



THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Report on Federal Awards in Accordance
with OMB Circular A-133

Year ended September 30, 2004

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Table of Contents

	Page
Part I Federal Award Programs	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards for the year ended September 30, 2004	5
Schedule of Expenditures of Federal Awards by Agency for the year ended September 30, 2004	10
Notes to Schedules of Expenditures of Federal Awards and Expenditures of Federal Awards by Federal Agency	11
Part II Findings and Questioned Costs	
Schedule of Findings and Questioned Costs for the year ended September 30, 2004	14

PART I
FEDERAL AWARD PROGRAMS



KPMG LLP
1900 Nashville City Center
511 Union Street
Nashville, TN 37219-1735

**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Trustees of The University of Alabama and
the President of the University of Alabama in Huntsville:

We have audited the basic financial statements of The University of Alabama in Huntsville (the University), one of the campuses of The University of Alabama System which is a component unit of the State of Alabama, as of and for the year ended September 30, 2004, and have issued our report thereon dated November 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the University in a separate letter dated November 24, 2004.



This report is intended solely for the information and use of the Board of Trustees, the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 24, 2004



KPMG LLP
1900 Nashville City Center
511 Union Street
Nashville, TN 37219-1735

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Trustees of The University of Alabama and
the President of the University of Alabama in Huntsville:

Compliance

We have audited the compliance of The University of Alabama in Huntsville (the University), one of the campuses of The University of Alabama System which is a component unit of the State of Alabama, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2004. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended September 30, 2004.

Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or



operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

**Schedules of Expenditures of Federal Awards and
Expenditures of Federal Awards by Federal Agency**

We have audited the basic financial statements of the University as of and for the year ended September 30, 2004, and have issued our report thereon dated November 24, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards by federal agency is also presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, the audit committee, management and federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 24, 2005

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Schedule of Expenditures of Federal Awards

Year ended September 30, 2004

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
Type A programs:			
Research and Development:			
Department of Defense:			
Space & Missile Defense Command	12.RD		\$ 7,910
Department of Army	12.RD		11,910,457
Department of Air Force	12.RD		—
Department of Navy	12.RD		30,963
Subtotal			<u>11,949,330</u>
Pass-through programs from:			
Space & Missile Defense Command pass-through			—
Subtotal			<u>—</u>
Department of Army pass-through:			
Clark ATU/Characterization & Modeling of L/T	12.RD	OSP010530537001	(2,878)
NCSU/Photonic MEMS Sensor	12.RD	SUBAWARDNO04151001	5,872
Subtotal			<u>2,994</u>
Department of Air Force pass-through:			
AAMU/Physics-Based Analysis Using HASDM	12.RD	AGREEMENTDATED91802	46,478
Subtotal			<u>46,478</u>
Department of Navy pass-through:			
Clemson/Laboratory for Advanced Photonics	12.RD	AGR#6577558203200325	375,062
UAB/Eye Oximetry for Trauma Care	12.91	SUBGRANTN00014011029	(4,577)
Cloud Aerosol Products from Gifts	12.RD	G066835	56,594
UAB/Intelligent Control for Future Deployment	12.RD	N000140319751	47,331
Subtotal			<u>474,410</u>
Total Department of Defense			<u>12,473,212</u>
Department of Health & Human Services	93.RD		429,736
Subtotal			<u>429,736</u>
Pass-through programs from:			
UAB/Structural Genomics LSB	93.RD	AGR#RR166436	133,866
ADECA/AL Reach Program Evaluation	93.RD	00REACH01	20,098
Subtotal			<u>153,964</u>
National Institute of Health pass-through			
SUNY/Regulation of Mammalian			
Dihydrolypoamide Dehydrogenase	93.850	R212472	
UAB/Center for Translational Research			29,274
on Aging and Mobility	93.RD	UABAGRDTD83004	9,520
UAB/Structural Genomics LAB	93.RD	AGR#RR1664367606654	28,596
Subtotal			<u>67,390</u>
Total Department of Health & Human Services			<u>651,090</u>
National Science Foundation	47.RD		1,583,957
Pass-through programs from:			
National Science Foundation pass-through:			
E. Carolina Univ/Developing Education Leadership	47.076	AGRDTDS1500	1,419
FSU/Decision Support System for			
Reducing Agricultural Risks	47.076	R00268	880
UA/MEMS/Epscor	47.RD	MASTERAGRDTD42701	868,912
Master Agreement DTD 4/25/01 Task No 003	47.RD	MSTAGRDTO42501TSKNO	67,518
SUNY/MIPS Operations in Support			
of the Hudson Valley Boundary	47.RD	0316UNDERSFGRANTATM	24,487
UI/GK-12 EDGRID Graduate Teaching			
Fellows Program	47.076	LTRSUBGRANTNO01317	55,783
UAB/AMP Phase III, Participant Support	47.076	HRD0110595	14,447

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Schedule of Expenditures of Federal Awards

Year ended September 30, 2004

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
UT at Knoxville/Rapid and Selective Protein Purification via PH-Tunable Water	47.RD	5399001001	8,504
UCAR/THREDDS	47.RD	S0238696	(5,122)
USRA/Compass: Convectin Morphology Parameters	47.RD	349001	39,945
CSU/Radar & Satellite Analysis of Convection	47.050	G32101	5,513
UI/Interchange Technology Feature/Extractor	47.RD	AGRDTD12798	140,075
AURA/Tunable Imaging Fabry Perot Systems for Solar Spectroscopy	47.RD	C10458A	19,845
Subtotal			1,242,206
Total National Science Foundation			2,826,163
National Aeronautics & Space Administration	43.RD		19,817,314
Pass-through programs from:			
National Aeronautics & Space Administration pass-through:			
USRA/Novel Directional Solidification Processing of Hypermonotectic Alloys	43.RD	353,703,001	(589)
SAO/Probe the Relativistic Outflow in the Microquasar GRS	43.RD	GO4503X	5,142
A&M/Infrastructure for the Research involving Novel Solid-Stat	43.RD	DTD9103UNDERNAG81891	3,191
U of CA Berkeley/Hard X-Ray Studies Using HESSI	43.RD	SA265226308	55,334
SAO/Probing the Nature of Torque Variability in SGR	43.RD	GO34080B	10,125
AAMU Space Science Education and Sun-Earth Connection	43.RD	LTRDTDAPRIL202001	26,678
AAMU/Graduate Space Science Education and Disturbed Solar	43.RD	AGRDTD3232004UNDERNN	18,539
CALTEC/JPL/PRC Mirror Support Mount	43.RD	1250860	(117)
NMHU/Alliance for Nonlinear Optics	43.RD	AGRDTD3/1/01UNDERNAG	(3,708)
U of New Hampshire/Readout Development & Stimulations	43.RD	04805UNDERNAG513178	100,464
OSU/Bioinspired Zeolite Assemblies as Artificial Photosynthetic Systems	43.RD	745438	8,774
OU/Integrated Guidance & Control Tech for RLV Risk & Cost Reduction	43.RD	LTRDTD72501NAS801105	(837)
USRA/Soil Climatology and Remote Sensing Task 1	43.RD	AGRDTD112901	4,400
USRA/University Research Fellowship Program	43.RD	34881COOPAGRNC5612	6,577
U of CA-Irvine/Testing and Calibration of AOMS	43.RD	20041390	10,881
U of Utah/Validation & Transferability of Satellite Precipitation Estimates	43.RD	2,212,040	17,944
USRA/ESS/Director's Account	43.RD	SUBGRANT03491-01	32,393
USRA/Collaborative Research Education and Outreach	43.RD	SUBGRANT HSV 2002-02	32,479
SAO/Observation of CYG X-1 in the High State with HETG/CH	43.RD	DD23018X	(36)
UA/U of Utah/Validation & Transferability of Satellite Precipitation	43.RD	4024	48,557
UCB/Extended Mission Investigations with Ultraviolet Imagery	43.RD	SUBCONTRACT0354802	42,312
UNH/Hard X-Ray Polarization from Solar Flares with HESSI	43.001	AGREEMENT03656	213
SAO/Phase Resolved High Energy Resolution Spectroscopy	43.RD	GO23061X	30,924
USRA/Effects of Traveling Magnetic Fields on Dynamics of Solidification	43.RD	SUBCONTRACT0354802	13,649
USRA/AMSR Soil Moisture Validation Task 2	43.RD	AGRDTD112901	2,934
USRA/Data Analysis & Interpretation of BEPPO SAX Observations	43.RD	SUBGRANT33741	10,243
USRA/Implement Visiting Researcher Exchange & Outreach	43.RD	SUBGRANTNO0348501	14,451

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Schedule of Expenditures of Federal Awards

Year ended September 30, 2004

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
USRA/Program to Implement a Space Propulsion Design	43.RD	348501	4,906
Subtotal			<u>495,823</u>
Total National Aeronautics & Space Administration			<u>20,313,137</u>
Department of Education	84.RD		20,896
Subtotal			<u>20,896</u>
Pass-through programs from: Department of Education Pass-through:			
	81.RD	1EXSEP0214	136
Subtotal			<u>136</u>
Total Department of Education			<u>21,032</u>
Department of Transportation	20.RD		1,006,578
Subtotal			<u>1,006,578</u>
Pass-through programs from: Department of Transportation pass-through:			
S/AL DOT/Program for Monitoring and Assessing Climate	20.RD	HPP1602528	102,334
A/UA/Multi-Channel Fiber Optic Gyroscope	20.108	UAAGREEMENT00007	243,466
A/UA/Expert System for Drilled Shaft Construction Inspection	20.701	UTCAPROJECTNO03309TA	(2,448)
A/UA/Hand-Held Explosives Sensor System	20.RD	UTCAPROJECTNO03306TA	(78)
A/UA/Multimedia Technology for Timber Bridge Repair	20.RD	UTCAPROJECTNO03301TA	38,914
UA/Seminar & TRB Conference Attendance	20.RD	UTCAPROJECTNO03308TA	6,778
UA/UTCA/Additional 03 Administrative Funding	20.701	UTCAPROJECTNO(NONE)T	5,825
UA/UTCA/Branch Office Administration UAH	20.RD	TASKORDERNO2204-011	22,161
O/RPCGB/Traffic Simulation Software for Analysis	20.RD	RPCGBAGRDATED92502	20,137
A/UA/UTCA/Multimedia Technology for Bridge Repair	20.RD	TASKORDERNO1804007	16,681
UA/UTCA/County Road Pavement Management System	20.RD	TASKORDERNO2104010	25,634
UA/UTCA/Data Analysis for the Through Trip Rates	20.RD	TASKORDERNO1603-002	202
UA/UTCA/Gearing up for Transportation Engineering	20.RD	TASKORDERNO2304015	45,236
UA/UTCA/Mining and Analysis of Traffic Safety & Roadway	20.RD	TASKORDERNO2004-009	37,442
UA/UTCA/Program for Encouraging Diversity in Transportation-Related Education	20.RD	UTCAPROJECT NO03304TA	14,520
Subtotal			<u>576,804</u>
Total Department of Transportation			<u>1,583,382</u>
Department of Commerce	11.RD		312,927
Subtotal			<u>312,927</u>
Pass-through programs from: Department of Commerce pass-through:			
UCAR/Special Observing Forecast and Warning	11.459	S0019125	17,573
HARC/MM5 Modeling for TXAQS 2000 with GOES Satellite Data	11.RD	H232003C2	49,880
HARC/Top Down Verification of Sweeny VOC Emissions Based	11.RD	H262003C2	57,500
HARC/Top-Down Emissions Verification	11.RD	H62002B	49,725
TARC/LU/Satellite Assimilation in Meteorological & Air	11.RD	123UAL2030A	6,944
Subtotal			<u>181,622</u>
Total Department of Commerce			<u>494,549</u>
Department of Energy	81.RD		42,021
Pass-through programs from: Department of Energy pass-through:			
LANL/Energetic Neutral Beam Materials Chemistry	81.RD	512100010237	(199)
Subtotal			<u>(199)</u>
Total Department of Energy			<u>41,822</u>

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Schedule of Expenditures of Federal Awards

Year ended September 30, 2004

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
Department of Justice	16.RD		405,149
Subtotal			<u>405,149</u>
Environmental Protection Agency	66.RD		71,625
Subtotal			<u>71,625</u>
Pass-through programs from:			
Environmental Protection Agency pass-through			
JCDH/Providing Public Access to Daily Air			
Quality Info	66.009	MOUDTD3501	9,454
Subtotal			<u>9,454</u>
Total Environmental Protection Agency			<u>81,079</u>
Small Business Administration			—
Subtotal			<u>—</u>
Pass-through programs from:			
UAB/SBDC/Small Business Development Center	59.RD	SBA20032004	46,556
Subtotal			<u>46,556</u>
Total Small Business Administration			<u>46,556</u>
Department of Agriculture	10.206		3,173
Total Department of Agriculture			<u>3,173</u>
Veterans Affairs	64.RD		60,162
Total Veterans Affairs			<u>60,162</u>
Total Research and Development			<u>39,000,506</u>
Student Financial Aid:			
Department of Education:			
SEOG	84.007		143,036
PELL Grants	84.063		3,639,435
Federal Work Study	84.033		145,492
Total U.S. Department of Education			<u>3,927,963</u>
Total Student Financial Aid			<u>3,927,963</u>
Total Type A Programs			<u>42,928,469</u>
Instruction and Training:			
Department of Health & Human Services	93.358		1,479
			<u>1,479</u>
National Science Foundation	47.076		43,199
			<u>43,199</u>
Pass-through programs from:			
National Science Foundation pass-through:			
UI/SuperWeb K-12	47.076	AGRDTD1/27/98	48,803
UAB/Alabama Minority Graduate Education (MGE)	47.076	UABAGRDTD61599	3,772
UAB/Alabama Minority Education for Graduate Phase II	47.075	UABAGRDTD61399	18,556
UAB/Bridge to Doctorate Program	47.076	AGRDTD8304	34,980
Subtotal			<u>106,111</u>
Total National Science Foundation			<u>149,310</u>
National Aeronautics & Space Administration	43.001		23,456
Subtotal			<u>23,456</u>
Department of Education	84.071		54,820
Subtotal			<u>54,820</u>

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Schedule of Expenditures of Federal Awards

Year ended September 30, 2004

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
Department of Commerce	11.000		—
Subtotal			—
Department of Agriculture	10.652		45,589
Subtotal			45,589
Department of Defense	12.630		320,286
			320,286
Total Instruction and Training			594,940
Other Federal Awards			
National Science Foundation	47.076		197,923
Subtotal			197,923
Department of Commerce	11.000		
Department of Commerce Pass-through			
NIST Program Fund for MEP Center	11.610	AGRDTD1/16/97	179,698
Subtotal			179,698
Total Department of Commerce			179,698
National Aeronautics & Space Administration Pass-Through			
S/ASDE/UAH AMSTI Master Site	43.001	U200548	1,331,412
UA Systems Office AMSTEC	43.001	UASYSLETTERAGRDTD123	8,822
Subtotal			1,340,234
Department of Defense	12.910		154,099
Subtotal			154,099
National Endowment for the Humanities	45.149		399
Subtotal			399
Pass-Through Programs From:			
National Endowment for the Humanities Pass-Through:			
AHF/Race & Equality in America: Implications for the Future	45.130	08031686MN	1,896
AHF/Philosophy and Mysticism: Influences & Interaction:	45.129	03031679MN	678
Subtotal			2,574
Total National Endowment for the Humanities			2,973
Department of Transportation	20.215		593,727
Subtotal			593,727
Department of Education	84.000		
Pass-Through Programs From:			
Department of Education Pass-Through			
U of NC at Greensboro/Science Notebooks			
in Huntsville Elements	84.000	SRV03FXM1325	2,500
U of NC at Greensboro/Science Notebooks in Huntsville	84.000	SRV04FXM1415	299
Subtotal			2,799
Total Department of Education			2,799
Department of State	19.405		178,367
Subtotal			178,367
Total Other Federal Awards			2,649,820
Total Type B Programs			3,244,760
Total Expenditures of Federal Awards			46,173,229

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by federal agency.

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
Schedule of Expenditures of Federal Awards by Federal Agency
Year ended September 30, 2004

<u>Federal grantor/program title</u>	<u>Department of Defense</u>	<u>Department of Health and Human Services</u>	<u>National Science Foundation</u>	<u>National Aeronautics and Space Administration</u>	<u>Department of Education</u>	<u>Department of Transportation</u>	<u>Department of Commerce</u>	<u>Other</u>	<u>Total</u>
Type A programs:									
Research and development	\$ 11,949,330	429,736	1,583,957	19,817,314	20,896	1,006,578	312,927	582,130	35,702,868
Student financial aid	—	—	—	—	3,927,963	—	—	—	3,927,963
Federal pass-throughs	523,882	221,354	1,242,206	495,823	136	576,804	181,622	55,811	3,297,638
Total Type A programs	<u>12,473,212</u>	<u>651,090</u>	<u>2,826,163</u>	<u>20,313,137</u>	<u>3,948,995</u>	<u>1,583,382</u>	<u>494,549</u>	<u>637,941</u>	<u>42,928,469</u>
Type B programs:									
Type B programs	474,385	1,479	241,122	23,456	54,820	593,727	—	224,355	1,613,344
Type B pass-throughs	—	—	106,111	1,340,234	2,799	—	179,698	2,574	1,631,416
Total Type B programs	<u>474,385</u>	<u>1,479</u>	<u>347,233</u>	<u>1,363,690</u>	<u>57,619</u>	<u>593,727</u>	<u>179,698</u>	<u>226,929</u>	<u>3,244,760</u>
Total expenditures of federal awards	<u>\$ 12,947,597</u>	<u>652,569</u>	<u>3,173,396</u>	<u>21,676,827</u>	<u>4,006,614</u>	<u>2,177,109</u>	<u>674,247</u>	<u>864,870</u>	<u>46,173,229</u>

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by federal agency.

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Notes to Schedules of Expenditures of Federal Awards and Expenditures of Federal Awards by Federal Agency

Year ended September 30, 2004

(1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Federal Agency (the Schedules) summarize the federal expenditures of The University of Alabama in Huntsville (the University) under programs of the federal government for the year ended September 30, 2004. The amounts reported as federal expenditures were obtained from the University's general ledger. Because the Schedules present only a selected portion of the operations of the University, they are not intended to and do not present the net assets, changes in net assets, and cash flows of the University.

For purposes of the Schedules, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The awards are classified into Type A and Type B in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Programs classified as Type A are as follows:

(a) ***Research and Development***

Includes awards for research and development work primarily under grants with agencies and divisions of the National Aeronautics and Space Administration, the U.S. Department of Defense, the U.S. Department of Commerce, the U.S. Department of Transportation, the U.S. Department of Energy, and the National Science Foundation.

(b) ***Student Financial Aid***

Includes certain awards to provide financial assistance to students, primarily under the Federal Work-Study (FWS), Federal Pell Grant (Pell), Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Direct Student Loan (FDSL) programs of the U.S. Department of Education. The University receives awards to make loans to eligible students under certain federal student loan programs. These loans are considered student financial aid; however, only expenses related to the administration and collection of these loans are included in federal award expenditures.

The University has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all Type A programs have been identified in the Schedule of Expenditures of Federal Awards. Due to the fact that not all CFDA numbers have been identified, individual awards not identified by CFDA number have been reviewed to ensure that similar awards, if aggregated, would not constitute a Type A program.

Federal Pass-through Funds

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedules. The University provided \$4,929,054 of federal awards to subrecipients during the year ended September 30, 2004. Of this amount, \$3,297,638 was passed through from the research and development cluster and \$1,631,416 from other nonmajor programs.

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Notes to Schedules of Expenditures of Federal Awards and
Expenditures of Federal Awards by Federal Agency

Year ended September 30, 2004

The University is also the subrecipient of federal funds which have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-throughs are considered direct.

Schedule of Expenditures of Federal Awards by Agency

The Schedule of Expenditures of Federal Awards by Agency shows direct federal awards and pass-through awards by federal agency. A separate column shows a total from a variety of federal sponsors. These other federal sponsors include the following:

Department of Energy	\$	41,822
Department of Justice		405,149
Environmental Protection Agency		81,079
Small Business Administration		46,556
National Endowment for the Humanities		2,973
Department of Agriculture		48,762
Department of Veterans Affairs		60,162
State Department		178,367
	\$	<u>864,870</u>

(2) Summary of Significant Accounting Policies

For purposes of the Schedules, expenditures for federal award programs are recognized on the accrual basis of accounting. Expenditures for federal student financial aid programs include Federal Pell program grants to students, the federal share of students' FSEOG program grants, and FWS program earnings and administrative cost allowances where applicable.

(3) Facilities and Administrative Costs (F&A Costs)

The University operates under predetermined fixed F&A cost rates which are effective from October 1, 2000 through September 30, 2004. The predetermined fixed rates were based on 1999 financial information. The base rate for on-campus research is 45.5%. Base rates for other F&A cost recoveries range from 26% to 48%.

(4) Federal Student Direct Loan Program

The Federal Direct Student Loan Program (FDSLPL) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLPL enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLPL on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. During 2004, the University disbursed approximately \$14,665,000 under the FDSLPL.

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Notes to Schedules of Expenditures of Federal Awards and
Expenditures of Federal Awards by Federal Agency

Year ended September 30, 2004

The University is responsible for the performance of certain administrative duties with respect to the FDSLPL. It is not practical to determine the balance of loans outstanding to students and former students of the University under these programs for the year ended September 30, 2004. These loans are not included in the University's financial statements.

PART II
FINDINGS AND QUESTIONED COSTS

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

Schedule of Findings and Questioned Costs

Year ended September 30, 2004

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **none reported** Material weaknesses: **no**
- (c) Noncompliance which is material to the financial statements: **no**
- (d) Reportable conditions in internal control over major programs: **none reported** Material weaknesses: **no**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **no**
- (g) Major programs: **Research and Development Cluster**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,385,197**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements reported in accordance with *Government Auditing Standards* for the year ended September 30, 2004.

(3) Findings and Questioned Costs Relating to Federal Awards

None