

A MESSAGE FROM THE DIRECTOR

I am pleased to have this opportunity to present the National Science Foundation's (NSF) *Agency Financial Report* (AFR) for fiscal year (FY) 2010. NSF's mission is to promote and advance progress in science and engineering research and education in the United States. NSF is the only federal agency with responsibility for strengthening the overall health of U.S. science and engineering across all fields. NSF also has responsibility for leading the nation's efforts to achieve excellence in science, technology, engineering, and mathematics education at all levels. Investments in science and technology are investments in America's future. They foster economic growth, create high tech, high wage jobs that allow U.S. workers to lead in the global economy, and improve the quality of life for all Americans.

NSF-supported discoveries have contributed to the nation's knowledge base and provided insight into many of today's complex national and global challenges such as climate change, environmental protection, and homeland security. In many fields, such as computer science and mathematics, NSF is the principal source of federal academic support. As you will learn from this report, more than 2,100 institutions in 50 states, the District of Columbia, and 5 U.S. territories received NSF awards in FY 2010. These awards directly involved an estimated 294,000 people, including senior researchers, graduate and undergraduate students, and K-12 students and teachers.

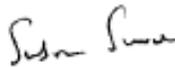
This report provides an assessment of the agency's detailed financial information and stewardship of taxpayer resources. It includes management's Statement of Assurance and a progress report on how the agency has addressed the NSF Office of Inspector General's FY 2010 management challenges. The performance chapter highlights some key performance metrics available at this time. NSF will report the complete results for its FY 2010 Government Performance and Results Act (GPRA) performance goals in the agency's *Annual Performance Report* (APR) in February 2011, as part of the agency's FY 2012 Budget Request to Congress. The AFR, APR, and a *Performance and Financial Highlights* report, which will be also be available in February, are being prepared in lieu of an agency Performance and Accountability Report in accordance with guidance from the Office of Management and Budget.

A few highlights:

- NSF received an unqualified opinion from an independent audit of its financial statements—its 13th consecutive “clean” opinion. The audit report identified no material weaknesses but repeated a significant deficiency related to the monitoring of cost reimbursement contracts.

- NSF can provide reasonable assurance that the agency is in substantial compliance with the Federal Managers Financial Integrity Act of 1982 and that internal control over financial reporting is operating effectively to produce reliable financial reporting. No material weaknesses were found in the design or operation of the internal controls.
- The number of proposal actions reached an unprecedented 55,562, a 23 percent increase from the prior year. A total of 13,015 competitive new awards were made. The FY 2010 funding rate of 23 percent was a 9 percentage point drop from the 32 percent achieved in FY 2009 that reflected the overall level of investment made possible by the Recovery Act.
- NSF has achieved eight of 11 GPRA goals for which results are available at this time.
 - 1) For 75 percent of proposals undergoing competitive merit review, a funding decision was made within 6 months. This exceeded NSF's 70 percent target, despite a significant increase in workload this year. Customer surveys have found that the amount of time it takes to process a proposal is one of the most important issues for the science and engineering research community, so this is an important efficiency goal for the agency.
 - 2) A total of \$138.4 million was invested to leverage and facilitate activities that foster potentially transformative research, exceeding the \$94 million target by nearly 50 percent.
 - 3) NSF did not achieve its goal to provide written context statements to 95 percent of Principal Investigators of awarded and declined proposals, as only 93 percent of reviews included these statements. This performance goal was directed at increasing transparency of the merit review process. A more detailed discussion of these results and others is included in the report.
- The performance data included in this report and in the APR undergoes a verification and validation review by an independent, external management consultant based on guidance from the General Accountability Office. This will be discussed in more detail in the APR.

These challenging times underscore the importance of NSF's commitment to high standards in its programmatic investments and its overall responsibilities for sound stewardship. As Director, I welcome the opportunity to continue NSF's tradition of making investments that will help ensure our nation's prosperity, security, and well being.



Subra Suresh
Director

November 15, 2010