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Report of Independent Auditors

To the Administrator and the Acting Inspector General
of the National Aeronautics and Space Administration

We were engaged to audit the accompanying consolidated balance sheets of the National Aeronautics and Space Administration (NASA) as of September 30, 2009 and 2008, and the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources for the fiscal years then ended. These financial statements are the responsibility of NASA's management.

During fiscal year 2009, NASA continued its focused efforts to resolve long-term issues identified in its financial management processes and systems. Although significant progress has been made, NASA management and our work continue to identify issues related to internal control in its property accounting, principally relating to assets capitalized in prior years. As a result of these limitations, we were unable to obtain sufficient evidential support for the amounts presented in the consolidated balance sheets as of September 30, 2009 and 2008, and the related consolidated statements of net cost and changes in net position and the combined statements of budgetary resources for the fiscal years then ended.

Because of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the consolidated balance sheets as of September 30, 2009 and 2008, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years then ended.

The information presented in Management's Discussion and Analysis, required supplementary stewardship information, required supplementary information, and other accompanying information is not a required part of the basic financial statements but is supplementary information required by the Office of Management and Budget (OMB) Circular No. A-136. The other accompanying information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it. We were unable to apply to the information certain procedures prescribed by professional standards within the time frames established by OMB because of the limitations on the scope of our audit of the financial statements discussed above.

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended, we have also issued our reports dated November 9, 2009, on our consideration of NASA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, and should be considered in assessing the results of our work.

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November 9, 2009