

The University of Alabama in Huntsville

**Report to Management
September 30, 2005**

February 22, 2006

Dr. Frank A. Franz
President
The University of Alabama in Huntsville
Huntsville, Alabama

Dear Dr. Franz:

In planning and performing our audit of the financial statements of The University of Alabama in Huntsville (the "University") for the year ended September 30, 2005, we considered its internal control 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 effectiveness of internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions or material weaknesses, as defined in AU 325, *Communication of Internal Control Related Matters Noted In An Audit* (AU 325), of the *AICPA Professional Standards* and shown below:

Reportable condition - a condition which could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

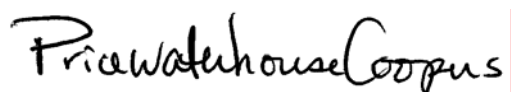
Material weakness – a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted certain matters involving the system of internal control and its operation, and are submitting for your consideration related deficiencies and recommendations to help the University improve the system of internal control.

This letter is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

If you would like any further information or would like to discuss any of the issues raised, please do not hesitate to contact Michael Lammons.

Very truly yours,

The image shows a handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style. To the right of the signature, there is a vertical red line.

PricewaterhouseCoopers LLP

The University of Alabama in Huntsville
Report to Management
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1. Program Implementation/Change Management Process to be Enhanced

During our review, we noted that the University has change management and program implementation processes in place. However, a more formalized and documented procedure should be considered for all changes to applications, network, systems and report creation. Some of the specific observations noted are as follows:

- Developers modify existing reports directly in the production environment; and
- Technical testing documentation, including user acceptance testing documentation is not always centrally retained for a specified period of time; and
- Development and test environments are not strictly segregated. Reports are not held in a frozen state when user acceptance testing is performed.

A lack of a consistent change management process may also result in unauthorized or inconsistent changes across applications and systems.

We recommend that management continue to enhance the program change control process to ensure that all system changes are managed in a controlled manner, as follows:

- Developer access to modify reports in the production environment should be restricted.
- Technical and user acceptance testing documentation should be produced and retained for all new and modified reports. Testing documentation should be retained for a specified period of time.
- The new or modified reports should be moved to a separate staging environment, independent of the development and test environment, prior to moving to the production environment. While in user acceptance testing, new or modified reports should be held in a frozen state when user acceptance testing is performed.

Management's Response:

- Computer and Network Services (CNS) uses an On-line User Request System (OURS) to document all user requests for reports and/or report changes. All reports in production have copies in the report library, and a new copy is made before any production report is modified. All report changes are assigned to a programmer and this function is limited to the CNS programming staff. We believe that our current procedures provide appropriate restrictions.
- CNS procedures include the retention of CNS test documents and data, for new and modified reports. CNS will request that all users retain their test data and results for two years.
- CNS has implemented procedures so that new and modified reports once tested are moved to a frozen staging area from which operations personnel will move the report into the production environment. CNS has determined that the risk of a change in a report by a programmer before a report is moved into the staging area is insufficient to warrant the additional time and manpower required to utilize a frozen area for testing prior to acceptance.

2. Disaster Recovery Plan – Periodic Testing and Update

During our review, we noted that the Disaster Recovery Plan (DRP) has not been updated to reflect the current environment or fully tested during the audit period. We noted that only a table top walk through for selected systems has been performed. The walkthrough indicated a theoretical ability to restore systems in the event of a disaster.

Without periodic testing and update of the DRP, management may be unable to recover key systems and/or applications in the event of a disaster.

Management should conduct periodic testing and update of the recovery procedures relating to the DRP. This will ensure that recovery processes are functioning as designed and that employees are well trained to react to a disaster event.

Management's Response:

During the University's ERP conversion from SCT IA+ to SCT Banner, CNS did not have sufficient time to test the IA+ system that was being replaced. It was felt that the risk of not testing the recovery of the old system was out weighed by the need to test the new Banner system for proper installation and setup before it was moved into production. In the next year, it is CNS' intent to realign the old DRP to address the differing needs of the new Banner ERP.

February 28, 2006

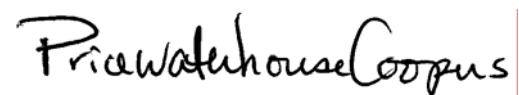
Mr. Ray Pinner
Vice President for Finance
The University of Alabama in Huntsville
Madison Hall
Huntsville, Alabama

Dear Mr. Pinner:

Enclosed are twenty-five copies of The University of Alabama in Huntsville Report to Management for the year ended September 30, 2005.

Please contact us if you have any comments or questions concerning the above.

Very truly yours,

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive style. To the right of the signature is a vertical red line.

MWL:dlo
CJA

Encs.