



Quality Standards for Inspections

*President's Council on Integrity
and Efficiency*

March 1993



Quality Standards for Inspections

*President's Council on Integrity
and Efficiency*

March 1993



PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY
MEMORANDUM for MEMBERS of the PRESIDENT'S
COUNCIL on INTEGRITY and EFFICIENCY

Stephen A. Trodden

FROM: Stephen A. Trodden, Chair, Inspections Committee
SUBJECT: Quality Standards for Inspections

The development of Quality Standards for Inspections represents a significant and important achievement for the inspector general community. Because more and more offices of the inspectors general are utilizing inspections to effectively review and improve Department or Agency operations, it has become increasingly important to ensure quality in the inspection process. To this end, the President's Council on Integrity and Efficiency (PCIE) has developed a set of standards to guide the conduct of inspection work.

In developing the Quality Standards for Inspections, the Inspections Committee was faced with the difficult task of reconciling several divergent points of view concerning the content, application, and need for inspections standards. The enclosed Quality Standards for Inspections reflect the results of this effort and the consensus expressed by the members of the PCIE.

As with any guidance issued by the PCIE, the Quality Standards for Inspections are advisory. While the PCIE recognizes that compliance with these standards is voluntary, the consistent application of these standards among all inspector general organizations is highly encouraged. It is the position of the PCIE that these standards will help ensure the continuance of the reputation for impartiality, reliability, and credibility currently held by each Office of Inspector General.

I want to personally thank each of you, and the members of the Inspections Roundtable, who provided suggestions and comments for improving the standards. I would also like to thank Jon A. Wooditch, my Executive Assistant, for his advice and efforts in developing the Quality Standards for Inspections.

TABLE OF CONTENTS

	Page
PREFACE	i
STANDARDS	
A. Qualifications	1
B. Independence	2
C. Due Professional Care	4
D. Quality Control	5
E. Planning	5
F. Data Collection and Analysis	6
G. Evidence	8
H. Supporting Documentation	8
I. Timeliness	9
J. Fraud and Other Illegal Acts	10
K. Reporting	10
L. Follow-up	11
APPENDIX	
A. General Skill Levels for Inspectors	13

PREFACE

Inspections are not new in the Federal government. However, since the passage of the Inspector General Act of 1978, inspections have evolved within the inspector general community to satisfy a number of important needs. The most notable of these needs are to generate greater deterrence through Office of Inspector General (OIG) coverage, to provide greater coverage with fewer staff, to use different types of study methods and evaluation techniques, to provide timely feedback to program managers, and to review highly technical subject matter. The particular need varies from one OIG to another and the inspection function at each agency has been tailored to individual circumstances that reflect the unique mission of each respective Department or Agency. At the Department of Veterans Affairs, for example, inspections primarily focus on evaluating the quality of patient care provided to our nation's veterans. Inspections at the Department of Education, on the other hand, are aimed at determining whether evidence exists to support prompt cut off of funds to schools abusing student financial assistance programs.

In contrast to historical military inspections that focused primarily on morale and readiness issues, current inspections are more akin to policy and program evaluations, and are designed to support the overall mission of the Inspectors General to promote economy and efficiency in the management and administration of Department or Agency programs and to prevent and detect fraud, waste, and abuse. An inspection is defined as a process, other than an audit or an investigation, that is aimed at evaluating, reviewing, studying, and/or analyzing the programs and activities of a Department or Agency for the purposes of providing information to managers for decision making, for making recommendations for improvements to programs, policies or procedures, and for administrative action. The objectives of inspections include providing a source of factual and analytical information, monitoring compliance, measuring performance, assessing the efficiency and effectiveness of operations, and/or conducting inquiries into allegations of fraud, waste, abuse and mismanagement.

Because inspections are growing in use within the inspector general community and are increasingly becoming a professional discipline that stands on its own, the President's Council on Integrity and Efficiency endorses the need for "Quality Standards for Inspections," and encourages the consistent application of these standards throughout the inspector general community.

The standards set forth in this document provide a framework for performing inspection work. These standards are flexible enough to take into consideration the wide variety of inspections that exist throughout the inspector general community, as well as, the requirements of the various offices that perform inspections, while remaining precise enough to provide assurances that all inspection processes and products are subject to the same basic general and qualitative standards that exist for audit and investigative efforts. It is the responsibility of each OIG to develop internal written procedures to guide the actual conduct of inspection work. These procedures should include the appropriate controls necessary to ensure compliance with the Quality Standards for Inspections.

QUALITY STANDARDS FOR INSPECTIONS

The following standards are being issued by the President's Council on Integrity and Efficiency to guide the conduct of all inspection work performed by Offices of Inspector General (OIG).

A. QUALIFICATIONS

The qualifications standard for inspection work is:

Individuals assigned to perform inspection work must collectively possess adequate professional proficiency for the tasks required.

OIG objectives cannot be achieved without inspectors who are technically and professionally qualified. The qualification guidelines listed below relate to the collective knowledge, skills, and experience of all the staff assigned to the inspection.

1. The skills needed to evaluate the efficiency, economy, effectiveness, and/or integrity of program performance by the component being inspected. These skills may include knowledge of evaluation methodologies, familiarity with the concepts, processes, and assumptions of the program or activity being inspected, capacity for broad interdisciplinary inquiry, qualitative and quantitative analysis, and writing and oral briefing capabilities.
2. Knowledge of Inspector General statutory requirements and directives.
3. The ability to develop a working familiarity with the organizations, programs, activities, and/or functions identified for inspection.
4. Managerial skills for supervisors and project leaders.

To meet this standard, the inspection organization should have a program to enhance the professional proficiency of its staff through continuing education and training. Inspectors should complete at least 40 hours of training every 2 years.

B. INDEPENDENCE

The independence standard for inspection work is:

Individuals performing inspection work must be free from impairments that hinder objectivity. Inspectors must consistently maintain an independent, objective attitude and appearance, and shall be subject to supervisory guidance and review to preclude actual or perceived impairments or bias in conducting inspection work and presenting results.

The inspection organization is responsible for ensuring thorough, impartial inspection findings, conclusions, judgments, and recommendations. In selecting and assigning individuals to perform an inspection, consideration should be given to the individual's independence, attitudes, beliefs, general situation, and any other items that might cause actual or perceived inspection impairment or bias. The guidelines listed below relate to personal, external, and scope impairments.

1. Personal Impairments

In some circumstances the inspectors cannot be impartial because of their personal situations. Inspectors affected by such circumstances should be fully aware of the potential for conflict of interest, and if they believe that such a conflict may exist they should immediately notify their supervisor. If it is determined that the potential for a conflict of interest exists, the supervisor should take appropriate action to ensure that the personal impairment does not compromise the inspection. Personal impairments may include, but are not limited to, the following:

- (a) Personal and financial relationships that might cause the OIG to limit the extent of the work, to limit disclosure, or to alter the outcome of the work in any way.
- (b) Recent and direct involvement in a decision-making or management capacity in the organization being reviewed.

2. External Impairments

Factors external to the OIG can restrict efforts or interfere with the inspector's ability to form independent and objective opinions and conclusions. For example, if any of the following conditions exist, the OIG would not have complete freedom to make an independent and objective judgment and the work could be adversely affected:

- (a) Interference in the selection, appointment and/or employment of OIG personnel, technical experts, or consultants.
- (b) Restrictions on funds or other resources dedicated to the OIG that could prevent the office from performing essential work, e.g., inability to obtain timely or independent legal counsel.
- (c) Interference with access to records, reports, audits, reviews, documents, papers, recommendations, or other material, or denial of opportunity to obtain explanations from officials and employees.

3. Scope Impairments

When factors external to the organization restrict the inspection or interfere with the inspectors' ability to form objective opinions and conclusions, inspectors should attempt to remove the limitation or, failing that, report the limitation to the head of the inspection organization. The following are examples of when an inspection would be adversely affected and inspectors would not have complete freedom to make an objective judgment:

- (a) Interference or influence that compels those performing or managing inspections, against their better judgment, to alter or restrict the scope of an inspection.

- (b) Interference that affects the ability of those performing or managing inspections to approve the selection of issues to be examined.

C. DUE PROFESSIONAL CARE

The due professional care standard for inspection work is:

Due professional care will be used in conducting inspection work and in preparing reports or other products.

Exercising due professional care means using good judgment in choosing inspection methodology and preparing reports, and presumes a working knowledge, consistent with the inspection objectives, of the operations to be reviewed. Due professional care includes obtaining, to the extent possible, a mutual understanding of the inspection scope and objectives with the entity being reviewed.

Due professional care assumes compliance with Department or Agency standards of conduct, particularly those sections related to use of official information. Inspection staff should be familiar with the laws, regulations, and internal controls that are relevant to the operation under inspection and be alert for situations or transactions that could be indicative of fraud, waste, abuse and mismanagement. If issues of possible illegal behavior arise, the inspector(s) should promptly present such information to their supervisors for review and possible referral to the appropriate investigative office.

In conducting an inspection, inspectors may employ the methods of inquiry most appropriate for the object of study. This could include adoption of consultation, consensus development, literature search, peer review, and/or the application of scientific methodologies. They may rely on the work of others to the extent feasible once they satisfy themselves of the quality of the others' work by appropriate tests or by other acceptable means. Such work may include work performed by other OIG units, the General Accounting Office, agency internal studies, agency contracted studies, or studies by private research and academic organizations.

D. QUALITY CONTROL

The quality control standard for inspection work is:

To ensure quality and to expedite the progress of an inspection proper supervision will be exercised from the start of an inspection to completion of the final inspection report.

Supervision adds expert judgment to the work done by less experienced staff and provides necessary training for them. Supervisors should satisfy themselves that the members of the inspection team clearly understand their assigned tasks before starting the work. Team members should be informed of not only what work they are to do and how they are to proceed, but should be informed of why the inspection work is to be done and what it is expected to accomplish.

Supervisory reviews should determine that:

1. Evidence adequately supports findings, conclusions, and recommendations.
2. The inspection objectives are met.
3. The inspection design is followed, unless deviation is justified and authorized.

For quality control purposes, each Office of Inspector General should develop appropriate procedures for determining and documenting that adequate supervision has occurred. Each Office of Inspector General should also develop appropriate internal controls to ensure that inspections conform to the Quality Standards for Inspections.

E. PLANNING

The planning standard for inspection work is:

To ensure adequate planning, inspection work will be coordinated, researched, and designed to achieve the objectives of the inspection.

The standard for planning inspections is intended to ensure that appropriate care is given to coordinating inspection work to seek to avoid duplication. It is also to ensure that the area for inspection is researched in order to clarify issues and adequately designed to address these issues. Research, design, and coordination should be thorough enough, within the time constraints of the inspection, to assure that the inspection objectives are met. In pursuing this standard, the following guidelines should be considered:

1. Coordination--Inspection development includes coordinating the planned activities with other inspection, audit, and investigative entities as well as appropriate organizations that could be affected by the activities.
2. Research--Inspection research includes a review, consistent with the inspection objectives, of existing data, discussions with program and other appropriate officials, and literature research.
3. Design--An inspection design should be developed that clearly defines the purpose and scope of the inspection, the areas and/or potential issues to be addressed, and the manner in which the inspection will be conducted.

F. DATA COLLECTION AND ANALYSIS

The data collection and analysis standard for inspection work is:

Information and data obtained about the organization, program, activity, or function being inspected should be consistent with inspection objectives and sufficient enough to provide a reasonable basis for reaching conclusions.

With regard to collecting data, the following guidance should be considered whenever appropriate:

1. The sources of information should be described, in the supporting documentation, in sufficient detail so that the adequacy of the information, as a basis for reaching conclusions, can be assessed.

2. If requested, confidentiality should be granted to sources of information in accordance with the internal policies of each Office of Inspector General.
3. Information should be of such scope and selected in such ways as to address pertinent questions about the objectives of the inspection and be responsive to the informational needs and interests of specified audiences.
4. The information-gathering instruments and procedures should be chosen or developed and then supplemented to ensure that the information is sufficiently reliable and valid for use in meeting the inspection objectives. The inspectors will use professional judgment in determining whether the information is sufficiently reliable and valid.

In analyzing data, the following guidance should be considered:

1. The techniques used to collect, process, and report the data should be reviewed and revised, if necessary, so that the results of the inspection will not be flawed.
2. Qualitative and quantitative information gathered in an inspection should be appropriately and logically presented to ensure supportable interpretations.
3. The inspection procedures should provide for safeguards, and supervisory review, to protect the inspection findings and reports against distortion by the personal feelings and biases of any party to the inspection.
4. The basis and support for inspection findings should be carefully described in the supporting documentation.

G. EVIDENCE

The evidence standard for inspection work is:

Evidence supporting inspection conclusions should be competent and relevant and lead a prudent person to the same conclusion as that of the inspectors.

With regard to this standard, the following guidelines should be considered:

1. To be competent, evidence should be reliable and the best obtainable by using reasonable evaluation methods. The following presumptions are useful in judging the competence of evidence:
 - (a) Evidence obtained from an independent source may be more reliable than that secured from an organization being inspected.
 - (b) Evidence developed under a good system of internal controls is more reliable than that obtained where such controls are lacking or unsatisfactory.
 - (c) Evidence obtained through physical examination, observation, and computation may be more reliable than evidence obtained through less direct means.
2. Relevance refers to the relationship of evidence to its use. The information used to prove or disprove an issue must have a logical, sensible relationship to that issue.

H. SUPPORTING DOCUMENTATION

The supporting documentation standard for inspection work is:

All relevant information generated, obtained, and used in supporting inspection findings, conclusions, and recommendations should be retained.

Supporting documentation is the information generated and collected as part of an inspection that, when effectively organized, provides an efficient tool for data analysis and a sound basis for findings, conclusions, and recommendations directly related to inspection objectives. Supporting documentation should also provide:

1. A record of the nature and scope of inspection work performed.
2. Information to supervisors and team leaders enabling them to properly manage inspections and evaluate the performance of their team members.

Documentation generated by the Department or Agency and used to support inspection findings, such as lengthy reports, could be retained by the Department or Agency so long as the Office of Inspector General fully references these documents and is confident that the documentation in question could not be lost, destroyed, or altered.

I. TIMELINESS

The timeliness standard for inspection work is:

Inspections should seek to deliver significant information to appropriate management officials in a timely manner.

With regard to timeliness, the following guidance should be considered:

1. Time frames should be flexible in response to changing priorities.
2. Time frames established during planning are subject to change due to unforeseen circumstances such as the need to expand the scope of an inspection or the need to add additional objectives.

J. FRAUD AND OTHER ILLEGAL ACTS

The inspection standard for reporting possible illegal activity is:

If, during or in connection with an inspection, inspectors become aware of illegal acts, or indications of such acts, they should promptly present such information to their supervisors for review and possible referral to the appropriate investigative office.

Team members should be alert to circumstances that come to light during an inspection indicating fraudulent practices and other illegal acts. While the identification of illegal activities is not usually an objective of an inspection, it is necessary to have a clear understanding of the action required if such circumstances are discovered.

K. REPORTING

The reporting standard for inspection work is:

All inspection reports shall present factual data accurately, fairly and objectively, and present findings and conclusions in a persuasive manner.

In pursuing this standard, the following guidelines should be considered:

1. Written inspection reports should describe the inspection's objectives, scope and methodology, and state that the inspection was done in accordance with the Quality Standards for Inspections. Report language should be clear and concise, recognizing that some inspections deal with highly technical material and should be written in terms intelligible to informed professionals. When appropriate, inspectors should solicit pertinent views and comments of responsible program or agency officials.
2. Written inspection reports should be distributed to appropriate officials responsible for taking action on the findings and recommendations. Further distribution will be subject to the internal policies of each Office of Inspector General and fully comply with all privacy and freedom of information restrictions.

L. FOLLOW-UP

The follow-up standard for inspection work is:

Appropriate follow-up will be performed to assure that any recommendations made to agency officials are adequately considered and appropriately addressed.

Ultimate inspection success depends on whether necessary corrective actions are actually completed. Therefore, each Office of Inspector General should take steps as necessary to determine whether managers take timely, complete, and reasonable actions to correct problems identified in inspection reports and agreed on by management. Specific follow-up actions shall be guided by the follow-up and resolution policies of each Office of Inspector General, in accordance with Office of Management and Budget Circular No. A-50, as amended.

Follow-up helps ensure actions are undertaken and completed within a reasonable time. Management notification that an action has been completed within the agreed-upon time constitutes reasonable assurance and can be the basis for closing an action for follow-up purposes. However, the Office Inspector General should, where appropriate, perform on-site follow-up inspections to verify whether agreed-upon corrective actions were fully and properly implemented. Also, in conducting new inspections, prior recommendations should be followed up to the extent practicable.

**APPENDIX: GENERAL SKILL LEVELS FOR
INSPECTORS***

Skills	GS Number						
	5	7	9	11	12	13	14
1. Ethics code of conduct	X	X	X	X	X	X	X
2. OIG statutes, regulations, policies & procedures	X	X	X	X	X	X	X
3. Basic research	X	X	X	X	X	X	X
4. Inspection designs				X	X	X	X
5. Designing survey instruments				X	X	X	X
6. Statistical sampling				X	X	X	X
7. Computer applications				X	X	X	X
8. Site selection and approving records for field work				X	X	X	X
9. Training inspection team members					X	X	X
10. Managing & coordinating inspection team activity						X	X
11. Data collection techniques	X	X	X	X	X	X	X
12. Interviewing		X	X	X	X	X	X
13. Data analysis	X	X	X	X	X	X	X
14. Use of micro-computers		X	X	X	X	X	X
15. Basic report writing			X	X	X	X	X
16. Advanced report writing				X	X	X	X
17. Briefings					X	X	X
18. Packaging inspection reports				X	X	X	X
19. Marketing inspection products					X	X	X
20. Disclosure & privacy act	X	X	X	X	X	X	
21. Fraudulent, abusive & illegal Acts	X	X	X	X	X	X	X
22. Documenting Support	X	X	X	X	X	X	X
23. Administrative process			X	X	X	X	X
24. Legislative Process					X	X	X
25. Departmental budget process				X	X	X	
26. Preparing congressional testimony						X	X
27. Dealing with the media, public, & industry						X	X

The "General Skill Levels for Inspectors" is intended as a guide only. It is recognized that some inspection offices may not have similar grade structures and, as such, can not be expected to apply the skill level indicators.