ratings for accuracy and timeliness of our financial reporting in the quarterly ratings (Figure 14).

Figure 14.		
U.S. Department of Treasury Financial Management Scorecard		
Category	Standard	Results (as of 6/30/06)**
Accuracy of Reporting*	<i>Green:</i> If differences outstanding for less than 3 months. <i>Yellow:</i> If differences are older than 3 months but less than 6 months. <i>Red:</i> If differences are older than 6 months.	
Timeliness of Reporting*	<i>Green:</i> If original and supplemental reporting completed by the third workday. <i>Yellow:</i> If original submitted by the 3rd workday and supplemental report submitted on the 4th workday. <i>Red:</i> If original submitted after the 3rd workday and/or supplemental submitted after the 4th workday.	
Checks issued Comparison Reporting	<i>Green:</i> If differences outstanding for less than 3 months. <i>Yellow:</i> If differences are older than 3 months but less than 6 months. <i>Red:</i> If differences are older than 6 months. <i>N/A:</i> If agency does not have disbursing authority.	N/A
* FMS 224, SF1218/1221 and FMS 1219/1220. ** Most current data available.		

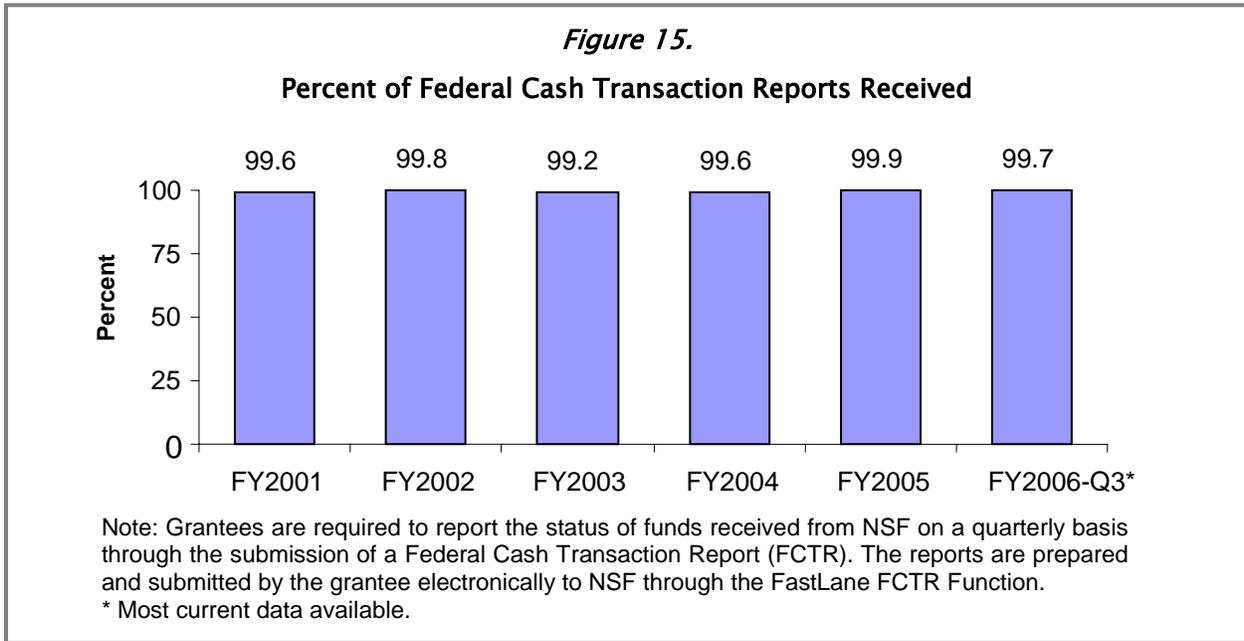


Figure 15 focuses on the SF 272 Federal Cash Transaction Report (FCTR) process, a key part of NSF's core grant business. It shows the FCTR collection rate over the past five years including the continued increase of on-time submissions. In FY 1998, NSF developed FastLane, a secure, web-based application that enables grantees to electronically transmit FCTR reports. NSF routinely collects over 99.9 percent of all required FCTRs - a collection rate that significantly exceeds that of other federal agencies.

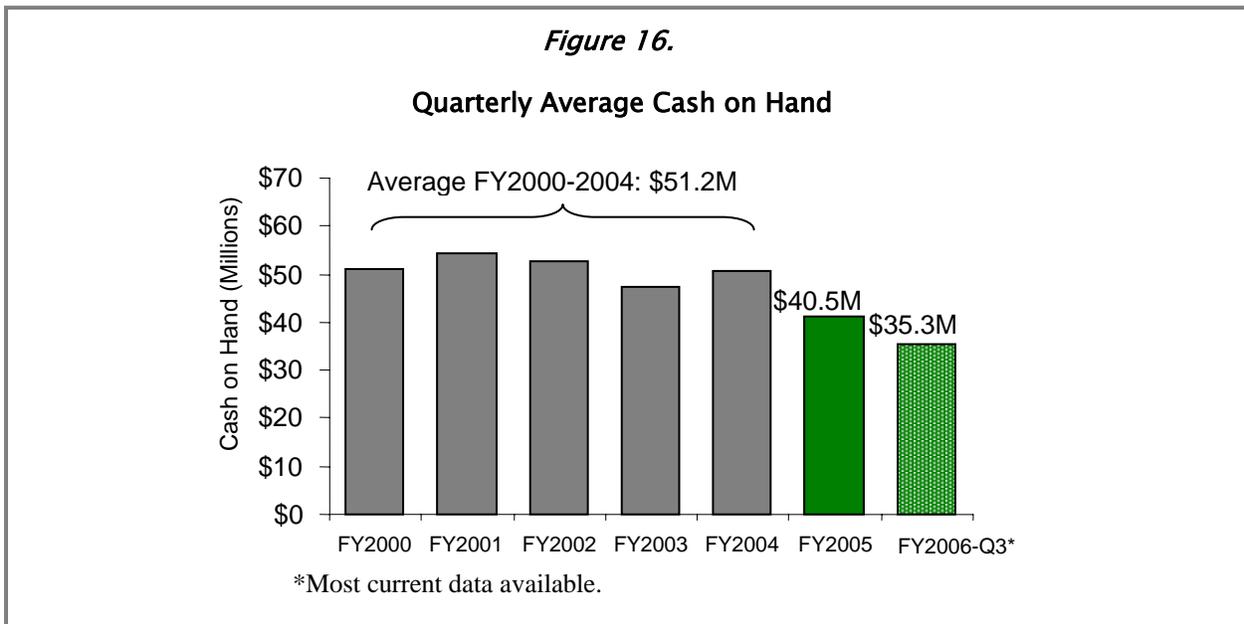


Figure 16 shows the results of NSF's increased emphasis on enhanced FCTR monitoring activities implemented in January 2005. Unexpended federal cash held by grantees has dropped by an average of



approximately \$10 million per quarter due to NSF monitoring activities, indicating improved cash management on the part of the NSF grantees.

Figure 17.

**CFO COUNCIL METRIC TRACKING SYSTEM
FINANCIAL MANAGEMENT INDICATORS**

Indicator	Definition	Standard	Data through 6/30/06
1. Fund Balance with Treasury (Net)	Identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger on a net basis.	Green: fully successful <= 2% Yellow: minimally successful > 2% - <= 10% Red: unsuccessful > 10%	GREEN 0.0%
2. Amount in Suspense (Absolute) Greater than 60 Days Old	The timeliness of clearing and reconciling suspense accounts. This metric is reported quarterly.	Green: fully successful <= 10% Yellow: minimally successful > 10% - <= 20% Red: unsuccessful > 20%	GREEN 0.0%
3. Delinquent Accounts Receivable from Public Over 180 days	The success in reducing or eliminating delinquent accounts receivable from the public. This metric is reported quarterly.	Green: fully successful <= 10% Yellow: minimally successful > 10% - <= 20% Red: unsuccessful > 20%	RED 37.9%
4. Electronic Payments	The number of electronic payments measures the extent to which vendors are paid electronically.	Green: fully successful >= 96% Yellow: minimally successful >= 90% - < 96% Red: unsuccessful > < 90%	GREEN 99.2%
5a. Percent Non-Credit Card Invoices Paid on Time	How many non credit card invoices are paid on time in accordance with the Prompt Payment Act (PPA).	Green: fully successful >= 98% Yellow: minimally successful >= 97% - < 98% Red: unsuccessful < 97%	GREEN 99.6%
5b. Interest Penalties Paid	The amount of interest penalties paid on late invoices relative to total dollars paid in accordance with the PPA.	Green: fully successful <= 0.02% Yellow: minimally successful > 0.02% - <= 0.03% Red: unsuccessful > 0.03%	GREEN 0.0018%
6a. Travel Card Delinquency Rates Individually Billed Account (IBA)	The percent of travel card balances outstanding over 61 days for Individually Billed Accounts (IBA).	Green: fully successful <= 2% Yellow: minimally successful > 2% - <= 4% Red: unsuccessful > 4%	GREEN 0.8%
6b. Travel Card Delinquency Rates Centrally Billed Account (CBA)	The percent of travel card balances outstanding over 61 days for Centrally Billed Accounts (CBA).	Green: fully successful = 0% Yellow: minimally successful > 0% - <= 1.5% Red: unsuccessful > 1.5%	GREEN 0.0%
6c. Purchase Card Delinquency Rates	The percent of purchase card balances outstanding over 61 days.	Green: fully successful = 0% Yellow: minimally successful > 0% - <= 1.5% Red: unsuccessful > 1.5%	GREEN 0.0%

Figure 17 provides the CFO Metrics Tracking System (MTS) Scorecard for June 2006, the most recent data available. The MTS, sponsored by the CFO Council Committee on Performance Measurement, provides monthly details on core financial metrics across government. NSF received its first "Red" for Indicator 3, "Delinquent Accounts Receivable from Public over 180 Days," for the June reporting month. This indicator is based on the ratio of public receivables greater than 180 days to total receivables. This



score was caused by a single delinquent debt out of the pool of NSF outstanding public receivables. NSF's receivables are generally one of the lowest total public receivables of all government agencies. This single delinquent debt has caused the MTS score for NSF to experience an anomaly from the normal scoring it receives. In fact, since MTS was launched in January 2005, NSF has had the most consistently high scores of any government agency. MTS scorecards and information are available at www.fido.gov/mts/cfo/public/200606/.

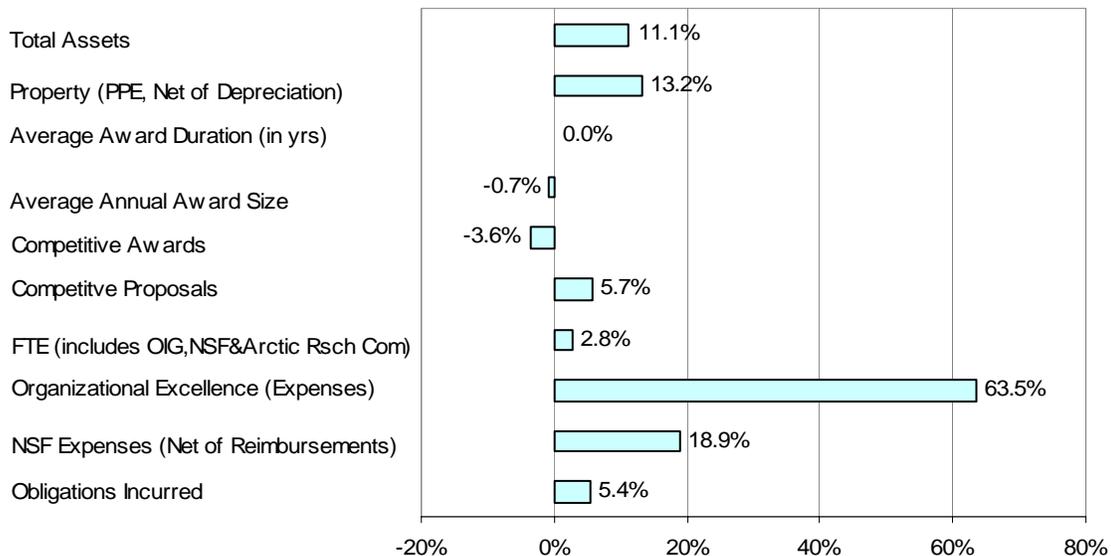
Figure 18.
Recent Trends

The following table summarizes several of NSF's key workload and financial indicators. Obligations are a direct result of each year's appropriation while expenses reflect multiple years of prior obligations. Of real significance is the increase since FY 2003 for Organizational Excellence. This increase reflects the higher onboard FTE as well as other investments designed to address the sustained high level of competitive proposals received and their increasing complexity.

(Dollars in Millions)

	FY 2003	FY 2004	FY 2005	FY 2006	%Change FY 03-06
Obligations Incurred	\$5,578.64	\$5,870.72	\$5,653.90	\$5,878.01	5.4%
NSF Expenses (Net of Reimbursements)	\$4,707.77	\$5,100.14	\$5,408.17	\$5,595.76	18.9%
Organizational Excellence (Expenses)	\$196.36	\$268.30	\$292.43	\$321.09	63.5%
FTE (includes OIG)	1,242	1,274	1,279	1,277	2.8%
Competitive Proposals	40,075	43,851	41,760	42,377	5.7%
Competitive Awards	10,844	10,380	9,794	10,450	-3.6%
Average Annual Award Size	\$135,609	\$139,637	\$143,669	\$134,595	-0.7%
Average Award Duration (in yrs)	2.9	2.9	2.9	2.9	0.0%
Property (PP&E, Net of Depreciation)	\$230.78	\$240.44	\$257.56	\$261.35	13.2%
Total Assets	\$7,424.92	\$7,929.03	\$8,075.06	\$8,247.61	11.1%

Percent Change: FY 2003 to FY 2006





Future Business Trends and Events

NSF looks toward meeting all the opportunities and challenges that are presented in the federal environment. The future will require a continued focus on management excellence through increased attention to specific financial operations and strategic issues. For example, the PMA and other new administrative policy initiatives mandate that NSF, like other agencies, demonstrate consistent progress in improving financial management practices as well as adapt to changing management and policy initiatives. We are also committed to leveraging technology and human capital resources to provide an optimum environment for creative intelligence to be utilized to improve operations and services to stakeholders. In addition, we proactively address management challenges identified through internal review and oversight. In the following section, we describe some of the areas we will be focusing on in both the immediate future and the long term.

OMB Circular A-123: NSF underwent its first full implementation under the revised OMB Circular A-123, *Management's Responsibility for Internal Control in FY 2006*. We experienced a steep learning curve in implementing the OMB guidance this year but the agency has emerged with a greater depth and breadth of understanding of the importance of good internal controls at both the entity-wide level and at the financial reporting level. NSF realizes that the process of institutionalizing the OMB A-123 guidance involves detailed planning and execution in the review, documentation, and testing of the business process controls. NSF recognizes that complete institutionalization of the OMB A-123 process does not depend solely on the annual internal control review and test results but also on achieving an overall level of confidence and experience over time. Therefore, in FY 2006, NSF opted for a limited scope on the testing of internal controls over financial reporting for fiscal years 2006, 2007 and 2008. This will allow the agency time to build a level of confidence into the review process.

E-Travel: NSF is the lead agency in implementing EDS's FedTraveler, one of three government-wide approved e-Travel Presidential initiative systems. NSF is paving the way for other agencies to follow and has had to implement and improve a system in parallel. In FY 2006, NSF staff made significant efforts to overcome the obstacles and challenges of a system that was essentially not ready for the e-Travel initiative. As a result, the FedTraveler system has been substantially improved; however, it was not fully implemented due to some remaining system deficiencies and integration issues. NSF is currently addressing these issues aggressively with EDS and GSA as part of a corrective action plan. The FedTraveler system was selected to provide our travelers with an integrated web-based travel system; NSF is confident that with continued diligence and oversight, we will have an optimal and responsive E-Travel system that will meet the needs of this agency.

Federal Financial Report (FFR): As part of its implementation initiatives for the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107), OMB is consolidating and replacing existing grant recipient financial reporting forms with a single Federal Financial Report (FFR). The FFR will provide grantees with a financial reporting process that will be common to all federal agencies while simplifying reporting requirements, procedures and associated business processes. The FFR will utilize a standardized pool of data elements as defined by the Grants Policy Committee of the Federal Chief Financial Officers Council. NSF is developing a FFR for implementation as part of its FastLane Financial Functions. NSF's FFR will assist OMB in advancing Federal Grants Streamlining initiatives, reinforce NSF leadership within the federal grants management arena, and maintain the customized integration of business processes and systems inherent in NSF's end-to-end systems. NSF's FFR will replace the Federal Cash Transaction Report (FCTR) currently being used by all NSF grant recipients, beginning in July 2007.



Financial Service Offerings of the NSF GMLoB: NSF has built a highly integrated financial and grants management process that has the flexibility to provide services to other agencies. As such, NSF is becoming a shared service provider within the Grants Management Line of Business (GMLoB) in a fee-for-service environment to other federal research agencies. Potential financial service offerings include grant payments, grantee financial reporting, and centralized grant accounting. These offerings will complement and extend the shared services to be offered for pre and post award grant management services. NSF financial services have the technical capability and management acumen, combined with proven business processes, which will provide a benefit to the federal research community.

Government-wide Accounting Standardization: There are several government-wide accounting (GWA) initiatives in the federal government, e.g., the GWA Modernization Project and the "Tie-point" Project that will help move the federal government towards government-wide accounting standardization. The goals of these initiatives are to provide reliable, timely and useful information, and to promote a better understanding of the federal accounting and reporting process across the federal government. The Department of the Treasury, in its effort to improve the integrity and consistency of government-wide financial data, is leading the "Tie-point" project through the use of U.S. Standard General Ledger "tie-points". These tie-points will help NSF to further improve our own tie-points that we are using in our current reconciliation process prior to OMB and Treasury reporting. NSF is currently participating and assisting in the project with Treasury and other agencies.

NSF is also involved in a government-wide accounting standardization effort that is spearheaded by the Financial Systems Integration Office under the Financial Lines of Business (FMLoB). The goal of this project is to develop a common government accounting code (CGAC) structure. It includes establishing an applicable set of definitions that all new agency financial management systems must adhere to. Since NSF is moving forward as a Shared Service Provider under the Grants Management Lines of Business (GMLoB), we are studying the feasibility of integrating both GMLoB and FMLoB, and working cooperatively with these two lines of business to develop the touch points. Developments in the CGAC and touch points projects will have an impact on the approach that NSF will take in the future.