

# **The University of Alabama in Huntsville**

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

**Year Ended September 30, 2008**

**EIN: 63-6520830**

**The University of Alabama in Huntsville**  
**Report on Federal Awards in Accordance with OMB Circular A-133**  
**Year Ended September 30, 2008**

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PART I  
FEDERAL AWARD PROGRAMS

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**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***

To the Board of Trustees of  
The University of Alabama:

We have audited the financial statements of The University of Alabama in Huntsville (the "University") and its discretely presented component unit, which collectively comprise the financial statements of the University, a campus 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, 2008, and have issued our report thereon dated January 13, 2009, with an additional paragraph regarding the presentation of the financial statements as discussed in Note 1 to the accompanying financial statements. We conducted our audit of the financial statements of the University 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. The financial statements of the University's discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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 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*.

This report is intended solely for the information and use of the Board of Trustees of the University of Alabama, the University's President, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

June 13, 2009

**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 System and  
the President of The University of Alabama Huntsville:

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, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-01 and 08-02.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control

over compliance. Accordingly we do not express an opinion on the effectiveness of the University's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

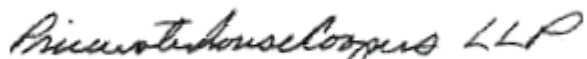
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

#### Schedule 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, 2008, and have issued our report thereon dated January 13, 2009. The financial statements of the University are intended to present the net assets, changes in financial position and the cash flows of only that portion of the business-type activities of the financial reporting entity of The University of Alabama System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the net assets of The University of Alabama System as of September 30, 2008 and its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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. 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 of the University of Alabama System, the University's President, 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.



January 13, 2009, except for Compliance and Internal Control  
over Compliance as to which the date is June 29, 2009

**The University of Alabama in Huntsville**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Research and Development Cluster:			
U.S. Department of Defense:			
Department of Army		12.RD	\$ 25,569,506
			<u>25,569,506</u>
Pass-Through Funds:			
Department of Navy:			
SURA/The SURA Coastal Ocean	SURA2006301MOD01	12.RD	(3,375)
Other Department of Defense :			
Academy of Applied Science/Resear	SUBGRANT 08-76	12.RD	2,912
Academy of Applied Sciences/Fabri	SUBGRANT07-90	12.RD	699
ASI/AMCOM Express	ASI-2006-C-0003	12.RD	44,069
ATI/MDA Supply Chain Management T	SUBCONTRACT NO. 2008-389	12.RD	41,864
Axsys/Certification Test for Tele	PO # 217391	12.RD	19,868
BATTELLE/A PLANNIN	TCN05172	12.RD	22,064
Belzon/Amcom Express/Security Ass	W31P4Q030UAH	12.RD	134,415
CAS/AMCOM Express/RDEC for TSMO M	CASSC39607	12.RD	53,502
CAS/Programmatic Support for the	CAS EXOC 1-05	12.RD	249,146
Colsa	H07018000	12.RD	111,250
Colsa Kinetic Energy Interceptor	CA071049	12.RD	8,301
Colsa/ARC/Lower Tier Project Offi	CA070834	12.RD	8,066
CU/Neutral Atmosphere Density Int	CU1544149	12.RD	24,623
Digital Fusion Solution, Inc./SBI	SC-08-702	12.RD	30,475
DYNECTICS/SETA/NSP	DCD-SC-02-022 T/O008	12.RD	410
Dynetics/Femtosecond Laser Threa	VG002073	12.RD	856
Exquafrum, Inc./STTR/Phase II/Tec	SUPERCEDES RISK MEMO DTD 12/21	12.RD	55,539
GSA/MSIC	GS23F0062P	12.RD	1,350,388
IPIX/Aerial Video Reconnaissance	NBCHC050090	12.RD	(6,184)
John Tiller/Research into Optimal	UAH01FA955006C0024	12.RD	33,334
L3 COMMUNICATIONS	SYCOLE03C0036	12.RD	730
LM/MHTK Seeker Analysis	PO 4300290203	12.RD	29,856
LMI/Serialized Item Management Po	SUBCONTRACT 0817	12.RD	486
LMI/Serialized Item Management Po	SUBCONTRACT0817	12.RD	46,797
MRC/AMCOM Express/Advanced Sensor	SK72208UAHAMCOM0019	12.RD	46,061
MYMIC/Asymmetric Adversaries	MYMIC SUBCONTRACT NO. 07-016	12.RD	24,489
MYMIC/SBIR Phase I/Bayesian Data	MYMIC SUBCONTRACT NO. 07009	12.RD	17,194
Ogden Eng/SBIR Phase II/Gre	AUTHORIZATION TO PROCEED DTD 6	12.RD	49,777
OPT/Strategically Tuned Absolutel	OPT2006001	12.RD	67,011
OPTECHNOLOGY/STRATE	OPTECH-05-001	12.RD	874
ORBITAL RESEARCH/ADCTIVE THRUST	ORI AGREEMENT DTD 9-8-05	12.RD	5,815
PST, Invc./SBIR Phase II/Analysis	PO 08-067	12.RD	14,817
RPI/Basic Research Investigations	SUBAWARD NO. A11602	12.RD	39
SAIC/AMCOM/Express	4600006511	12.RD	1,219,132
Synectic Research & Analysis, Inc	SRA05C002	12.RD	4,497
Watring Technologies/Phase I STTR	WTIF0740260156	12.RD	39,919
WESTAR/AMCOM EXPRESS/Structures S	POAMX07004	12.RD	132,501
BAE SYSTEMS/SETAC	04S0080	12.RD	47,581
BAE/SETAC/Technical and Prog	04S0080	12.RD	16,188
BAE/SETAC/Academic Systems Engine	05S0192	12.RD	3,351
Aegis Technologies, Inc./Terahert	14HWILUAH0193	12.RD	32,316
SAIC/02K/UNMANNED	460002814TASK#440004	12.RD	999
Intuitive/Amcom Express/Engineeri	AEPUAH001	12.RD	9,874
EXQUADRUM/STTR Phase 1 Tech for R	AGREEMENT 2005 110	12.RD	16,724
ARI/Analysis of Validation Report	AR050702	12.RD	(268)
			<u>4,008,982</u>
Total U.S. Department of Defense			<u>29,578,488</u>

See accompanying notes to schedule of expenditures of federal awards.



**The University of Alabama in Huntsville**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	CFDA Number	Federal Expenditures
Department of Health & Human Services:		93.RD	769,550 <u>769,550</u>
Pass-Through Funds:			
U.S. Department of Health & Human Services:			
MIT/ENGINEERING DEVELOPMENT OF CR	NIHR01EY01667401	93.RD	119,597
UGA/SPECIALIZED CENTERS FOR PROTE	RR1665559820097	93.RD	(26) <u>119,571</u>
Total U.S. Department of Health & Human Services			<u>889,121</u>
National Science Foundation:		47.RD	<u>1,774,668</u>
Pass-Through Funds:			
National Science Foundation:			
UNIVERSITY OF ALABAMA/EPSCOR/AL R	SUBCONTRACT AGR05027	47.RD	72,123
BYU/Photonic Microcantilever	60153	47.RD	48,704
TU/Alabama Center for Nanostructu	392153004966122	47.RD	46,117
UAB/Center for Optical Sensors	242873	47.RD	19,082
UNIVERSITYOFALASKA	50036	47.RD	1,145
UT AT KNOXVILLE RA	5399001001	47.RD	28
Graduate Research Scholars Progra	SUB07021	47.RD	12,471
AURA/MHD Simulation AR Evolution	SUBAWARD NO. C10569A	47.RD	61,298 <u>260,968</u>
Total National Science Foundation			<u>2,035,636</u>
National Aeronautics & Space Administration:		43.RD	17,359,615 <u>17,359,615</u>
Pass Through Funds:			
National Aeronautics & Space Administration:			
AAMU/GRADUATE SPAC	AGRDTD3232004UNDERNN	43.RD	(482)
KU/GRB Models for GLAST	FY2008-112	43.RD	5,208
MIT/Signatures fo Incipient Tropi	AGREEMENT 5710002233	43.RD	47,235
MSU/Use of remotely sensed land	19100036160301	43.RD	10,509
UCAR/Desicion Support for Thund	S0657992	43.RD	41,649
UCB/A Comprehensive Study of Auro	NNG06GG65G	43.RD	33,296
UCB/MISSION OPERAT	SA4759-10555	43.RD	32,310
UNIV OF WISCONSIN/	G071982	43.RD	15,979
USRA/2008 RASC-AL Forum	2502.001	43.RD	9,417
USRA Estimates	SUBGRANT 03222-01	43.RD	7,123
USRA/Advancement of Engineering T	03496-05	43.RD	3,662
USRA/COLLABORATIVE	SUBGRANT HSV 2002-02	43.RD	(1,786)
USRA/Direct the Earth System Scie	345004	43.RD	39,883
USRA/ESS DIRECTORS	SUBGRANT0349101	43.RD	(1,170)
USRA/INNOVATIVE	349127	43.RD	6,149
AZTECHNOLOGY/SBIR	S04-403007-1	43.RD	19,033
CSC/Lean Training and Support 200	CSC2007001	43.RD	229
Lockheed Martin/GOES-R Geostation	8100001543	43.RD	234,970

See accompanying notes to schedule of expenditures of federal awards.

**The University of Alabama in Huntsville  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2008**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
LUNA INNOVATIONS/HIGH FREQUENCY	1133NAS2TUAH	43.RD	19,624
Luna Innovations/STTR Phase II: N	1979NAS2T/UAH	43.RD	12,124
LUNA/Materials Characterization f	1576NASITUAH	43.RD	61
Orion Propulsion/SBIR Phase/Analy	2008040410301	43.RD	10,502
PTS/NASA/Methane Viability Assess	PTSSC0626	43.RD	35,135
SGT/ESDAWG Standards Support	633	43.RD	62,014
SGT/JWST Optics Support Task 82	SUBCONTRACT0759	43.RD	64,556
SSAI/Aviation NOWCASTING Research	SUBCONTRACT UNDER NNL07AA00C	43.RD	49,158
SSAI/Dual-Polarimetric Radar Retr	SUBCONTRACT UNDER NNG07EJ50C	43.RD	11,228
Sverdrup/RequirementsDevelopment	LETTER SUB UNDER NNM05AB50C	43.RD	3,236
SWALES/IPT/NGST/SU	POL000010036	43.RD	6,773
TBE/Control Systems M & S Support	PO00059452	43.RD	9,069
TBE/Fault Tree Analysis (FTA) and	PO00056648	43.RD	57,661
TBE/Microwave Extraction of Water	PO00055163	43.RD	(1,767)
SAO/X-Ray & Sunyaev-Zeldovich Eff	AR89015A	43.RD	7,765
VCSI/Ares V Risk Mitigation Plan	LTR DTD 4/24/08	43.RD	35,722
SSAI/NASA/Advanced Satellite Aviat	SUBK UNDER NNL07AA00C	43.RD	48,752
U of FL/Combustion Instability: E	NCC3994	43.RD	3,368
Jacobs	SVT0023	43.RD	729,878
Jacobs	SVT0041	43.RD	174,531
SWA/ICESat and CALIPSO data for D	SWA08UAH	43.RD	2,804
UC/Heliospheric Foregrounds in th	SUBAWARD NO. 37102-2	43.RD	386
			<u>1,845,794</u>
Total National Aeronautics & Space Administration			<u>19,205,409</u>
Department of Education:		84.RD	<u>3,099</u>
			3,099
Pass-Through Funds:			
Department of Education:			
Alabama Department of Education	U800289	84.RD	<u>17,608</u>
			17,608
Total Department of Education			<u>20,707</u>
Department of Transportation:		20.RD	<u>434,575</u>
			434,575
Pass Through Funds:			
Department of Transportation:			
UTCA/Modeling Truck Traffic Volum	7304	20.RD	56,292
UA/UTCA/Traffic Signal systems on	TASK ORDER NO. 38 07-025	20.RD	14,062
UA/UTCA/Engineering summer Instit	07305 TASK ORDER #39	20.RD	5,295
UA/UCTA/Branch Office-Administrat	TASK ORDER NO. 42 (07-037	20.RD	11,518
UAB/Bridge Weigh-in-Motion (B-WIM	SUBAWARD NO. 001	20.RD	21,815
UA/UTCA/Ninth year of Operation	TASK ORDER NO 43 (08-014)	20.RD	5,713
UA/UTCA/Engineering Summer Instit	TASK ORDER 44 (08-017)	20.RD	29,518
UA/UTCA/Transit Modeling and Miti	TASK ORDER 45 (08-021)	20.RD	24,910
ALDOT/Pilot Project to Evaluate P	RTPO100050472	20.RD	65,207
Performance Measures for Transpor	3428	20.RD	76,218
UA/UTCA/Student Funding To Attend	7301	20.RD	6,605
UA/UTCA/MULTUMEDIA	T O NO. 30 (05-022)	20.RD	2,197
			<u>319,350</u>
Total Department of Transportation			<u>753,925</u>

See accompanying notes to schedule of expenditures of federal awards.

**The University of Alabama in Huntsville  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Commerce:		11.RD	2,712,234
			<u>2,712,234</u>
Pass-Through Funds:			
Department of Commerce:			
ATN/MEP State Program Funds for M	AGR DTD 10/1/07	11.RD	678,701
TREX/Constellation X Project	N-20-8ZI-S063	11.RD	68,016
Univ. of Miami/Application of Sea	P105910	11.RD	20,995
SURA/The Sura Coastal Ocean Obser	SURA2007401	11.RD	185,640
MSU/ Assessing the impact of Land	SUBAWARD19100036355901	11.RD	49,889
SURA/The SURA COastal Ocean Obser	SUB AWARD 2008-02	11.RD	148,187
WJOI/QA/QC Standards Integration	A100575	11.RD	74,452
UCAR/Synthesizing Dual-Polarmetri	S0766806	11.RD	9,160
			<u>1,235,040</u>
Total Department of Commerce			<u>3,947,274</u>
Department of Energy:		81.RD	518,360
			<u>518,360</u>
Pass-Through Funds:			
Department of Energy:			
Battelle/SensorNet-Sensor Web Ena	SUBCONTRACR4000061169	81.RD	125,364
UChicago Argonne, LLC/Assignment	8F00041	81.RD	33,560
JCDH/Operation and Maintenance	MOU DTD 3/5/01	81.RD	21,321
			<u>180,245</u>
Total Department of Energy			<u>698,605</u>
Department of Agriculture:		10.RD	50,787
			<u>50,787</u>
Pass-Through Funds:			
Department of Agriculture:			
A/FSU/Decision Support System	87005520016634	10.RD	993
Total Department of Agriculture			<u>51,780</u>
Enviromental Protection Agency:			
Pass-Through Funds:			
Lamar Univ/Top-down Emission Verification	634826	66.RD	127,237
			<u>127,237</u>
Department of Justice:			
Pass-Through Funds:			
ACJIC/Umb. Agreement Task (AFC)	AGR dated 8/21/07	16.RD	63,212
ACJIC/Enterprise Law Enforcement	ACJIC2006001	16.RD	291,757
			<u>354,969</u>
Total Department of Justice			<u>354,969</u>
Veteran Affairs:		64.RD	1,718
Department of Interior:		15.RD	137,498
<b>Total Research and Development Cluster</b>			<u>57,802,367</u>
Construction Grants:			
Department of Transportation:			
DOT/FTA/UAH Intermodal Parking Facility		20.205	6,538,756
<b>Total Construction Grant</b>			<u>6,538,756</u>
Student Financial Aid Cluster:			
U.S. Department of Education:			
SEOG		84.007	135,101
PELL Grants		84.063	4,306,328

See accompanying notes to schedule of expenditures of federal awards.

**The University of Alabama in Huntsville  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Work Study		84.033	166,263
Federal SMART Grant		84.376	280,665
Federal Academic Competitiveness		84.375	85,226
Total U.S. Department of Education			4,973,583
<b>Total Student Financial Aid Cluster</b>			4,973,583
Instruction and Training:			
Department of Education:			
Pass-Through Funds:			
Department of Education:			
ACHE/The Success Through Academic	AGR DTD 1/23/08 OIP ACHE	84.RD	50,989
ACHE/Teaching the Future: Mastery	AGR DTD 1/16/08- CE ACHE	84.RD	88,766
ACHE/Teaching the Future:Mastery	AGR DTD 1/17/07 CE ACHE	84.RD	63,763
ACHE/The Success Through Academic	AGR DTD 1/17/07 OIP ACHE	84.RD	32,365
DOED/STRENGTHING	PO 16A050044	84.RD	1,037
Total Department of Education			236,920
National Science Foundation:			
Pass-Through Funds:			
National Science Foundation:			
UAB/Alabama EPSCOR	UABEPCOR2005200	47.075	(1,632)
UAB/Alabama Minority Graduate Education (MGE)	UABAGRDTD61399	47.076	45,721
UAB/Alabama Louis Stokes Alliance	AGR DTD 7/21/06	47.074	28,964
Total National Science Foundation			73,053
Department of State:			
Pass-Through Funds:			
Department of State:			
IREX/6 Weeks Professional Program	FY07TEAUAH01	19.430	205,525
IREX/End of Program Conference/Eurasia	FY07TEAUAH02	19.430	54,047
IREX/Eurasia, South Asia Teaching	FY08TEAUAH3	19.430	37,829
Georgetown University/Near East a	UAH-RX2050-887-08-N	19.430	4,425
World Learning/Leaders of Water	AGR DTD 5/9/07	19.430	192
AED/Study of the United States In	39570205	19.430	98,728
Total Department of State			400,746
General Service Administration	GS23F0062P	39.unk	7,519
Department of Energy		81.041	416
Total Instruction and Training			718,654
<b>Total Expenditures of Federal Awards</b>			<b>\$ 70,033,360</b>

See accompanying notes to schedule of expenditures of federal awards.

# The University of Alabama in Huntsville

## Notes to Schedule of Expenditures of Federal Awards

### Year Ended September 30, 2008

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#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the federal expenditures of The University of Alabama in Huntsville (the "University") under programs of the federal government for the year ended September 30, 2008. The amounts reported as federal expenditures were obtained from the University's general ledger. This Schedule presents only a selected portion of the operations of the University, and, accordingly, is not intended to and does not present the net assets, changes in net assets, and cash flows of the University.

For purposes of this Schedule, 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 Catalog of Federal Domestic Assistance ("CFDA") and pass-through numbers have been provided to the extent they were available.

#### Subrecipients

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subrecipients and reimbursed by the University are presented in the Schedule. The University provided approximately \$2,239,964 of research and development cluster awards to subrecipients during the year ended September 30, 2008.

#### 2. Summary of Significant Accounting Policies

For purposes of the Schedule, 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' Federal Supplemental Educational Opportunity Grants, Federal Academic Competitiveness, Federal SMART Grant, and Federal Work-Study 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, 2008, the base rate for on-campus research is 46.5%. 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 (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 2008, the University disbursed approximately \$20,361,400 under the FDSLPL.

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PART II  
FINDINGS AND QUESTIONED COSTS

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# The University of Alabama in Huntsville

## Schedule of Findings and Questioned Costs

### Year Ended September 30, 2008

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#### 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

Significant deficiency(ies) 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

Significant deficiency(ies) identified not considered to be material weaknesses?

yes  none reported

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

Unqualified for all major programs

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:

**CFDS Number(s)**

**Name of Federal Program or Cluster**

Various

Research and Development Cluster

Various

Student Financial Aid Cluster

20.205

DOT/FTA/UAH Intermodal Parking Facility

Threshold used to determine Type A and Type B Programs:

\$ 2,711,843

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

**The University of Alabama in Huntsville  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2008**

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REFERENCE	PROGRAM	QUESTIONED COSTS
08-01 Recording of Federally Titled Assets	Research and Development (R&D)	N/A

Research and Development Cluster

**CONDITION**

In accordance with federal requirements, the University's policy is to maintain accurate records for federally funded equipment. When all federal and non federal assets are purchased, the item is temporarily accounted for in BANNER by the assignment of a temporary tag number, which does not distinguish between federal and non federal titled assets. Upon receipt of the asset, a permanent tag number is assigned and the asset is recorded in FAS where the federally titled status is tracked. During the internal controls testing around federally purchased and titled equipment, we noted that the temporarily tagged assets in BANNER were not being reconciled with FAS in a timely manner to ensure that federally titled assets were properly recorded in FAS.

**REFERENCE**

OMB Circular A-110 (§\_\_\_\_.34(f)(1)) - Recordkeeping

**CAUSE/EFFECT**

The University is required by A-110 and the University's policy to have a control system in place to ensure adequate safeguards to prevent loss, damage, or theft of federally funded equipment. These records should include a description of the equipment, the cost, the acquisition date and whether the title vests with the University or the Federal Government. Although we did not identify instances in which the University failed to track equipment in its control system, the system did not properly identify equipment in which the title to the equipment vests with the Government in all instances.

**RECOMMENDATION**

We recommend that the University implement controls that will help ensure that a reconciliation of FAS and BANNER assets is being performed on a regular basis. All assets that remain in BANNER for a significant amount of time with a temporary tag that have not been assigned a permanent tag should be researched and resolved in order to ensure that equipment that is federally titled is being properly recorded in FAS.

**MANAGEMENT RESPONSE**

Following this finding is management's views and corrective action plans.

**CORRECTIVE ACTION PLAN CONTACT**

Robert C. Leonard, Controller & Acting Director, Contracts and Grants





June 22, 2009

**MANAGEMENT VIEW**

The University concurs with this finding. The University will evaluate its physical inventory procedures and implement improvements to ensure that federally purchased equipment is inventoried and that all inventory records are reconciled in accordance with University policy.

**CORRECTIVE ACTION PLAN**

The University will evaluate the reconciliation process to identify, develop and implement improvements to ensure the fixed asset system (FAS) is reconciled to the general ledger (BANNER) on a regular basis.

Respectfully,

Robert Leonard, Controller  
Acting Director, Contracts and Grants

**The University of Alabama in Huntsville  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2008**

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<b>REFERENCE</b>	<b>PROGRAM</b>	<b>QUESTIONED COSTS</b>
08-02 Period of Availability	Research and Development (R&D)	\$4,075

Award Year - August 1, 2007 through April 30, 2008  
Department of Defense - CFDA #12.431

**CONDITION**

During our review of direct cost testing, we noted that 4 items out of 55, all related to one contract, were approved and purchased after the period of availability.

**REFERENCE**

OMB Circular A-110 (§\_\_\_\_.28(f)(1)) - Period of Availability

**CAUSE/EFFECT**

Items were requested through the requisition process six days before the contract's expiration date. On April 24, 2008 a requisition was made to purchase software and computer peripheral supplies. The contract ended on April 30, 2008 and the purchase order was approved on May 5, 2008. The University's control to monitor these expenditures did not operate effectively, which resulted in items being purchased after the contract end date.

**RECOMMENDATION**

We recommend that the University implement procedures to ensure that items are not purchased or requested for purchase at or after the period of availability has expired.

**MANAGEMENT RESPONSE**

Following this finding is management's views and corrective action plans.

**CORRECTIVE ACTION PLAN CONTACT**

Robert C. Leonard, Controller & Acting Director, Contracts and Grants



June 22, 2009

**MANAGEMENT VIEW**

The University concurs with this finding. The University monitors expenditures to ensure items are not charged past the period of performance. An unexpected delay occurred and the University attempted to cancel these items; however, the items had already been shipped.

**CORRECTIVE ACTION PLAN**

The University will improve our monitoring procedures and implement a cut off period to ensure that all expenditures coincide with and are paid for within the period of availability. The agency will be refunded for the items purchased after the period of availability.

Respectfully,

Robert Leonard, Controller  
Acting Director, Contracts and Grants

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PART III  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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# The University of Alabama in Huntsville

## Status of Prior Year Findings and Questioned Costs

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### **07-01 Student Financial Aid Verification**

When testing for verification of certain items from the Free Application for Federal Student Aid (FAFSA), PwC noted for two of fifty-five students selected for testing where the verification information obtained did not agree with the information used by the University to determine the expected family contribution (EFC).

#### **STATUS**

Issue resolved. This condition resulted from a clerical error when reviewing verification documentation and from transposing supporting documentation to BANNER. The affected record was corrected, revisions submitted to CPS and funds returned to the respective Title IV programs in accordance with regulatory requirements. The University has implemented a review process so that multiple staff members review the supporting documentation as opposed to relying solely on the verification specialist. In addition, the University is using a new process whereby data is entered into BANNER, comparison to student reported data is conducted through support submission and an error report is generated for review by staff.

No similar findings found in the current year.

### **07-02 Student Financial Aid Exit Counseling**

PwC noted one instance in which evidence of exit counseling and notification of exit counseling could not be provided by the University.

#### **STATUS**

Issue resolved. This condition resulted from retroactive registration activity which prevented existing processes from effectively identifying affected students. OSFS has revised the process for identifying students subject to exit counseling to ensure that retroactive registration activity is accounted for. In addition, OSFS is notified by the Registrar of all students whose registration is adjusted retroactively. The student in question was subsequently provided with exit counseling information as required under Title IV regulatory requirements.

No similar findings found in the current year.

### **07-03 Student Financial Aid FISAP**

During testing of the 2006-2007 Fiscal Operations Report and Application to Participate (FISAP), it was noted by PwC that certain items were incorrectly reported to the Department of Education by the Student Financial Aid office.

#### **STATUS**

Issue resolved. The University has implemented BANNER federal work study functionality, which includes automated reconciliation and management tools. Final FISAP submission data is reviewed by all responsible parties.

No similar findings found in the current year.

### **07-04 Research and Development Financial Status Reports**

PwC noted certain financial reports selected for testing were not submitted timely for the fiscal year ended September 30, 2007 when testing reporting for the Research and Development cluster.

#### **STATUS**

Issue resolved. The University has implemented procedures to monitor the timely submission of financial reports within the terms of the contract.

No similar findings found in the current year.