

**The University of Alabama in Huntsville
Report on Federal Awards in
Accordance with OMB Circular A-133
Year Ended September 30, 2005**

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PART I
FEDERAL AWARD PROGRAMS

**Report of Independent Auditors on Internal Control over Financial Reporting
and on Compliance and Other Matters 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 financial statements of The University of Alabama in Huntsville (the "University"), a campus of The University of Alabama System, which is a component unit of the State of Alabama, and its discretely presented component unit as of and for the year ended September 30, 2005, and have issued our report thereon dated January 19, 2006. 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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the 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 of the 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 the internal control over financial reporting and its operation that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control over financial reporting, which we have reported to management of the University in a separate letter.

This report is intended solely for the information of the Board of Trustees, the President, 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.

Priewatuhouse Coprus LLP

January 19, 2006

**Report of Independent Auditors on Compliance with Requirements
Applicable to each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees of The University of Alabama and
the President of The University of Alabama:

Compliance

We have audited the compliance of The University of Alabama in Huntsville (the "University"), a campus 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 each of its major federal programs for the year ended September 30, 2005, except as described in the second paragraph of this report. The University's major federal programs are identified in the summary of auditor's 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 programs 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 of America; 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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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 programs for the year ended September 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-1.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with 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 the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 the internal control over compliance and its operation that are considered to be material weaknesses.

Schedules of Expenditures of Federal Awards

We have audited the basic financial statements of the University and its discretely presented component unit as of and for the year ended September 30, 2005, and have issued our report thereon dated January 19, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by OMB Circular A-133 and are 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 of the Board of Trustees, the President, the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

January 19, 2006, except for Compliance and Internal Control
over Compliance as to which the date is July 27, 2006

The University of Alabama in Huntsville
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
MAJOR PROGRAMS:			
Research and Development:			
U.S. Department of Defense:			
Department of Army	12.RD		15,787,409
			<u>15,787,409</u>
Pass-Through Programs From:			
Department of Army Pass-Through			
NCSU/PHOTONIC MEMS	12.RD	NO0415100	220,877
			<u>220,877</u>
Department of Airforce Pass-Through			
AAMU/Physics-Based	12.RD	AGR 91802	31,226
			<u>31,226</u>
Department of Navy Pass-Through			
Clemson/Laboratory for Advanced Photonics	12.RD	AGR#6577558203200325	7,573
UA/UTCA/Transportation	12.RD	UA Task No 27	5,650
Univ of Wis Cloud Aerosol Products from Gifts	12.RD	G066835	26,187
UAB/Intelligent Control for Future Deployment	12.RD	N000140319751	43,548
			<u>82,958</u>
Total U.S. Department of Defense			<u>16,122,470</u>
U.S. Department of Health & Human Services			
Department of Health & Human Services	93.RD		526,143
			<u>526,143</u>
Pass-Through Programs From:			
Department of Health & Human Services Pass-Through			
UAB/Structural Genomics LSB	93.RD	AGR#RR166436/544	4,256
			<u>4,256</u>
National Institute of Health Pass-Through			
UAB/Structural Genomics LSB	93.RD	AGR#RR1664367606654	141,295
			<u>141,295</u>
Total U.S. Department of Health & Human Services			<u>671,694</u>
National Science Foundation	47.RD		2,236,924
			<u>2,236,924</u>
Pass-Through Programs From:			
National Science Foundation Pass-Through			
UA/Internet2/EPSCOR	47.076	TO42501TSKNO3	9,146
FSU/Decision Support System for Reducing Agricultural Risks	47.076	R00268	64,200
UA/MEMS/Epscor	47.RD	MASTERAGRD4/27/01	249,523
ALSDE/Globe	47.RD	C4U0238	29,785

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

The University of Alabama in Huntsville
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
AURA/Turnable Imag	47.RD	C10458A	49,979
UA/ASBC/Epscor	47.RD	MASTERAGRDTD4/27/01	77,485
UI/Linked Environment	47.RD	Task12798	2,442
UI/GK-12 EDGRID Graduate Teaching Fellows Program	47.076	Grant1317	22,956
UAB/AMP Phase III, Participant Support	47.076	HRD0110595	6,025
OhioStateUniv	47.RD	1001390	10,691
University Alaska	47.RD	50036	41,635
USRA/Compass:Convectin Morphology Parameters	47.RD	349001	35,906
UT at Knoxville	47.RD	5399001001	43,650
UI/Interchange Technology Feature/Extraction	47.RD	AGRDTD12798	52,805
			<u>696,228</u>
Total National Science Foundation			<u>2,933,152</u>
National Aeronautics & Space Administration	43.RD		<u>20,009,198</u>
Pass Through Programs From:			
SAO/Probe the Relativistic Outflow in the Microquasar GRS	43.RD	GO4503X	32,945
SAO/Probing the Nature of Torque Variability in SGR	43.RD	GO34080B	37,500
AAMU/Graduate Space Science Education and Disturbed Solar	43.RD	AGRDTD3232004UNDERNN	16,361
U of Utah/Validation & Transferability of Satellite Precipitation	43.RD	2212040	20,795
USRA/ESS/Director's Account	43.RD	SUBGRANT HSV 2002-02	33,211
UCB/Extended Mission Investigations with Ultraviolet Imagery	43.RD	SUBAWARDSA3527	20,658
USRA/Research Ed	43.RD	SUBGRANT3491-01	32,525
USRA/Data Analysis & Interpretation of BEPPO SAX Observations	43.RD	SUBGRANT33741	46,514
USRA/Implement Visiting Researcher	43.RD	SUBGRANT348501	14,148
USRA/University Research Fellow	43.RD	SUBGRANT348501	14,915
USRA/Efficient Dir	43.RD	SUBGRANT7605003035	50,254
Clemson/Laboratory	43.RD	348501	448,488
			<u>768,314</u>
Total National Aeronautics & Space Administration			<u>20,777,512</u>
Department of Education	84.RD		<u>10,054</u>
			<u>10,054</u>
Department of Transportation	20.RD		<u>760,974</u>
			<u>760,974</u>
Pass-Through Programs From:			
Department of Transportation Pass-Through			
S/AL/DOT/Program for Monitoring & Assessing Climate	20.RD	TASKORDERNO2104010	25,572
A/UA/Multi-Channel Fiber Optic Gyroscope	20.108	UAAGREEMENT00007	32,262
UA/Seminar & TRB Conference Attendance	20.RD	TASKORDERNO1904	7,308
UA/UTCA/Additional 03 Administrative Funding	20.701	TASKORDERNO25	15,438
UA/UTCA/Branch Office Administration UAH	20.RD	TASKORDERNO2204-011	19,769
A/UA/UTCA/Multimedia Technology for Bridge Repair	20.RD	TASKORDERNO1804007	20,997
UA/UTCA/County Road Pavement Management System	20.RD	TASKORDERNO2104010	21,259
UA/UTCA/Data Analysis for Transportation	20.RD	TASKORDERNO2604063	48,822

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

The University of Alabama in Huntsville
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
UA/UTCA/Gearing up for Transportation Engineering Summer	20.RD	TASKORDERNO2304015	3,338
UA/UTCA/Mining and Analysis of Traffic Safety & Roadway	20.RD	TASKORDERNO2004-009	10,852
			<u>205,617</u>
Total Department of Transportation			<u>966,591</u>
Department of Commerce	11.RD		707,658
			<u>707,658</u>
Pass-Through Programs From:			
Department of Commerce Pass-Through			
ADECA/Rebuild Amer	11.RD	IDOE03SP05	66,394
TARC/LU/Satellite Assimilation in Meteorological & Air	11.RD	I23UAL2030A	20,149
			<u>86,543</u>
Total Department of Commerce			<u>794,201</u>
Department of Energy	81.RD		244,795
			<u>244,795</u>
U.S. Department of Justice	16.RD		136,573
			<u>136,573</u>
Environmental Protection Agency	66.RD		49,826
			<u>49,826</u>
Pass-Through Programs From:			
Environmental Protection Agency Pass-Through			
JCDH/Providing Public Access to Daily Air Quality Info	66.009	MOUJTD3501	9,454
			<u>9,454</u>
Total Environmental Protection Agency			<u>59,280</u>
Small Business Administration			
Pass-Through Programs From:			
Small Business Administration Pass-Through			
UAB/SBDC/Small Business Development Center	59.RD	SBA20032004	46,556
			<u>46,556</u>
Total Small Business Administration			<u>46,556</u>
Department of Agriculture	10.206		16,021
Total Department of Agriculture			<u>16,021</u>

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

The University of Alabama in Huntsville
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Veteran Affairs	64.RD		97,838
Total Veteran Affairs			97,838
 Total Research and Development			 42,876,737
 Department of Transportation			
DOT/FHWA/Construction Transportation building	20.205		3,132,247
Total Construction Grant			3,132,247
 Student Financial Aid:			
U.S. Department of Education			
SEOG	84.007		163,395
PELL Grants	84.063		3,688,815
Work Study	84.033		163,885
Total U.S. Department of Education			4,016,095
<i>Total Student Financial Aid</i>			4,016,095
 <i>Total Type A Programs</i>			 50,025,079
 Instruction and Training:			
Department of Health & Human Services	93.358		49,300
			49,300
 National Science Foundation	47.076		31,023
			31,023
Pass-Through Programs From:			
National Science Foundation Pass-Through			
UI/SuperWeb K-12	47.076	AGRDTD1/27/98	31,631
UAB/Alabama Minority Graduate Education (MGE)	47.076	UABAGRDTD61599	10,135
UAB/Alabama Minority Education for Graduate Phase II	47.076	UABAGRDTD61399	22,811
UAB/AMP III	47.076	HRD0110595	25,121
UAB/Bridge to Doctorate Program	47.076	AGRDTD8304	439,073
			528,771
 Total National Science Foundation			559,794
 Department of Education	84.017		308,273
			308,273
 Department of Labor	17.261		36,514
			36,514

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

The University of Alabama in Huntsville
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Defense	12.630		320,286
			320,286
Total Instruction and Training:			1,274,167
Other Federal Awards			
National Science Foundation	47.076		228,045
			228,045
Department of Commerce			
Pass-Through Programs From:			
Department of Commerce Pass-Through			
NIST Program Fund for MEP Center	11.610	AGRDTD1/16/97	205,298
			205,298
Total Department of Commerce			205,298
National Aeronautics & Space Administration Pass-Through			
S/ASDE/UAH AMSTI MASTER SITE	43.001	U200548	1,282,845
UA Systems Office AMSTEC	43.001	UASYSLETTERAGRDTD123	31,901
			1,314,746
Department of Defense	12.630		225,377
			225,377
Department of Education			
Pass-Through Programs From:			
Department of Education Pass-Through			
U of NC at Greensboro/Science Notebooks in Huntsville Elements	84.000	SRV03FXM1415	5,951
			5,951
Total Department of Education			5,951
Department of State	19.405		259,347
			259,347
Total Other Federal Awards			2,238,764
Total Non-Major Programs			3,512,931
Total Expenditures of Federal Awards			\$ 53,538,010

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

The University of Alabama in Huntsville
Schedule of Expenditures of Federal Awards by Agency
Year Ended September, 2005

FEDERAL GRANTOR/PROGRAM TITLE	Department of Defense	Department of Health & Human Services	National Science Foundation	National Aeronautics and Space Administration	Department of Education	Department of Transportation	Department of Commerce	Other	Total
Type A programs									
Research and Development	\$ 15,787,409	\$ 526,143	\$ 2,236,924	\$ 20,009,198	\$ 10,054	\$ 760,974	\$ 707,658	\$ 545,053	\$ 40,583,413
Student Financial Aid	-	-	-	-	4,016,095	-	-	-	4,016,095
Federally Funded Construction	-	-	-	-	-	3,132,247	-	-	3,132,247
Federal Pass-Throughs	335,061	145,551	696,228	768,314	-	205,617	86,543	56,010	2,293,324
Total Type A programs	16,122,470	671,694	2,933,152	20,777,512	4,026,149	4,098,838	794,201	601,063	50,025,079
Type B programs									
Other	545,663	49,300	259,068	-	308,273	-	-	295,861	1,458,165
Non-major Pass-Throughs	-	-	528,771	1,314,746	5,951	-	205,298	-	2,054,766
Total Type B programs	545,663	49,300	787,839	1,314,746	314,224	-	205,298	295,861	3,512,931
Total Expenditures of Federal Awards	\$ 16,668,133	\$ 720,994	\$ 3,720,991	\$ 22,092,258	\$ 4,340,373	\$ 4,098,838	\$ 999,499	\$ 896,924	\$ 53,538,010

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

The University of Alabama in Huntsville
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2005

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by 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, 2005. 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 Department of Defense, the Department of Commerce, the Department of Transportation, the 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 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.

C. Other Program

The University has another program which qualifies as a Type A program for the year ended September 30, 2005. This is an award for construction under a grant from the Department of Transportation.

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 grouped together, would not constitute a Type A program.

The University of Alabama in Huntsville
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2005

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 approximately \$6,391,506 of federal awards to subrecipients during the year ended September 30, 2005.

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	\$ 244,795
Department of Labor	36,514
Environmental Protection Agency	59,280
Department of Agriculture	16,021
Department of Veteran's Affairs	97,838
State Department	259,347
Department of Justice	136,573
Small Business Administration	46,556
	<u>\$ 896,924</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, 2004 through September 30, 2008. The predetermined fixed rates were based on 2003 financial information. For fiscal year ending September 30, 2005, 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 Loan Programs

Federal Direct Student Loans (CFDA Number 84.268) - The Federal Direct Student Loan Program (FDSLP) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP 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 FDSLP on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process,

The University of Alabama in Huntsville
Notes to Schedules of Expenditures of Federal Awards
Year Ended September 30, 2005

including funds management as well as promissory note functions. The University is not responsible for collection of these loans. During 2005, the University disbursed approximately \$16,441,500 under the FDSLP.

PART II
FINDINGS AND QUESTIONED COSTS

The University of Alabama in Huntsville
Schedule of Findings and Questioned Costs
Year Ended September 30, 2005

Section I - Summary of Auditors' Results
Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes ☒ no

Reportable condition(s) identified not considered to be material weaknesses?

☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Reportable condition(s) identified not considered to be material weaknesses?

☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance
with Circular A-133 (section .510{a})

☒ yes ☐ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Research and Development
Various	Student Financial Aid

Threshold used to determine Type A and Type B Programs:

\$ 1,583,656

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

See reported finding 05-01.

The University of Alabama in Huntsville
Schedule of Findings and Questioned Costs
Year Ended September 30, 2005

REFERENCE	PROGRAM	QUESTIONED COSTS
05-1	Student Financial Aid	\$2,700

CONDITION

According to regulations governing the return of Title IV funds, if a student has received more Title IV grant or loan assistance than the amount earned, the institution or the student or both, in that order, must return the unearned funds to the applicable Title IV programs. During our testing of refunds/repayments of unearned Title IV funds, we noted two instances in which amounts were not returned to the appropriate lending institution within the specified timeframe and at incorrect amounts.

REFERENCE

34 CFR 668.22

CAUSE/EFFECT

The University currently utilizes a manual process to calculate refunds/repayments of Title IV funds. Although amounts to be returned were calculated properly, the amounts ultimately returned did not correspond with amounts calculated due to keying errors.

RECOMMENDATION

We recommend that management implement formal review procedures to ensure that accurate submission of refunds/repayments of unearned Title IV funds occurs. The University may accomplish this verification through a more automated process.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The error occurred as a result of a clerical omission when transferring data from the University's Department of Education P.C. based software to the University's mainframe data fields. While the error did not result in a Title IV recipient overaward or institutional financial liability, the University has since implemented administrative review processes to compare both sets of data. In addition, for award years 2005-2006 and beyond, the University has implemented the vendor provided functionality of our mainframe production system for the return to Title IV process. This automated process will eliminate the need for human intervention in transferring data from one system to the other resulting in a smaller margin of error.

CORRECTIVE ACTION PLAN CONTACT PERSON

Andrew M. Weaver, Director of Student Financial Services

PART III
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

The University of Alabama in Huntsville
Status of Prior Year Findings and Questioned Costs

No matters were reported.

Report of Independent Auditors

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

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses, and changes in net assets, and of cash flows present fairly, in all material respects, the respective financial position of The University of Alabama in Huntsville (the "University"), a campus of The University of Alabama System, which is a component unit of the State of Alabama, and its discretely presented component unit at September 30, 2005, and the respective changes in financial position and cash flows of the University and its component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the University and its discretely presented component unit as of September 30, 2004 and for the year then ended were audited by other auditors whose report dated November 24, 2004 expressed an unqualified opinion on those statements.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2006 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, for the year ended September 30, 2005. The purpose of that report 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

PricewaterhouseCoopers LLP

January 19, 2006