National Aeronautics and Space Administration

Office of Inspector General
Washington, DC 20546-0001

November 16, 2009

TO: Administrator
Chief Financial Officer

FROM: Acting Inspector General

SUBJECT: Audit of the National Aeronautics and Space Administration's Fiscal Year 2009 Special-Purpose Financial Statements (Report No. IG-10-004; Assignment No. A-09-006-02)

Under the Chief Financial Officers Act of 1990, NASA's financial statements are to be audited in accordance with generally accepted government auditing standards. The Office of Inspector General contracted with the independent public accounting firm Ernst & Young LLP (E&Y) to audit NASA's special-purpose financial statements in accordance with the Government Accountability Office's "Government Auditing Standards" and the Office of Management and Budget's Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements," as amended. E&Y also reported on NASA's consolidated general-purpose financial statements: "Audit of the National Aeronautics and Space Administration's Fiscal Year 2009 Financial Statements" (Report No. IG-10-002, November 13, 2009).

NASA's special-purpose financial statements were prepared in accordance with the guidance provided in the U.S. Department of the Treasury's Financial Manual (TFM), Volume I, Part 2, Chapter 4700. To assist the Department of the Treasury in preparing the Financial Report of the United States Government, NASA's general-purpose financial statements were reclassified into a standard format for consolidation with those of other Federal agencies. Also, NASA's intragovernmental balances were separated and reported by Federal agency to facilitate the elimination of agency-to-agency transactions.

In the "Report of Independent Auditors" (Enclosure), E&Y disclaimed an opinion on NASA's special-purpose financial statements for the fiscal years ended September 30, 2009 and 2008. While the Agency made significant progress in improving its financial processes and systems, the disclaimer resulted from continued weaknesses in internal controls over accounting for legacy property, plant, and equipment.

In fulfilling our responsibilities, we monitored the progress of the audit, reviewed E&Y's report and related documentation, inquired of its representatives, and ensured that E&Y met contractual requirements. Our review was not intended to enable us to express, and we do not express, an opinion on NASA's special-purpose financial statements, conclusions about the effectiveness of internal controls over financial reporting, or compliance with the TFM.

E&Y is responsible for the enclosed report and the conclusions expressed therein. Our review, while still ongoing, disclosed no instances where E&Y did not comply, in all material respects, with the Government Accountability Office's "Government Auditing Standards."

signed

Thomas J. Howard

Enclosure