



DEPARTMENT OF THE ARMY  
U.S. ARMY AUDIT AGENCY  
OFFICE OF THE DEPUTY AUDITOR GENERAL  
POLICY AND OPERATIONS MANAGEMENT  
3101 PARK CENTER DRIVE  
ALEXANDRIA, VA 22302-1596

SAAG-PMZ

12 July 2005

MEMORANDUM FOR Mr. Richard Leach, The Auditor General, Department of the Navy, 1006 Beatty Place SE, Washington Navy Yard, DC 20374-5005

SUBJECT: Opinion Report on the Fiscal Year 2005 External Quality Control Peer Review of the Naval Audit Service (Project A-2005-PMZ-0243.000), Audit Report: A-2005-0226-PMZ

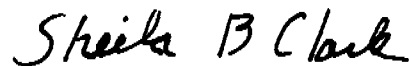
1. We reviewed the system of quality control for the audit function of the Naval Audit Service in effect for the year ended 30 September 2004. We conducted our review in accordance with standards and guidelines established by the President's Council on Integrity and Efficiency. We tested compliance with the Naval Audit Service's system of quality control to the extent we considered appropriate. These tests included a review of seven performance audits, one quality assurance review, and one contractor-conducted audit.
2. In performing our review, we considered the policy statement on quality control and external reviews, dated March 2004, issued by the President's Council on Integrity and Efficiency. That statement indicates that an organization's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent, and formality of an organization's system of quality control depend on various factors such as its size, the location of its offices, the nature of the work, and its organizational structure.
3. In our opinion, the system of quality control for the audit function of the Naval Audit Service, in effect for the year ended 30 September 2004, was designed in accordance with the quality standards established by the President's Council. We found reasonable assurance that Naval Audit Service personnel complied with the system of quality control and conducted audits in accordance with generally accepted government auditing standards and internal policies. Therefore, we are issuing an unqualified opinion on your system of audit quality control for the year ended 30 September 2004.

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4. We have identified, in a separate Letter of Comments (A-2005-0227-PMZ, 12 July 2005), issues that came to our attention that don't affect our overall opinion, but warrant management attention. We express our thanks to you and your staff for your cooperation and professionalism during this review. If you have any questions, please contact me at Commercial 703-681-8383, DSN 761-8383, e-mail: [Sheila.Clark@aaa.army.mil](mailto:Sheila.Clark@aaa.army.mil) or Ms. Myra Covarrubias, Peer Review Project Manager at Commercial 915-568-3351, DSN 978-3351, e-mail: [covarrue@aaa.army.mil](mailto:covarrue@aaa.army.mil).

FOR THE AUDITOR GENERAL:



SHEILA CLARK  
Peer Review Program  
Director