2010 Management Letter contained NO findings applicable to the University of Alabama. Text pertinent to other UA System institutions redacted.
January 27, 2011

Dr. Malcolm Portera
Chancellor
The University of Alabama System

Dear Dr. Portera:

In planning and performing our audit of the consolidated financial statements of The University of Alabama System (the "System") as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the System’s internal control over financial reporting. Accordingly, we do not express an opinion on the System’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

AU 325, Communicating Internal Control Related Matters Identified in an Audit, of the AICPA Professional Standards includes the following definitions of a deficiency, a significant deficiency and a material weakness:

Deficiency—a deficiency in internal control 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 and correct misstatements on a timely basis.

Significant Deficiency—a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness—a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

As agreed in our audit committee meeting on September 16, 2010, we are providing you with our observations on certain matters involving the internal control structure and its operations, and are submitting for your consideration related recommendations designed to help the System to make improvements and achieve operational efficiencies. We noted no material weaknesses as a result of our audits. These comments are not related to significant
deficiencies none to us. Our comments herein reflect our desire to be of a continuing assistance to the System. Managements' responses to these comments are included as an addendum to our letter. Managements' responses to these comments have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Our consideration of internal controls does not cover the internal controls for Southern Research Institute nor University of Alabama Huntsville Foundation. These entities were audited by other auditors, whose report thereon has been furnished to us.

Management should also refer to the required communications to the Audit Committee included in the "Report to the Audit Committee" that will be issued on February 4, 2011.

This letter is intended solely for the information and use of management of the System entities, the Board of Trustees of the University of Alabama, 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 contact Drew Wagoner at (205) 250-5105.

Very truly yours,