Management Advisory Services:

LESSONS LEARNED

OFFICE OF INSPECTOR GENERAL

JUNE 1988

Office of Inspector General

The mission of the Office of Inspector General (OIG), as mandated by Public Law 94-505, is to protect the integrity of Department of Health and Human Services' (HHS) programs as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations and inspections conducted by three OIG operating components: the Office of Audit, the Office of Investigations, and the Office of Analysis and Inspections. The OIG also informs the Secretary of HHS of program and management problems, and recommends courses to correct them.

Office of Audit

The OIG's Office of Audit (OA) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS or its grantees or contractors in carrying out program responsibilities, and are intended to provide independent evaluations of HHS programs and operations in order to reduce waste, abuse and mismanagement and to promote economy and efficiency throughout the Department.

Office of Investigations

The OIG's Office of Investigations (OI) conducts criminal investigations of wrongdoing against the Department's programs. The OI also investigates cases which fall short of criminality, involving abuse of HHS programs or beneficiaries and unjust enrichment by service providers. The investigative efforts of OI lead to judicial convictions, sanctions or civil monetary penalties. The OI also oversees State Medical Fraud Control Units which investigate and prosecute provider fraud in the Medicaid program.

Office of Analysis and Inspections

The OIG's Office of Analysis and Inspections (OAI) conducts inspections to identify vulnerabilities to fraud and abuse in HHS programs and operations and to determine program effectiveness and efficiency. Most inspections are short-term studies, with recommendations for changes in program operations, regulations or policies. The OAI also manages the OIG Hotline, and OIG's participation in the President's Council on Integrity and Efficiency and other interagency efforts.

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Inspector General

EXECUTIVE SUMMARY

PURPOSE:

The purpose of this study was to explore the nature and range of management advisory services (MAS) in private management consulting firms (including the Big Eight accounting firms); determine best practices in these firms' procedures; and recommend ways that these model practices might be adapted and used by the Office of Inspector General (OIG).

BACKGROUND:

Both private industry and the Federal Government have available to them management consultants who can advise on the economy, efficiency, effectiveness and integrity of their operations. Private consulting firms, including the Big Eight accounting firms, provide sound management advice to the business sector as well as to various levels of government. Similarly, within the Federal Government, the General Accounting Office (GAO) and the various OIGs have brought their particular expertise to bear on the issues of improved program evaluation and management. The GAO, as an arm of Congress, evaluates the overall operation of Federal programs. The OIGs, with their unique in-house experience, zero in on the economy, efficiency, effectiveness and integrity of the programs within their respective departments.

Within the OIG, various functions have many things in common with management consulting, including skills required, processes utilized, and general approaches to problem solving. Even for those OIG functions that are not similar to MAS activities, there are sound management practices that MAS firms know about and provide technical assistance on.

Thus, management consulting is a discipline that could be examined to determine the kind of models that might be replicated or built upon for carrying out the OIG mandate.

FINDINGS:

The single most important factor for ensuring successful management consulting products is a high quality staff. This was the unanimous opinion of every executive with whom we spoke. Each explained the importance of hiring the right people and training them in key aspects of the profession.

- **Hiring Practices**

  The characteristics sought by most of the firms we contacted were raw intelligence, good communication skills (written and oral), analytical and conceptual ability, leadership potential and flexibility. Of these characteristics, the single most-cited requirement was good communication skills.

  Almost all the firms conducted a series of interviews with each applicant, with different interviewers evaluating different key skills of the prospective employee.

- **Training and Staff Evaluation**

  Formal skills training, particularly communication skills, was stressed by the Big Eight accounting firms, while on-the-job training was favored by most of the other management firms.

  Immediate feedback to staff at the completion of an engagement (a private-sector term for a project or study) was viewed as a particularly effective tool in upgrading skills and improving staff performance.

The functions that management consulting firms perform were examined, revealing model practices in the areas of client relations, project management, final documentation and presentation, and overall quality control.

- **Client Relations**

  Clients hate surprises. The key to good client relations is frequent feedback on the status and progress of the engagement.

  The earlier the client knows that there are some problems, the more effectively the client and the consultant can deal with them.

- **Project Management**

  The proposal or letter of understanding is one of the most important management tools for consultants. It lays out the structure of the engagement, including the purpose, steps in the process and the costs.

  Often the first sign of problems, either with the project or with staff, will emerge from review of timesheets and comparison between budgeted time for a phase or task, and actual time spent.

- **Final Documentation and Presentation**

  The final report formally confirms what the clients have been told in verbal and visual presentations over the course of the engagement. It is increasingly presented in outline format or an abbreviated text with graphics of desktop publishing quality.

  Editors play a key role in assuring the quality of the presentation of findings and recommendations. Standardized software throughout the firm also facilitates the editing process by allowing for continual changes.

- **Quality Control**

  Peer review of products and personnel was unanimously cited as a key element of a strong quality control program. The firms operate on a partnership basis, which means that the reviewer and reviewed both win or lose depending on the quality of products.

Rotation of team members among clients and areas of expertise was frequently cited as a method of helping to ensure objectivity.

Quality work has to be part of the corporate culture: managers and company newsletters have to talk about it; the physical appearance of products has to say quality; and people have to be rewarded for high quality work.

RECOMMENDATIONS:

The OIG can improve its operations by learning from the model practices of the management consultant industry. Among the lessons learned in this inspection were that:

- **Hiring Practices Can Be Refined**

  Strong communication skills, along with analytical and conceptual ability, should be emphasized and balanced with professional discipline and program knowledge. In screening applicants, more can be done to assess skills, including obtaining writing samples, using case studies and having multiple interviewers determine levels of various skills.

- **Formal Training Should Continue to Focus on Skills; Informal Training Should Focus on Apprenticeship and Feedback**

  The various OIG training offices should review the training catalogues collected during the course of this study to enhance currently existing training curriculum. In terms of informal training, we should promote the concept of apprenticeship and experiment with post-assignment evaluations that would identify individual strengths and areas for further training and development.

- **Feedback Mechanisms Should Be Re-evaluated**

  While client satisfaction takes on a somewhat different meaning in the OIG environment, we should review our feedback mechanisms to ensure that adequate systems are in place to keep our various clients informed at the appropriate times. Since the OIG has multiple clients for any one project, the feedback system must address the relative priorities regarding timing and distribution of products.

- **Project Management Can Be Tightened**

  Similar to the types of guides that consulting firms have developed, the OIG should prepare technical assistance guides on various aspects of its major activities. We should also review the timesheets presently in place that track the progress of current assignments and build a base for estimating the time and costs of future activities. In addition, OIG might consider the use of an outside consultant to help create a more efficient and effective work paper file system. Finally, the OIG should develop checklists for standards, to be used with each of its three major products (audits, inspections and investigations), as well as for its other less structured work.

- **Final Reports and Recommendations Should Keep Up With State-of-the-Art Innovations**

  The OIG should consult or contract with a graphic arts or computer specialist to explore new ways of presenting information in our reports and briefings. The OIG might also try to capitalize on the various regional experiments in computer graphics or editing by circulating technical assistance guides and informal memoranda or through user group meetings.

- **Quality Control Through Peer Review Should Be Encouraged**

  The OIG could encourage peer review by establishing a "buddy system," whereby two regions would be paired to review each other's draft and final reports, or other published materials. A technical assistance guide may help to establish a common understanding of the purpose of peer review and its place in the OIG.

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I. INTRODUCTION

Management advisory services (MAS) cover a broad range of analytical and problem-solving skills available to private business and the public sector. The range of services offered under MAS includes financial planning and management, strategic planning, materials handling and distribution, marketing research, economic analysis, actuarial services, organizational planning and design, productivity analysis, compensation and benefits, executive search services and technology assessment. In addition, these services are tailored to most of the major industries: manufacturing, banking, insurance, transportation, health care, the environment, retailing, food and agriculture, energy and public utilities.

Private consulting firms survive by continually developing new business in an open market. The negotiated agreement with the client defines the scope of an engagement or project, giving consulting firms much more flexibility in deploying their resources compared to a public agency operating within the constraints of an appropriated budget and personnel ceilings. This flexibility also gives them more autonomy in setting corporate goals and distributing their workload, unlike a public agency whose mission is defined by law and whose workload frequently changes due to contingencies beyond its control.

Structurally, there are some analogies between the three Office of Inspector General (OIG) offices conducting audits, investigations and program inspections, and the Big Eight accounting firms with their three divisions: audit, tax and MAS. Furthermore, with the growing concern over liability stemming from some highly publicized lawsuits against Big Eight firms, some firms are establishing units to address, in a proactive way, potentially fraudulent activities uncovered during an engagement. So, the analogies appear to be increasing.

Struck by these similarities, OIG set out to learn how private consulting firms go about their work and which elements they consider most important in producing quality work. Discussions were held with management consulting divisions in all Big Eight accounting firms as well as with 10 other well-known and respected management consulting firms. Of the non-Big Eight consulting firms, three specialized in specific areas and the other seven were considered "full service" firms. (See the appendix for a complete list of organizations contacted.)

In our discussions we explored what they found important or useful in hiring and training personnel, in project management and in the final report or presentation to the client. Although these firms brought a variety of approaches to bear on a vast array of industry concerns, they all agreed that management consulting is more of an art than a science, and that quality comes from the people they have working on an engagement:

- *You can have manual after manual, procedure after procedure, and they're not worth the paper-printing without people who hold themselves to a high standard of quality.*[1]

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[1] *Bulleted items are quotes or paraphrases from our interviews. Having assured anonymity, we have not named the people quoted or their firms.*

Another one of our goals was to discover if there were any commonly held and respected standards for their profession. We learned that, unlike the audit field which looks to the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) for standards in business and the U.S. General Accounting Office (GAO) standards in the Federal Government, there is no one set of standards widely respected and followed in the management consulting field. The Association of Management Consulting Firms (also known as ACME, an acronym based on an earlier name of the organization) has published a "Code of Ethics and Standards of Professional Practice," but it is neither as detailed nor as comprehensive as audit standards. Furthermore, although many of the people we talked to were aware of the ACME standards, most said that their firm had their own standards. However, only one of the organizations we contacted shared their standards with us, so we have little detailed knowledge as to how extensive or formal these standards are. Most agreed that the ultimate standard or measure of quality was client satisfaction.

It is clear that client satisfaction is the preeminent concern of private consulting firms because the client pays the fees that assure the consulting firm's continued survival. The OIG, however, is not forced to solicit business, and can to a large extent tailor its work plan to carry out its mission. For us, client satisfaction is not a matter of telling clients what they want to hear, but giving them information they can use and recommendations that work. Also, client satisfaction paves the way to a long term, mutually beneficial relationship between client and consultant. Although OIG, as an "internal consultant" for the Department of Health and Human Services (HHS), is already locked into a long term relationship with its "clients," attention to client satisfaction is an investment toward maintaining a productive relationship in spite of the compliance orientation of some of our work.

With these distinctions between private consulting and OIG activities firmly in mind, we set out to look for model practices that could be incorporated into OIG's standards, procedures and methodology. The discussions that we had with these 18 private firms were, of necessity, fairly general and open-ended. Still, we found many ideas that OIG can adapt for its own use.

Thoughout our interviews, private consultants offered their professional assistance to us in improving our operations. This was, of course, an integral part of their desire to develop new business. Nevertheless, there may be ways in which we could use outside consultants. As we discuss our recommendations, we will point out those areas where we might benefit from limited use of outside consultants.

II. FINDINGS

- *Quality control is assured primarily through the people who work on the projects. Emphasis is given to careful interviewing of staff, good training, and strong supervision. Frequent feedback in engagements is stressed.*

- *Our main quality control system is having good people. We operate like the old medieval guild system with apprentices.*

A. Hiring Practices

With their characterization of MAS as more of an art than a science, and their emphasis that quality in the project staff assures quality in the work, it follows that consulting firms attach a great deal of importance to the hiring process. An erroneous hiring decision can result in misjudgments that can be very costly to the firm or cause them to lose the client entirely. Therefore, they choose their new employees with special care.

- *We like to grow our own. We look for young people with business skills and stress analytical ability, conceptual ability and interpersonal communications.*

- *Hiring the right people is the most important consideration. Every applicant is subjected to a battery of psychological tests.*

- *Be wary of hiring Ph.Ds. They have usually carved out a niche that they are interested in pursuing. Management consultants need to be flexible and adaptable.*

The characteristics in new employees sought by most of the firms we contacted were raw intelligence, good communication skills (written and oral), analytical or conceptual ability, leadership potential, and flexibility or adaptability. The typical applicant also would be a recent MBA from a respected school, with several years of business experience. Translating these characteristics in another way, the consulting firms want someone bright enough to size up a situation quickly and offer creative workable solutions; experienced enough to display good business judgment but not so experienced as to be too specialized or locked into a narrow set of solutions; flexible enough to relate to all levels of client personnel, to be a good team player, and to deal with the ups and downs inherent in consulting; and, articulate and ambitious enough to reflect well on the employer as well as develop new business.

- *Applicants undergo a series of interviews. The interviewers then discuss their reactions: "Would you want this person on your team?"*

Almost all the firms we contacted conducted a series of interviews with an applicant. A couple of them either looked at standardized test scores as an indicator of intelligence or psychological tests for the right personality configuration, but most worked off of impressions from these multiple interviews. For these firms, consulting is quintessentially a team effort, and throughout our discussions we heard a great deal about the need for mutual trust and respect within the team, division or firm. So, whatever "objective" methods may be used for screening applicants, the final decision is a somewhat intuitive response to the question whether you would trust and respect this applicant enough for inclusion on your team.

Beyond this intuitive judgment, we did find some practices worth highlighting.

- *Writing skills are directly related to thinking skills. The inability to write clearly is a result of disorganized thinking.*

The single most-cited requirement we heard was good communication skills. The consultant is primarily a communicator in the roles of salesman, analyst, reporter, adviser and (frequently) trainer. The importance given to good oral skills is a factor in the extensive interview process. If writing skills are in doubt, some firms will request a sample of the applicant's writing ability. Some OIG staff have experimented with requesting writing samples in their recent recruitment efforts, and have found this to be quite revealing and useful in evaluating an applicant. While poor writing skills may not necessarily reflect disorganized thinking, it is obvious that even the most brilliant insights will be useless if poorly communicated to one's audience.

- *Applicants are given sample case studies to test problem-solving skills.*

One firm we contacted gives interviewees case studies to analyze. The applicants are asked how they would go about thinking about the case, how they would break down the problem and go about solving it. Going back to the characterization of consulting as an art rather than a science, it is clear that this type of trial run would be quite revealing of how well the applicant has developed the essential conceptual and analytical skills in situations where the "cookbook" approach would not be useful or desirable.

B. Training and Staff Evaluation

- *We feel that our staff needs at least 40 hours of training in these three areas: (1) technical training to enhance specialized skills; (2) diversification to learn new areas of expertise; and (3) managerial training such as team building, speaking and writing skills.*

- *On-the-job training is considered more effective than formal training. It consists of training by higher-ranking people, with constant feedback and counseling on performance.*

These two statements taken together summarize what we heard about the importance of staff training. The first one reflected the view of most of the Big Eight firms and may tie in with recommendations from the AICPA for MAS divisions within accounting firms. For many of the firms, "continuing education" or "professional development" entails a formal curriculum for all of their staff.

Two Big Eight firms shared with us catalogues from their training programs. Review of these catalogues showed that the firms maintain permanent training sites, a standing educational staff and a rotating staff of partners and managers who together assure that the firm's changing needs continue to be met. Each catalogue contained a standardized curriculum for each of their divisions to follow, which not only covers the basic consulting skills, but also computerized systems management and methodologies, as well as managerial courses to prepare the individual for the next career level within the firm. In addition, the catalogues contain industry-specific programs to keep their staff's industry knowledge and expertise current.

The non-Big Eight firms generally did not emphasize such a formally structured training program. Although the kinds of things they emphasized for training--writing skills, team building, improving client presentations, preparation for advancement within the firm--did not differ substantially from the Big Eight firms, there was no standard curriculum through which all consultants passed. Like their Big Eight counterparts, many of these firms set up regular meetings within an industry specialization to informally share experiences and keep current with industry developments.

Regardless of their views on formal training for their staff, all firms contacted agreed that constant, immediate feedback is the most indispensable of their training tools.

- *A staff person can work on different projects and report to different supervisors at any given time. We have developed an evaluation process which provides feedback and career counseling to staff after every project.*

- *The organization has an "up or out" personnel policy, which results in continual feedback on strengths, weaknesses and training needed for advancement.*

Most felt that continual informal feedback was the major training machanism, which ties in with one consultant's analogy to the medieval guild system. Many firms formalized this to the extent that the employee received an evaluation after each engagement to which a pre-established minimum number of hours had been devoted. This evaluation was distinct though not entirely separate from the annual salary and performance review. Frequent feedback in the context of a recently completed project provides the employee with information on which skills are strong, which skills or performance areas need work, and whether the employee is ready to progress to a more difficult or responsible assignment. It also helps the employee's superiors track intangible qualities such as "good professional judgement" and trustworthiness or reliability, in the context of concrete performance in a recent project.

C. Client Relations

- *The classic problem of the consultant is to try to bring the client along at every point to avoid surprises. You modify as you go along if necessary.*

- *Nobody likes bad news, but people <u>hate surprises</u>!*

- *The best surprise is <u>no</u> surprise.*

As the above statements suggest, the key to good client relations is frequent feedback on the status and progress of the engagement. At the most basic level, the client wants to see that the fees are being appropriately spent, but beyond that, the client has an obvious curiosity as to whether and how the consultant is progressing with the task at hand. After all, the client's corporate well-being may be at stake.

In the case of negative findings or "bad news," whether it is a project overrun or unexpected problems within the client's organization or operations, the earlier the client gets the warning the more effectively the client and consultant can deal with it. Nothing will polarize a situation beyond repair more than suddenly dropping bad news, like a ticking bomb, into a client's lap.

This is an area where OIG needs to consider carefully how to best serve its "clients" and avoid surprises. The OIG is primarily an objective internal consultant for HHS. Internal consultants, by their nature, are:

"...squeezed by the demands made on them simultaneously by different user groups, all of whom they are supposed to 'serve' in order to justify their ... existence;

...put in a conflict-laden dual role of helping a unit and simultaneously checking up on it as an agent of ... headquarters."

(From The Role of the Internal Consultant: Effective Role Shaping for Staff Positions, Fritz Steele, 1982, CBI Publishing Company, Boston)

The best way to deal with these ambiguities is to recognize the multiplicity of OIG's clients, sort out the nature of the feedback each one needs from us, and determine the best way, given our status as an internal consultant, to provide this feedback. In OIG, the primary clients are the Inspector General himself and the clients he serves: Congress and the Secretary of the Department of Health and Human Services (HHS). The Operating Divisions (OPDIVs) within HHS are also clients; it is they who may request, and are most directly affected by, our work.

The lesson to be learned from private consultants is the value of timely and frequent feedback to our respective clients. The consultants we talked to advocated client feedback on a monthly, weekly or, if necessary, daily basis. Feedback to the Inspector General provides early notice of discoveries, potential problems and issues which need his attention before they become public. Feedback to the OPDIVs can range from early notification of significant findings or innovative solutions to consider, to more process-oriented information such as operational problems (e.g., difficulties in obtaining the data we need in a usable format) or progress reports. In addition, feedback with the OPDIV is a "two-way street" which helps to keep the staff from becoming captive of one viewpoint or becoming isolated from the larger issues at stake.

D. Project Management

- *Our letter of understanding with the firm who hired us is one of our most important management tools. It outlines, in bullet fashion, the purpose, the steps in the process, and the costs.*

The proposal or letter of understanding lays out the structure of an engagement. It defines the issues, gives a preliminary diagnosis, outlines how the consultant plans to proceed to address the issues, establishes criteria for measuring the consultant's success in addressing them, and estimates the time and cost required to complete the engagement. Precision in time and cost estimates is crucial, because any overruns must either be renegotiated for payment by the client, or absorbed by the consultant. Predictably, the consultant can better estimate time and costs for engagements in areas where he has a great deal of experience. The OIG is striving for the same precision in resource allocation, because increased precision would improve the OIG work planning process.

The major phases of an engagement are further broken down into individual tasks and deliverables. The appropriate level of consultants needed for each task is determined, and specific assignments of staff to tasks are made. This laying out of the engagement is based on the collective experience of the consulting firm and may be formalized into "estimating guidelines" or into project control manuals. For example, one consultant told us that even before discussion guides are formulated, she knows to factor in no more than two interviews a day in her estimates for field work. This is based on the consulting firm's experience of the optimal time needed to conduct the interview, document the information, synthesize and absorb the data gathered and prepare for the next interview.

Thus, these guides or manuals give the consultant some basic assistance for planning the more routine aspects of the assignment through a checklist of common considerations and rules of thumb, which frees the consultant to devote more attention to any unique issues that need to be factored in. The OIG has taken steps toward providing this kind of assistance in its audit technical guides and inspections procedures manual, and is now exploring ways of expanding on this.

Some consulting firms use graphic techniques to block out and track an engagement, either with a Gantt chart or a flow diagram. One firm uses a Gantt chart in its monthly status report to the client. A vertical dotted line shows the point in time of the status report and shades in those tasks or phases that are completed. Thus the client can quickly see if a project is on schedule and, if not, can expect to find an explanation in the narrative.

- *Time spent by our personnel on a project is our biggest cost, so we keep track of time through time sheets. Managers get a weekly printout by person and project.*

As might be surmised from the previous paragraph, an engagement is measured not just by deliverables but by units of billable time. To that end, all the consultants we met used timesheets to track staff time spent on a given project. Staff are expected to adhere to the estimated amounts of time allocated to a given phase or task in an engagement. Review of the timesheets, comparing actual time spent to budgeted time, may provide baseline data for estimates incorporated into future proposals, and may alert the project manager to problems with an employee or with the project itself.

E. Final Documentation and Presentation

- *We write an executive report for the record, which really just confirms what we have told them in our verbal and visual presentations every couple of weeks.*

Most of the people we talked to used a combination of written and oral presentations of findings or recommendations to the client, although the relative importance of written versus oral presentations varied. Because these firms are increasingly involved in implementation, the role of the written report has become less a "cookbook" for someone else to use for implementation, and more a summary to document the record. Clients, we were told, like:

... reading things in outline format ...

... abbreviated texts with graphics of desktop publishing quality ...

... all the answers up front.

Although the written documents are shorter and "crisper," a great deal of care goes into the document.

- *Editors play a key consultative role in how findings and recommendations should be stated and what graphics should be presented.*

Some of the firms we contacted bring editors or "communications specialists" into the project after the field work has been completed but before the final report or presentation has been drafted. These editors, not having the intimate involvement of the project team, are better able to evaluate from a generalist's viewpoint, the findings and recommendations on their own terms. In many organizations, they take an active role in determining how the findings and recommendations should be structured, and what kinds of supporting documentation (tables, graphics) will best illustrate and illuminate the narrative.

- *In preparing and reviewing our reports, we have standardized software that allows us to make changes anywhere along the way in the system, in any of our offices.*

With the technological advances in word processing and desktop publishing, there is less tolerance than ever for even minor errors in the final document. With a variety of graphics software available, switching from one kind of chart to a more effective one (e.g., from a bar chart to a pie chart) is a fairly simple operation. None of the firms we contacted shared any of their final reports with us, but did give us other documents, such as their "orientation" booklets, which give an idea of their standards in finished documents. One firm gave us their "Professional Writing Guide," which details the advantages and disadvantages of different forms of presentations, and accompanying charts and graphics.

F. Quality Control

Repeatedly we heard that quality comes from hiring, training and keeping good people. Equally often, we heard that quality "comes from the client" who, having agreed up front on the goals, methods and deliverables and kept informed throughout, is able to easily determine whether results measure up to what was promised. Most of these consulting firms are deeply involved in the implementation phase of any engagement, so they are able to see, first hand, whether their recommendations work.

When we specifically asked about quality control and maintaining objectivity, the responses were along the following themes:

- *We have two quality control mechanisms. One is similar to the GAO effort to review work papers of completed projects against standards. The other involves a second partner reviewing every engagement of 1,500 hours or more while it is still in process, and then providing feedback to the responsible partner.*

- *We help to ensure objectivity through a rotation of team members assigned to clients and assigned to areas of expertise.*

- *Peer review of work, at every level in the organization, is very important in ensuring good quality.*

Peer review before a product is released was unanimously cited as a quality control technique. Because these organizations are set up as partnerships, the "peer" reviewing the work, as well as the "peer" being reviewed, stand to lose if an inferior product is released. Also, a review by someone with some distance from a project, with its concomitant peculiarities and internal politics, can look at the final product and see if it stands on its own merits.

For some firms, peer review applies only to the work papers or deliverables. At others, peer review may apply to the partners themselves or the whole management consulting division at a particular office. This is also another application of the concept of regular feedback to employees.

III. RECOMMENDATIONS

A. Hiring Practices Can Be Refined

Within the constraints of hiring in the public sector, there are ways of ensuring that we have the most competent people with the most appropriate skills. First, analytical and conceptual skills should be emphasized and balanced with professional training and program knowledge. Although the competition for bright applicants intensifies all the time, OIG has been able to work through the student co-op program and the Presidential Management Intern (PMI) program to attract people with these key skills. These efforts should continue to be stressed and enhanced.

Second, in screening applicants, more can be done to assess skills. Applicants should be required to provide examples of their writing ability. Even an academic term paper or essay can be revealing. An applicant may have excellent credentials and "interview well," but still have poor writing skills. Given the central role of writing in most OIG positions, a hiring mistake in this area is detrimental to our fundamental effectiveness.

Giving an applicant a case study to analyze could be used to evaluate both conceptual and communication skills. For example, the PMI program uses case studies in screening candidates for the program. Candidates get 10 minutes to review the case study and 45 minutes to write an analysis with recommendations. Case studies are also used for oral presentations. Here, the candidates are allowed one-half hour to review and 15 minutes to present their analysis and recommendations. We should explore with the Office of Personnel Management the kinds of cases that are suitable for our use, and good sources from which to obtain case studies.

Third, including team leaders in the interviewing of applicants is another desirable addition to the screening process. The Regional Inspectors General (RIGs) can better cover the overall mission and place of OIG within HHS, but team leaders can get down to the "nuts and bolts" of an audit, inspection or investigation. Furthermore, both RIGs and team leaders, with their respective viewpoints, can better determine, after the interviews, how well the applicant could fit into the organization.

B. Formal Training Should Continue to Focus on Skills; Informal Training Should Focus on Apprenticeship and Feedback

In recent years, various OIG training committees have moved towards more "hands-on" training of staff. Formal training needs to continue in the basic skills areas: communication (written and oral); establishing and maintaining work papers; conducting and documenting interviews; effective use of graphics and charts; and team building.

We were given three training catalogues by two Big Eight accounting firms. The OIG training committees should look at these catalogues for ideas as they work with academic institutions in establishing a uniform basic training curriculum. Also, a "Professional Writing Guide," provided by another Big Eight firm, could be reviewed by the training committees and used in the same way to set up specific training on writing skills.

One Big Eight firm invited the OIG to send two analysts to their consulting skills training for entry-level staff. The training sessions focused on group problem-solving, work planning, oral and written presentation, interviewing, and work paper organization. Lectures and group discussions pinpointed strategies for overcoming problems and improving skills, which were then put to use in team assignments simulating the phases and pressures of a typical client engagement. Interviews and oral presentations were videotaped and replayed for feedback and evaluation. The emphasis on skills development provided the OIG attendees a valuable experience, parts of which could be adapted for OIG use.

Orientation of new employees to the OIG might be enhanced by an orientation booklet similar to those given to us during this study. They describe the consulting process, and what is expected of the staff person during the engagement in terms of the work itself as well as expected professional conduct.

In terms of day-to-day, informal training, we need to consider how to develop and promote the concept of apprenticeship. Toward this end, we should experiment with postassignment evaluations of staff by team leaders and of team leaders by staff. These evaluations, using the context of the recently completed assignment, could identify strengths and those areas where further training or development would be appropriate.

C. Our Feedback Mechanisms Need to Be Reevaluated

The OIG currently has standards and procedures in place that address the appropriate times that various parties should be consulted with or provided reports and/or briefings. We would suggest that these mechanisms be reviewed to determine how effectively we are communicating with our various audiences. Revisions in procedures should be made as a result of the review.

One OIG communication mechanism that might be carefully evaluated is the "early alert." Currently, they seem to be used only for controversial and potentially explosive findings which the OPDIV needs as early as possible before the findings become "public," even in the draft report stage. Early alerts might also be used any time we would like the OPDIV to consider a problem in a new light; when we are recommending an innovative approach to address a problem, or when the approach requires cooperation between more than one OPDIV. Extra lead time for these "positive" findings facilitates a cooperative approach to implementation and a constructive dialogue about the feasibility of the recommendations.

We might also review the many different types of memoranda that we send to the OPDIVs, such as early alerts, vulnerability notices, letter reports, etc. Perhaps we could consolidate them under a generic term such as "management advisory reports." Concurrently, we could label any assignment other than full scale audits, inspections and investigations as "management advisory reviews." This might be clearer and more comprehensible for those outside the OIG, as well as for the various components within OIG. A set of standards and a checklist for these standards should also be developed for these time-limited, less formal management advisory reviews.

In evaluating whether we need any additional feedback mechanisms, we need to survey our clients and our Headquarters staff to see if they perceive any communication gaps, or whether there are things they would like to know regularly as opposed to on an "as needed" basis.

D. Project Management Can Be Tightened

There are several areas that OIG might look at to improve project management:

First, the OIG should evaluate the procedures and guidances that we currently employ to determine how useful they are for the front-line staff in carrying out their basic functions. This analysis should look not only at what steps staff should take in producing their audits, inspections and investigations, but also how they can go about doing their job more efficiently and effectively. One way of communicating this "how to" information would be through well written, instructive technical assistance guides. These guides could share useful techniques employed in the successful completion of projects, including options for commonly-faced problems. They also might present information on the use of different types of charts or diagrams to illustrate a finding; share information regarding effective software for graphics or statistical analysis; or discuss techniques for improving report writing. These technical assistance guides could be updated periodically as our collective experience grows.

Second, we should review our use of individual timesheets to determine if the current system is helping the staff to manage its time more efficiently and is providing managers with the information they need to track the overall progress of the projects included in the work plan. We should examine the extent to which our baseline data is helping us to establish our own estimating guidelines for time and staff requirements for proposed projects. Thus, we might determine if the input is sufficient or appropriate for the data desired and if the outcomes have been sufficiently utilized to continue our current system.

Third, we might consider the use of outside consultants to comment on the state of our work paper file system. Many of the Big Eight firms are familiar with the various functions that the OIG carries out. Since our office has varying experiences in setting up and maintaining work paper files, an outside consultant looking across the OIG might be able to suggest similar systems with common terminology, while allowing for necessary individual differences.

Four, checklists of standards to be maintained in audits, inspections and investigations should be distributed to all OIG staff for their use in performing these basic functions. While each of the OIG components has a set of professional standards by which they can judge their work, a single page checklist with accompanying definitions might provide a handy reference for staff and managers alike.

E. Final Reports and Presentations Should Keep Up With State-of-the-Art Innovations

As long as OIG is distanced from the implementation process, our final reports will continue to be as important as oral briefings. In the past few years, OIG has devoted a significant amount of attention to the crafting and styling of its reports and presentations. Like our counterparts in private consulting, we have striven to produce shorter, clearer reports that crisply summarize findings and recommendations for the reader. We have found serial reports to be a useful way of cutting through the complexities of the programs we review and delivering our findings and recommendations in a focused, more "digestible" manner. Nevertheless, we need to continually be on the alert for ways of improving our final product.

We obtained a professional writing guide from one of the firms we visited. It contains chapters on making presentations and choosing among a variety of graphic approaches to illustrating data in exhibits. This information could be incorporated into technical assistance guides for our staff.

We are exploring ways to take full advantage of the advances in desktop publishing to improve the appearance of our reports. Various regional offices have been experimenting with specialized software to produce quality graphics, or to "edit" reports by flagging trite, weak, or overly abstruse language and offering alternative suggestions. Headquarters and regional staffs need to find better ways of sharing their experiences with innovative software, either through technical assistance guides, informal memoranda, or "user group" meetings.

Also, some regional offices are trying out new ways of linking all the in-office computers so as to permit simultaneous word processing and editing of a single document. In time, a network such as this could facilitate peer review of such documents.

F. Quality Control Through Peer Review Should Be Encouraged

In this area, as in others, OIG has already begun to implement one of the model practices we encountered, namely peer review of our written products. Serious, not perfunctory, peer review helps validate whether a project is feasible, whether the findings and recommendations of a report make sense, and whether tables and charts clarify rather than clutter the narrative. Fundamental to the success of any quality control effort is the need for all parties concerned to understand the purpose of this activity and to actively participate in it.

Since the vast majority of the OIG's work is completed in the regions, the more regional offices actively participate in peer review, either as reviewer or the one whose product is reviewed, the more its value will become apparent. However, soliciting comments from all regional offices on a written product may be too burdensome. In the consulting firms we visited, a single partner was assigned to review a specific engagement in process or to review the final product(s).

The OIG could similarly focus this process by assigning to one regional office review of a sample of reports for another region, in essence establishing a "buddy system." Alternatively, review assignments may be made on the basis of regional familiarity with the program area or topic covered in the assignment. A technical assistance guide on peer review may facilitate the process by establishing the basis for a common understanding of the purpose of peer review and its place in the inspection process.

APPENDIX

Consulting Firms Contacted for This Study

"Big Eight" Accounting Firms

Arthur Andersen & Co.
Coopers & Lybrand
Deloitte Haskins & Sells
Ernst & Whinney
Peat Marwick Main & Co.
Price Waterhouse
Touche Ross
Arthur Young

"Full Service" Management Consulting Firms

Theodore Barry & Associates
Booz Allen & Hamilton Inc.
Cresap McCormick and Paget
Harbridge House Inc.
A.T. Kearney
Arthur D. Little, Inc.
McKinsey & Company

Specialized Consulting Firms

Boston Consulting Group (Strategic Planning)
Hay Group (Compensation & Benefits)
Mercer-Meidinger-Hansen (Compensation & Benefits).