



## CORRUPTION VULNERABILITY ASSESSMENT

Tool 2 of the IDR is Corruption Vulnerability Assessment. CVA is a detailed examination of the critical areas where corruption could occur and could not be prevented or detected by the internal controls and systems in place. Vulnerability is determined by considering the inherent risks, likelihood of occurrence, condition of internal controls and adequacy of safeguards.

### STEPS IN CONDUCTING VULNERABILITY ASSESSMENT

- Conduct research on possible areas of focus. These areas may already be known to the agency – for example, mission-critical areas – or based on findings from CRR or other similar scanning of the agency.
- List the site visit issues.
- Identify areas of vulnerability.
- Validate the identified “high risk” areas with vulnerability indicators.
- Select the critical areas and/or processes to be examined.
- Prepare the site visit plan.
- Conduct the analysis.
  - ❑ Map out processes or procedures to be examined.  
Process mapping entails review of documents, informant interviews, and process observation.
  - ❑ Set an interview with relevant personnel wherein the assessment team may be oriented on the whole process as observed and practiced in the office. After the general orientation, the assessment team may request to be guided through each of the steps.
  - ❑ Review documents to support interview findings. The following table may be used to validate processes identified in the flow chart:
  - ❑ Determine the exposure of processes/procedures/activities to risks.
  - ❑ Assess the likelihood of occurrence, dispersion of risks and potential loss
  - ❑ Risk assessment requires an evaluation of possible vulnerabilities within the system. The assessors can first prepare a draft matrix highlighting the risks involved in each step of the process flow, and validate these through interviews with key personnel of concerned office.
  - ❑ Check existing controls and safeguards
  - ❑ Evaluate adequacy and effectiveness of existing safeguards using the criteria below:
  - ❑ Recommend corrective and preventive measures.
- Prepare the Corruption Vulnerability Assessment Report

### Assessment Sites

The Corruption Vulnerability Assessment was conducted at the Central Office from 2 to 5 May 2006 covering the Law Enforcement Service and Traffic Adjudication Service. The Operations Division at LTO NCR was simultaneously assessed.

After 2 weeks (15-20 May), LTO offices in Regions VII (Cebu) and XI (Davao) were assessed. Both regional offices were visited including the district/extension offices in Mandaue City, Lapu-Lapu City (VII) and Mati (XI).

The traffic enforcement and adjudication of apprehension cases are undertaken by the Operations Division at the regional level and to some extent, depending on staff adequacy, by the district offices.



### Schedule of Field Assessment

CVA at Central Office	LETAS	2-5 May 2006
CVA at NCR	LETAS and MV Registration	2-5 May 2006
CVA at Regional Office VII	LETAS and MV Registration	15-19 May 2006
CVA at Regional Office XI	LETAS and MV Registration	15-19 May 2006



## Corruption Vulnerability Assessment

### LAW ENFORCEMENT AND TRAFFIC ADJUDICATION

The law governing the operation of motor vehicles is essentially Republic Act No. 4136, otherwise known as the Land Transportation and Traffic Code, which took effect on 26 August 1972. Law Enforcement and Traffic Adjudication is one of the three (3) mission-critical functions of the Land Transportation Office (LTO). These functions are performed by the Law Enforcement Service (LES) and Traffic Adjudication Service (TAS).

By virtue of Executive Order No. 266 (25 July 1987), the existing Law Enforcement Division under the Office of the DOTC Assistant Secretary was upgraded to a service unit, while maintaining the same functions it has been exercising. The Traffic Adjudication Service was created and has the following powers and functions (Sec. 3):

- (a) To hear and decide cases involving violations of laws, rules and regulations governing land transportation and to impose fines and/or penalties therefore; provided that violations resulting in damage to property and physical injuries or violations constituting offenses punishable under the Revised Penal Code or other penal laws shall be under the jurisdiction of the regular courts;
- (b) To order the impounding of motor vehicles and confiscation of plates or the arrest of violators or laws, rules and regulations governing land transportation;
- (c) To issue subpoena and subpoena duces tecum and to summon witnesses to appear in any proceedings thereof, and to administer oath and affirmations;
- (d) To promulgate rules and regulations governing the proceedings before it; provided that except with respect to paragraph c, the rules of procedure and evidence prevailing in the courts of law shall not be controlling and all reasonable means to ascertain the facts in each cases shall be used without regard to technicalities of law and procedures all in the interest of due process; and,
- (e) To perform such other functions and duties as may be provided by law, or as may be necessary or proper or incidental to its powers and functions.

There are three (3) divisions under the Law Enforcement Service namely Traffic Safety Division, Field Enforcement Division, and Intelligence and Investigation Division.

The Traffic Safety Division is mandated to undertake the following:

- (a) Assist the LES in formulating plans, programs and activities relating to traffic safety education and standards including but not limited to driver education and public information campaigns;
- (b) Undertake researches and studies relating to traffic safety and driver education and maintains and updates records of studies and researches;
- (c) Develop and maintain a continuing training program for traffic enforcement officers on such subjects as traffic apprehension techniques, driver behavior and discipline, etc. and conducts training seminar and administer written examinations to apprehended drivers;



- (d) Coordinate with other legitimate entities and/or law enforcement agencies directly or indirectly involved in traffic safety standards and education programs; and,
- (e) Screen applicants for deputation as LTO law enforcers in accordance with guidance set.

It was learned that the TSD likewise implements the program against smoke belching in consonance with LTO's commitment to the Clean Air Act (Republic Act No. 8749). In 2005, there were about 10,754 apprehensions made in the National Capital Region and additional 500 apprehensions in the Cordillera Administrative Region. A total of 12, 258 apprehension cases were settled within the same year earning the agency a total of P20.5M in revenue collection.

It was a curious observation that the TSD maintains a separate apprehension team and a separate transaction processing area including cashiering for this particular function. Likewise, TSD also maintains custodianship of confiscated plates for smoke-belching violations. On the other hand, violations in relation to Republic Act No. 4136, Commonwealth Act No. 186, Republic Act No. 8750, and Republic Act No. 8794 are submitted to the Law Enforcement Data Control Section for encoding. TSD's apprehending team solely implements the Anti-Smoke Belching Program limiting the authority of its team to apprehend or impose penalties on other violations on traffic rules and regulations. This particular responsibility is performed by the same employees who undertake other functions of TSD such as the conduct of seminars to apprehended drivers with moving violations and the administration of examinations.

However, law enforcers under the Operations Division in the regions undertake the same program on anti-smoke belching; though in a limited capacity due to inadequacy of equipment. Therefore, it is in the interest of efficiency and economy that the need for a separate process or unit catering the implementation of the Clean Air Act at the Central Office may be reassessed.

The Field Enforcement Division, on the other hand, undertakes the following responsibilities:

- (a) Assists the Law Enforcement Service in formulating plans, programs and activities of the division relating to traffic enforcement;
- (b) Enforces the pertinent provisions of RA No. 4136 and other traffic laws, rules and regulations;
- (c) Maintains lateral coordination with other government and private agencies in the implementation of activities/programs relating to traffic law enforcement;
- (d) Conducts on the spot investigation of traffic law violations;
- (e) Maintains a consistent and systematic traffic patrol system on the national highways of the country to insure traffic safety, the smooth flow of traffic, and/or assists victims of vehicular accidents; and,
- (f) Acts on the complaints of the public brought before it, as they relate to traffic law enforcement.

Finally, the Intelligence and Investigation Division has the following responsibilities:

- (a) Assists the Law Enforcement Service in formulating plans, programs and activities for the prosecution of traffic laws, rules and regulations;
- (b) Conducts fact-finding investigations against employees of the Commission, motor vehicle owners/drivers for violation of transportation laws and regulations and such other relevant issuance from duly constituted authorities; and,



- (c) Establish lateral coordination with other services and divisions of the office for purposes of investigation work.

In undertaking their responsibilities, EO No. 266 further provides that the LES and TAS may require the cooperation of the Philippine Constabulary (now Philippine National Police), particularly the Highway Patrol Group, the Integrated National Police or any government agency or office to effectively dispense their functions.

Adjudication of apprehension cases, on the other hand, shall be considered as administrative in nature and partakes of the quasi-judicial functions of authorized hearing officers under the Traffic Adjudication Service-Central Office, or in the case of regional offices, by the regional directors, or their authorized representatives. (Rule IV, Sec 1, MC 544-2004).



## **The Law Enforcement Process**

### **1) Deputation of Agents**

The law enforcement process starts with the appointment or designation of organic LTO personnel as law enforcers (LEOs for male law enforcers or LEAs for female law enforcers) and the deputation of agents coming from other government agencies or units.

A Memorandum dated 28 February 2003 provides for the Guidelines in the Appointment of Deputized Agents. It states:

All applications for deputation, including those from the regional offices shall be approved by the LTO Assistant Secretary. As a standard operating procedure (SOP), applications from the regional offices shall be pre-screened by the regional directors who shall forward their recommendations, together with the required documents to the Deputation Evaluation Committee (DEC). The regional directors shall likewise exercise direct supervision and control over the deputized agents in their respective areas of responsibility and shall be responsible for the submission of the required periodic reports on deputies in forms prescribed, for monitoring purposes.

As required by law, Office Order dated 28 February 2003 was issued by Assistant Secretary Roberto E. Lastimoso creating the Deputation Evaluation Committee composed of the following members:

Chairman:	Cirilo Avila, Jr. (terminated from service)
Vice-Chairman:	Daisy Jacobo
Members:	Marsabelo Soriano (transferred)
	Eliseo dela Paz (back to PNP)
	Menelia Mortel
	Pacita Polig
	Rodel Pagdanganan
	Rogelio Salom
	Beverly Cadavos
	Nenita Talion

Up to this date, there is no revision yet on the said Office Order and that the Committee has not been convened since its creation. It is not established how the Committee evaluates or approves documents submitted.

The same memorandum defined the qualification requirements for applicants. Deputation is limited to the following:

- (a) Civilian government employees who are occupying permanent position items and whose work assignment is directly and actually related to traffic law enforcement;
- (b) Members of the AFP/PNP whose duties in their present assignment is directly and actually related to traffic law enforcement; and
- (c) Other government employees and entities that the Assistant Secretary deems can help enforce the provisions of RA No. 4136 and other laws, rules and regulations related thereto.



Having completed the documentary requirements, attended the Deputies' Seminar and passed the examinations, applications are then verified by TSD for Metro Manila or by the regional directors concerned within 10 days from the date of examination, after which, the results are submitted to the Assistant Secretary.

The Seminar on Traffic Law Enforcement for Deputies includes the following topics:

- (a) Historical Background, Organization, Functions of the LTO, Traffic Administration in the Philippines
- (b) Motor Vehicle Registration
- (c) Driver's Licensing
- (d) Traffic Law Enforcement: Background, Objectives, etc.
- (e) Traffic Laws, Rules and Regulations
- (f) Traffic Law Enforcement Action and Other Related Topics
- (g) Filipino Values and Liabilities of Traffic Law Enforcers Deputized by the LTO

Records of deputized agents are maintained at the TSD, which includes those who passed the examinations and those who have been issued with deputation orders, IDs, Temporary Operators Permit (TOP) booklets.

Deputized agents who fail to surrender any deputation paraphernalia issued to them shall be disqualified from renewing their deputation. The following shall constitute a ground for the revocation of deputation:

- (a) Discourteous conduct
- (b) Extortion
- (c) Negligence
- (d) Insubordination
- (e) Grave Misconduct
- (f) Abuse of Authority
- (g) Incompetence
- (h) Inefficiency
- (i) Graft and Corruption
- (j) Failure to submit apprehension within 24 hours from the date and time of apprehension
- (k) Failure to submit apprehension report/summary report of performance
- (l) Any offense involving moral turpitude
- (m) Separation from government service
- (n) Physical disability/impairment
- (o) Death

The Operations Division at the regional offices undertakes screening of applicants, conduct of the Deputies Seminar and administration of the examination, including the deployment of deputized agents to their regional and district office assignments.

The Operations Division in NCR, Region VII, and Region XI maintain an active list of deputized agents. To augment its organic law enforcers and given higher performance targets for the year, RO XI requires its male personnel to render at least 2 hours of their time a week to join in law enforcement. The number of organic Law Enforcers and deputized agents are provided in the table below.

In so far as the deputized agents in Region VII are concerned, monitoring is done by the head of each group.



Table No.\_\_\_\_ : Number of Law Enforcers and Deputized Agents, Selected Regions, 2006

	Organic Law Enforcers	Deputized Agents from PNP	Deputized Agents from LGUs	Other Deputized Agents	Total
Central Office	57	52	21	410	540
NCR	144*				144
Region VII					909
Region XI	14**	154	165	4 (ATO)	337

\*NCR, deputized agents serves as tipsters and spotters only. The number was not provided.

\*\* There are only 4 organic law enforcers in RXI Operations Division, augmented by organic staff from other offices who apprehends only after regular office functions or during weekend scheduled operations.

### Deputized Agents' Immunity from Apprehension

While partnership with government agencies whose functions are aligned with LTO is crucial in accomplishing the order and safety on the road especially with the observed gross inadequacy of personnel performing this function, there is a risk (medium) in the deputation of agents who are not directly under the supervision of LTO. Since these agents are not regularly monitored or operate along with organic LTO law enforcers, the purpose of the law, which is apprehension of erring drivers/operators, may be circumvented because some applicants may have interests to protect. Deputation somehow "exempts" them from apprehension. And this may extend to their kin or friends.

If the system for screening applicants (e.g. ascertaining integrity) and performance monitoring are not fool proof, the discharge of duties might be compromised. Inactivity should qualify for the revocation of deputation. Currently, only recommendations from heads of agencies are required on top of the regular documentary requirements.

It was recommended that information on the Apprehending Officer, that is no. of apprehensions made and no. of impounded vehicles should be available for performance assessment.

### Deputation of Unqualified Agents/Operation of Unauthorized Agents

There is a probability, though perceived as low, that unqualified applicants, i.e. those who didn't complete the seminar or pass the examinations or those who are already technically dismissed, still operate as deputized agents due to laxity in the screening or performance monitoring process.

This risk stems from the laxity in the monitoring of agents' performances. Dismissed agents do not seek clearance from LTO; thus, there is no proper turnover of accountable forms (such as TOP) or deputation paraphernalia (uniform, identification cards, etc.) to appropriate issuing LTO authorities. Corollary to this, it was also observed that the TOP do not have validity periods, which makes it susceptible to unscrupulous use by these agents who no longer maintains an accountable relationship with the LTO.

While deputation is valid for one year, there is no telling that accountable forms or paraphernalia may not be used in irregular activities, especially if the LTO do not strictly monitor its deputies. This is more acute in areas where there are plenty of non-organic deputized agents. Monitoring in these areas may be considered more challenging.

### Recommendations

In order to protect the system from such kind of vulnerability, there is a need to properly establish the screening process at the regional level, since applications are no longer formally evaluated at the level of





Deputation Evaluation Committee (based at the Central Office). It was also observed that the composition and tenure of the DEC is not clearly defined. The membership of the current DEC has not been changed since 2003. The agency might want to rethink the existence of DEC especially if its functions remain passive and ministerial.

Background investigation of applicants for deputation shall be conducted. The motive of individuals in applying for deputation may be hard to establish but background investigation may indicate propensity of applicants to unethical behavior limiting entry of those who have relative high inclination to yield to irregular opportunities especially in traffic enforcement, which involves discretionary functions.

A system for monitoring of performance should be put in place and strictly implemented. Probationary status of new deputized agents for a specified period and quarterly evaluation of individual performances of deputized agents maybe considered before deputation or renewal of deputation. Those who remain inactive/to perform poorly for a period of 6 months should be removed from the active list of deputies and properly cleared. There is no clear disincentive for these dismissed agents to follow the deputation guidelines; thus, compliance is low.

It should be considered that aside from the issuance of licenses and registration of vehicles, law enforcers ubiquitously represents the LTO and comes in contact with the public on a daily basis; thus, it is in the interest of the agency to professionalize their agents to improve its image at the very least.

## 2) Apprehension

After deputation and issuance of accountable forms and appropriate deputation paraphernalia, organic law enforcers and non-organic deputized agents are then assigned to their respective areas of jurisdiction/geographic area of responsibility (GAOR).

**Issuance of Accountable Forms.** TOP booklets are issued by the TSD (Central Office) for deputized agents under the supervision of the CO, the Administrative Division for the organic law enforcers (LEOs/LEAs) of FED and the Operations Division for law enforcers and deputized agents in the regions. In Region VII, liaison officers of partners groups get the TOP booklets for distribution to deputized agents from LGUs and civic organizations.

As a matter of rule, booklets of TOPs are not replenished unless last booklet have been fully accounted for; however, in the LTO NCR, the law enforcer can request for an additional booklet if there are only 5 TOPs remaining in his possession.

**Deployment.** Organic law enforcers are paired with PNP deputized agents at the FED level and at the regional level (or at least as observed in RO XI). Target areas for operations are determined by the Chief of the FED (CO), Operations Division (Regions) or by the enforcers' designated Team Leaders. For special operations, e.g. colorum vehicles from other regions, LTO coordinates with PNP for reinforcement. Mission orders are likewise issued including authority to carry firearms (for protection).

Organic LTO Enforcers under FED wear the LTO prescribed uniform with names on the left pocket; while in the regions, properly marked vests are worn over black shirts (RO XI). In addition to this, law enforcers wear large identification cards. The black shirt and vest serve as an alternative to the prescribed uniform making it easier for deputized agents detailed at the LTO Regional Office to comply.

Mobile patrol units are used in the daily and special operations at the Central and Regional Levels, which are augmented with motorcycle patrols. This is, however, not available at the district level as apprehension are only lodged in selected field offices.



Each mobile unit is manned by a Team Leader who is an organic personnel of LTO-LES accompanied by a junior officer and deputized police agent/s. Overall, there are 57 law enforcers from LTO; 21 deputized agents from LGUs solely for smoke belching violations; 52 from Philippine National Police–Traffic Management Group (PNP-TMG); and 410 deputized agents from PNCC (NLEX, SLEX, Skyway) and Ninoy Aquino International Airport (NAIA), DOTC, and LTFRB in the Central Office. In the regions, additional force come from local government units, the Air Transportation Office (ATO) and civic society organizations like the Chinese Business Group in Cebu City.

There are sixteen (16) mobile units and five (5) motorcycles being used in daily apprehensions and special operations at the Central Office. Regional offices recently acquired additional mobile units, but the number is limited and far more inadequate if not nil at the District Offices Level.

The authority of LTO is succinctly provided in Section 81 of Memorandum Circular No. 89-105, which expressly states that:

The LTO may use all reasonable means to enforce all land transportation laws, rules and regulations including the confiscation of number plates and driver's licenses, the impounding of motor vehicles to prevent further violation or disregard of the law, and the arrest of violators and those who disregard or ignore the unlawful orders, subpoena, subpoena duces tecum issued by the Assistant Secretary (LTO), the Law Enforcement Service and the Traffic Adjudication Service.

FED shares the responsibility of traffic law enforcement in Metro Manila and peripheral areas with the LTO-NCR Operations Division. While coordination in daily operations remains weak i.e. great likelihood of operations in the same area, law enforcers upon sight of other agents or if saturation becomes evident, adjust their area of operations.

Access to resources such as vehicles and gasoline allowances is critical in the performance of duties of the law enforcers. Aside from inadequacy of manpower, which is constantly complained about, availability of resources impact on the effectiveness of and quantity of apprehensions undertaken by law enforcers/deputized agents. Fortunately, LTO in RO XI enjoys full support of the local chief executive in terms of augmenting law enforcers (full time detailing of a few LGU detailed PNP personnel) and gasoline allowances.

Since deputized agents, whether organic or non-organic, are exercising wide latitude of discretion in the performance of their duties, it is difficult to insulate them from the commission of irregularities, specifically if the deputized agent is apprehending alone. This situation poses a great challenge to the performance monitoring mechanism of LTO.

To avoid misrepresentation, CO-LES does not allow any unauthorized individuals (kin, or even organic LTO personnel) to operate with the CO's Flying Squad. Only uniformed law enforcers/deputized agents are allowed to apprehend. LTO-NCR deploys secret agents to monitor law enforcers/deputized agents while LTO-RO XI immediately acts upon complaints received against members of its force.

Since the LTO is the enforcement arm of LTFRB, it should establish a more proactive role on apprehending transport operators, at least those with expired franchises. Apprehension can be made simpler if advanced information on operators with expired franchises from LTFRB will be provided to law enforcers to make operations more purposive and less resource consuming.

For violations that warrant impounding of motor vehicles, law enforcers issue the TOP and escort or accompany the apprehended individual to the LTO impounding area. The Motor Vehicle Impounding Receipt (IRMV) is usually accomplished at the LES office with the reason that additional information is



required before it can be accomplished. The impounded vehicle is properly logged at the impounding area and recording of pertinent information on the IRMV is made.

In some cases, technical impoundment is effected. Reasons cited include absence or shortage of space for and security of impounded vehicles. In these cases, number plates are confiscated instead; otherwise, the impounded motor vehicle is taken to the nearest police station for safekeeping.

**Reporting.** Law enforcers and deputized agents are required to accomplish five (5) copies of their Daily Apprehension Report (5 copies) along with a copy of the issued TOP (white) and confiscated items for encoding. After which, the confiscated items are then forwarded to the Custodial Center.

The remaining copies of DAR are submitted to the Administrative Officer of the LES, Commission of Audit, and LEDCS. One copy is kept by the apprehending officer (LEO/LEA or deputized agent). The same is being undertaken at the regions, all under the supervision of the Operations Division.

Since the LTO maintains its centralized information system, apprehensions are encoded on a daily basis. Apprehending officers (both organic law enforcers and deputized agents) are required to submit their issued TOPs and DAR immediately after apprehension with the exception in the CO where agents are given before 3PM the following day, due to volume of apprehension, to turn in their reports.

Encoding of apprehension is exclusively undertaken by a dedicated section (Data Control Section) at the Central Office or by an assigned encoder at the Operations Division in the regional or district offices. Since there is a marked inadequacy of manpower in the field offices, there are observations that encoding are sometimes undertaken by the apprehending officers themselves to facilitate processing of cases, especially if the apprehended individual appears within the same day of apprehension. This flexibility is not possible at the Central Office; thus, occasionally, if the apprehended individual is not properly advised and comes to settle his/her case within the same day of apprehension, dissatisfaction/inconvenience becomes inevitable.

Because of the volume of apprehensions being encoded at the CO, it takes at least 2-3 days to have the case available online. This might take longer if the information system experiences slowdowns or shutdowns, which unfortunately happens most of the time.

While TOP provides spaces (boxes for tick marks) to indicate the violation committed, it is observed though, that at the LED level, violations are handwritten by the Apprehending Officer rationalizing that such additional measure will make the TOP less prone to tampering. However, an attendant problem arises. Some writings (on both TOP and DARs) are illegible, creating difficulties on the part of the encoder inevitably causing erroneous data entry.

### ***Abuse of Discretion/Extortion, Bribery***

Since law enforcement exercises discretionary authority, apprehension is considered highly vulnerable to corruption. The Apprehending Officer can impose several penalties at the same time, limit the number of violations depending on the condition at the time of apprehension (ATTA). Take for example a driver who was accosted for having spurious document or fake Certificate of Public Convenience (CPC). If he complains/questions the apprehensions made, the tendency of the Apprehending Officer is to find a heavier violation. On the other hand, if the Apprehending Officer (AO) finds many violations and the driver manifested his willingness to settle them, the AO tends to reduce the violations. Conversely, there are allegations that some transport providers somehow enjoys "immunity" from apprehension. Allegedly, monthly allowances are given to some officials in order not to accost or apprehend vehicles, e.g. buses even if they are out of line.



The team tried to secure information to establish the possibility of such thing; however, though the LTO has an information system, there is no available data of apprehensions by apprehended individual/entity, at least even just for large transport operators (bus, taxi). The data, if available, can easily provide reliable information to aid management in developing operational interventions and most importantly clarity to such kind of allegation.

Extortion through intimidation or bribery to avoid inconvenience is likewise possible, especially if the apprehension (or negotiations) happens out of anyone's sight. This type of offense is most commonly complained about traffic enforcers.

Bribery should also be indicated as an offense in the TOP as deterrence and to indicate seriousness against corruption. Discourtesy is the only offense the AO can charge for any unethical behavior manifested by the apprehended individual.

There is also a need to update the provisions of RA 4136. Some minor revisions would include description of prescribed helmet for motorists (as anything is allowed), regulation on the use of mobile phones while driving, and so on.

#### ***Collusion between Apprehending Officer and Apprehended Individual***

Interviews indicated that collusion between Apprehending Officer and Apprehended Individual especially in cases that warrants impounding of the vehicle. Since the IRMV is not accomplished at the time of apprehension, it is possible that impounding of the vehicle may be negotiated between the two on their way to the impounding area.

To prevent abuse of discretion in this area, notation that the vehicle is impounded should be indicated on the TOP, which is the charge sheet to serve as an added measure. The IRMV may also be accomplished partially at the time of apprehension. Both forms should be properly filled up even before the vehicle reaches the designated impounding area.

#### ***Leakage of Information***

There are instances that advance information is provided to stakeholders in target areas, compromising the entire operations of the LTO. For example, information provided in trip tickets, an SOP before any official trip is made, sometimes even organic staff leaks such critical information to stakeholders.

To avoid such incidence, the team leader in one Region (law enforcement) as a remedy only identifies the target areas and team assignments immediately before actual operations; thereby, minimizing risks of information leakage.

#### ***Favors from Transport Stakeholders***

There are instances that law enforcers/deputized agents receive favors from transport providers in the course of their work. This may come in the form of food during special operations or even passes/free rides. While the risk is low, objectivity of the apprehending officer in the discharge of his duties might be compromised when confronted with violations involving the benefactor.

#### ***Erroneous Data Entry and Withdrawal of Transaction***

Erroneous data entry creates confusion and inconvenience for the affected transacting individual. This happens because all TOPs and most Daily Accomplishment Reports are handwritten. If writing is illegible,



there is a great chance that the violation and information on the apprehended individual might be misunderstood.

Withdrawal of TOP from encoding or “bunot or hugot” before encoding was also cited as a risk; thus, it is imperative that all TOPs should be properly accounted for to prevent such from happening. Sometimes this happens even after encoding so the transaction is kept on alarm and will only be known when the apprehended renews his/her license so there is a time lapse of 3 years.

There is also a need to improve legibility of writings on the TOP/IRMV to avoid errors on encoding. If these cannot be done as TOPs are issued at the time of apprehension, the DARs should manifest better handwriting.

### **3) Traffic Adjudication**

Pursuant to Executive Order No. 266 dated 25 July 1988, Traffic Adjudication Service (TAS) was promulgated vesting it with quasi-judicial powers and conferring its original jurisdiction involving violations of transportation laws, rules, and regulations. All judgments rendered by the TAS may be appealed to the LTO Assistant Secretary for review, whose decision shall be final and executory. Likewise, TAS was mandated by the EO 266 to establish in the regional and district offices the following organizational structure:

#### **Regional Office**

- Operations Chief (Officer in Charge)
- Legal Officer
- Senior Clerk
- Stenographer

#### **District Office**

- Transportation District Officer (Officer in Charge)
- Clerk
- Stenographer

However, the Assistant Secretary may recommend to the DOTC Secretary structures different from those prescribed in the said Executive Order (Sections 71-72, MC No. 89-105).

The nature of proceedings in the TAS CO or LTO Regional/District Offices is summary in nature. The technicalities obtained in regular courts shall not be strictly applied, provided that due process is always observed. The provisions of the Rules of Court will be suppletory in nature. (Rule II Section 3, MC Non 544-2004)

Apprehension cases are separated into admitted and contested. Only the contested and special admitted cases (e.g. colorum, out of line, etc) go through the adjudication process, which is being undertaken by the TAS at the Central Office and the Operations Division of Regional Offices. Selected District Offices performs adjudication of cases, though in a limited capacity depending on staff availability.

At the TAS level, adjudication starts with the recording of cases on a logbook and the assignment of these to Hearing Officers by a designated Officer of the Day (receiving officer). However, before the transacting apprehended individual, he has to find his place in a long queue passing through two Security Guards. The first Security Guard hands in a number from 1-100 and only re-issue the same if the 100 have already been serviced. Apprehended individuals should remain in the queue until they are given their number. It has been observed that the turn over is very slow with some individuals standing in line for several hours. And since



there is no process flow posted in the area, most manifest confusion. One individual even waited in line for 8 hours only to be told when he reached the receiving clerk that he was on the wrong line.

The cases are not raffled and sometimes, apprehended individuals can get to choose to whom his case will be assigned. A tracking form is attached to the case, indicating time, date, and name of Hearing Officer; however, as observed, this form is seldom accomplished. In addition, not all documents pass through the receiving officer.

After hearing, resolutions are inputted in the system and are printed using a shared printer (centralized) and is signed by the Approving Officer. The Approving Officer calls out the name of the apprehended to release his documents. It is not apparent if the Approving Officer reviews all the resolutions or if he just dispense his ministerial duty of signing the papers.

At the regional level, resolutions are released through a window. Notices of Hearing are issued to apprehended individual and Apprehending Officer and minutes of meetings are made, at least on one regional office that was observed.

There is a marked inadequacy of Hearing Officers and workspaces both at the TAS and regional office levels. At the time of assessment, there were only four (4) Hearing Officers at the TAS, and one or two at regional offices, with the Chief of the Operations Division providing reinforcement. Based on interviews, only lawyers or law graduates can be appointed as Hearing Officers at the TAS, but this is not reflected in the regions.

There are a few enclosed offices available at the TAS for Hearing Officers; the others only have workstations, which is also evident at the regional offices.

It was observed that since LTO personnel do not wear uniforms, it is difficult identify them, especially at the TAS which can be characterized as chaotic and swarming with people. The transacting public is more controlled, and thus orderly in the region.

There is also a great need to improve systems support. The system does not automatically registers attendant penalties, e.g. automatic suspension of license if it is already a third offense or if the offense warrants impounding of vehicle thus requires information based on the IRMV. The system should no longer require a command for such to minimize errors or deliberate omission on the part of the encoder or hearing officer.

### ***Transactions are not properly tracked***

There are attempts to track entry of transactions at the TAS but the pseudo-tracking form which is actually is the TAS Assignment of Cases Form is not properly accomplished by those who were given, and worse, not all transactions are logged, especially multiple cases personally brought in by liaison officers or other inorganic individuals. The TAS Form requires information on the following: respondent's name, TOP/IRMV number, MV plate number, date of apprehension, assigned to Hearing Officer and date/time assigned.

Not surprising, cases that backtrack are not recorded, and since modifications on the resolutions are done manually (usually handwritten), these changes are not automatically reflected in the system. As a result, there is no available data on the cases with undercollections.

The Administrative Staff at the TAS is supposed to make periodic reports on cases received and disposed (basis is not clear), but she was on leave for several days so no reports was available at the time of assessment.





It should be noted though that with the automation of recording (central data basing), except for those that backtracks, reliable data on the number of transactions should be available on real time.

### ***Direct Access of Liaison Officers and Fixers to Hearing Officers***

There is no shortage of reminders in the premises not to deal with fixers. There are even two designated guards to ensure order and disallow entry of unauthorized individuals in the TAS; however, fixers still abound bringing in multiple transactions with them causing discontent among those who have queued patiently to wait their turn. They cannot be distinguished from apprehended individuals. Liaison officers are likewise given preferential treatment as they can come and go and, as observed, doesn't queue up. There is blatant disregard of the process, and what makes it more appalling is that LTO employees know and entertain these people. They do not pass through the Officer of the Day, thus their transactions are not logged and properly recorded. They just go straight to the Hearing Officers.

Such arrangement makes the process highly vulnerable to bribery and collusion between and among personnel and transacting individual just to fast track adjudication. Susceptibility to fixing therefore is high.

### ***Absence of Standard Processing Times***

There are no provisions for a standard processing time in the adjudication process. As a result, perceived or actual delays in transaction processing commonly makes the transacting public susceptible to fixing.

If only ideal length of time for each step can be measured, performances of LTO personnel may be assessed. This will also redound to a more informed transacting public as waiting time will be defined and thus, will be less exacting. It will also provide useful information to the management to determine absorptive capacities of staff. With this at hand, programmatic interventions through staff reinforcement and skills training may be developed or technology upgrade may be carried out.

There is no purposive analysis of how long apprehension cases are already in the dockets of the TAS or at the field levels. The results of such exercise may provide information to the management to undertake proactive measures to decongest its dockets and custodial units of confiscated items. Identification of impounded vehicles, which can already be auctioned off will be easy.

### ***Multifunction of Staff Compromises Checks and Balances***

The performance of multiple functions by LTO personnel compromises checks and balances provided in the process. Review mechanisms may no longer be effective. This situation is inevitable owing to the inadequacy of manpower both at the central and field office levels.

While the establishment of district or extension offices to improve public access to the services of the LTO seems worthwhile, it should come with the attendant deployment of resource requirements to ensure viability and effectiveness. Information reached the Team that such creation of additional field offices stems from political accommodations. It is observed that staff in district/extension offices is pulled out from the regional or other district offices, rendering both offices incapacitated. Thus, employment of casuals/contractuals is a common recourse. In some fortunate areas, local chief executives details LGU salaried personnel to augment both staff and field operations.

### ***Tampering of the TOP***

There are a number of ingenuous ways the charge sheets can be tampered or manipulated. While the sheets are carbonized, some AOs uses mechanical pens or writes lightly on the top sheet to allow



modifications at a later time. Some even uses acetone (solution) to remove markings. And as an inherent characteristic of the paper (carbonized), after some time, all markings are no longer visible.

An indication if the TOP was tampered with is when the writings are not clear or if there are several incomprehensible writings on the name of the apprehended individual. A black carbon ink on copies indicates irregularity too as carbonized copies should bear blue ink.

Hearing Officers or staff who conducts pre-screening of charge sheets should be thorough in reviewing the integrity of the documents at hand.

It was observed that the team leader of the Law Enforcement Team in RXI reviews reports of his deputies. The region also requires the presentation of the OR and CR during investigation as a matter of procedure and uses black light to ensure authenticity of these documents, especially those which are manually issued or registered from Region XII.

## **Recommendations**

The establishment of an efficient queuing system and development of standard processing times are imperative in addressing persistent discontent among transacting individuals, especially in the processing of apprehension cases.

Each transaction may be attached with a tracking form with a control number at the point of entry. The control number will not only indicate daily performance but also provide a simple way to establish order. The form may include information on the steps involved in the process to guide the individual, including time standards, if possible.

Since LTO is performing quasi-judicial functions, there is a need to put dignity to the hearing process. Decent workspaces if not offices for adjudication or hearing of cases should be provided. A model may be set up to serve as basis for layout or relay-out in the field offices. Considerations on ergonomics and guarantee for transparency in procedures must be reflected in the model.

There is also a need to minimize interface with the transacting individual. If transactions are properly documented and order is ensured, then, movement of documents may no longer require personal handling by the apprehended individual.

Institutionalize case monitoring system including raffling of cases or systematic assignment of cases. Such measure shields the process of adjudication from familiarity of parties.

Dockets may be decongested by classifying and separating minor offenses from major ones and assignment of such to a designated Hearing Officer. Light offenses need not go through adjudication, like obstruction and similar violations.

There is also a need to improve system data generation support mechanism. The current information system should be able to produce reliable management report in real time to guide decision-making and performance monitoring. Such reports may be identified in advance so that reprogramming may be done to ensure report generation. Since all the pertinent data necessary to measure performance, including number of transactions, processing time lags and quality lapses, are already available, the only challenge is for the programming team to redefine data structure and ensure that the system can generate information in a format that can be useful for managers.

If the field offices cannot attract lawyers or law graduates to occupy Hearing Officer positions, which is, as reality would show, is proving to be difficult, then management may rethink about the high qualification





standards. Adequate training may be provided to equally qualified candidates or incumbents so that required competencies for such positions may be satisfied.

#### **4) Conduct Seminar for Apprehended Drivers with Moving Violations**

There are 4 scheduled sessions for apprehended drivers with moving violations daily at the CO TSD. The seminar includes a video presentation on the history of the LTO and its services and an attendant lecture on traffic laws and regulations. It was disclosed that the examinations would only be based on the seminar.

At the time of assessment, the lecture was not given since the lecturer from the TSD was on field duty, i.e. apprehending smoke-belchers. Upon scrutiny of the examination questions, the video presentation turned out to be inadequate to aid examinees in providing the right answers. It is not observed, therefore, in that instance, if the lecture will indeed cover critical topics, particularly traffic laws and regulations asked in the examination. The exam questions are in the local language (Filipino) and also include a number of practical questions.

It was observed that the system of recording is relatively poor, with no required documents to verify identification of the examinee (against the apprehended individual). Apprehended drivers hand their papers, register their names on a sheet and are then guided to their seats. If attendees exceed the limit of 30 participants, those who come late are asked to wait for the next session and are guided to the waiting area, which is on the 2<sup>nd</sup> floor of the building.

There are a lot of complaints in the CO that some apprehended drivers were able to secure a seminar certificate without attending the seminar and passing the attendant examination. It was noted that an apprehended individual can forgo the seminar and exam for a fee of Php200.00. This is an indication of a syndicated fixing activity because there is connivance among concerned personnel.

Answer sheets are immediately checked after completion of the examination. There is no longer an answer guide as those who administer the exams say that they are already familiar with the answers. Those who didn't pass are asked to retake the exam. They are given their corrected answer sheets and are instructed to transfer their right answers on their 2<sup>nd</sup> answer sheet. Naturally, the examinees have a better chance of passing the exam, as they will only focus on their wrong answers.

The same procedure was observed in the LTO NCR and calls this procedure a *revalida*. Unfortunately, if the examinee fails thrice, he is then asked to come back another day to attend another session and take the exam.

The seminar and examination are not given at LTO RO XI owing to the lack of personnel who will undertake it, but in a District Office, a bi-weekly seminar and exam are carried out for all apprehended individuals whether with moving or non-moving violations. The same is true insofar as LTO RVII is concerned. In LTO NCR, seminar for moving violations was stopped for sometime, it resumed only last May (2006).

It was surprising that there is no record of scores or frequency of takes on an individual level. This information, if religiously noted, could somehow indicate if an apprehended driver is really worthy of his driving responsibility. It can likewise serve as a useful measurement of the program's (seminar and exam) effectiveness.

#### **5) Payment of Fines According to Violations, Collection of Impounding Fees**

Memorandum Circular No. 89-105 dated 25 July 1989, revised by Department Order No. 93-693 dated 22 February 1993 entitled the Revised Schedule of Administrative Fees and Charges of the Land Transportation Office (LTO) specifies fines for each type of violation. These fees are automatically computed



upon entry of the violations indicated in the TOP issued to the apprehended individual. The information system includes the total fees upon the generation of the resolution by the Hearing Officer. This mechanism ensures that imposition of fees are standardized and is insulated from discretionary abuse. This also includes collection of impounding fees.

All payments from apprehension cases at the CO are received by the Collection Unit under the Finance Division-Treasury Section (CO), except those apprehensions on smoke belching which is separately collected by the Traffic Safety Division. At the field levels, all proceeds from apprehensions are collected by a Cashier under the Operations Division.

Documents (resolutions) are received by the Security Guard stationed at the Collection Unit (CO) and are then handed to the Cashier. The Cashier then calls out the transacting individual to pay the required fines and penalties. On the contrary, in the regional offices, after resolutions are handed over to the transacting individual, they again queue for payment. The procedure at the regional offices is considered better as it minimizes the disruption of the queuing process. However, there is no assurance that transactions may find its way directly to the cashier.

**Impounding.** Since there is a perennial problem of workspaces in LTO, maintenance of impounding areas within LTO office premises remain an attendant concern. It is in this light that arrangements with public and/or private entities are enlisted by LTO to establish areas for vehicles seized by its law enforcers, e.g. Quezon Avenue Impounding Area catering to impounded vehicles made by LES in NCR North, the Cebu City Traffic Operations Management (CITOM) Impounding Area in Cebu City and the Davao City Motor Vehicle Inspection Station that doubly serves as the impounding area for its Regional Office-Operations Division.

The LTO imposes a one-time fee of P100 as impounding fee and P15 storage fee for all types of motor vehicles. As these are automatically generated by the centralized information system of LTO, it is standardized in all LTO Offices. However, on top of these, an additional daily fee for storage (to compensate lease of space) and security of vehicles are imposed by administrators of impounding areas. These fees are collected after settlement of the apprehension case and upon retrieval of the impounded vehicles.

A flat rate of P100/day is imposed at the QC Avenue Impounding Area, which is privately owned. In Cebu City, City Resolution No. 05-1160 authorizes the collection of towing charges and storage fees for impounded vehicles based on type of vehicle. While in Davao City, since the MVIS is an LTO facility, storage fee is not collected. For purposes of illustration, a fee matrix is provided below.

Fee Matrix: Storage and Impounding Fees, Selected Areas: 2006

	Standard Fees Imposed by LTO		Daily Storage Fee Imposed at QC Ave Impounding Area	Daily Towing and Storage Charges of CITOM	Daily Storage Charges of Davao City MVIS
	Impounding Fee (One Time)	Storage Fee (One Time)			
Motorcycles	P100	15	P100	P100	None
Light Motor Vehicles	P100	15	P100	P300	None
Heavy Motor Vehicles	P100	15	P100	P500	None
Trailers/Trucks	P100	15	P100	P2,000	None

It was cited that in Cebu City, the inadequacy of space within the LTO MVIS limits organic law enforcers from impounding vehicles. On the contrary, deputized agents from the CITOM was mentioned as the most active among 909 deputized agents region-wide. This notable performance among CITOM deputized agents may be attributed to the fact that the number of its apprehension, most importantly, the number of impounded vehicles directly translate to revenues for them. While this entrepreneurial activity of the CITOM



creates doubt on the motivation of its personnel in applying for deputation, it is perceived to be highly effective in apprehending traffic violators.

While these public or private entities have leeway in determining storage fees for impounded vehicles lodged in their facilities, LTO might want to consider prescribing ranges or ceilings for storage fees collected so as to prevent the imposition of rates which may be considered ridiculously exorbitant. Socialized fees by class or type of vehicle may be considered in the development of prescribed fees.

In some areas that were observed, impounded vehicles are lodged at the nearest police stations. Whether these police stations charge storage fees to vehicle owners or not was not clarified.

It was a common observation that a lot of impounded vehicles are rusting in LTO designated impounding areas and that information on ageing of these vehicles is surprisingly not available. This information should have been available on the information system of LTO as dates of impounding are indicated on the IRMV. This information alone can aid their custodians in determining if these are ready for appropriate action, that is, notification of their owners and/or auction. The system should indicate if vehicles have already reached the 6-month mark. This acute inefficiency of the information system was noted when data on the number of impounded vehicles for the month of June 2006 was requested in an assessed site. Shockingly, it reflected zero (0) on the report generated indicating not only data unreliability but also system's inefficiency.

**Accounting and Cash Handling.** Collected payments are or are deposited or picked up by an armored bank car daily. Since most of the penalties and fees imposed are computer generated, accounting is made more systematic; however, for other transactions, like undercollections, receipts and accordingly, recording are manually done. This is because undercollections are only detected at the final step of the process, that is, release of confiscated items. The assessment of penalties are determined after adjudication, therefore, any additional penalties are not yet inputted in the system.

In an observation made, undercollections are cross-referenced with their corresponding computer generated official receipts. It was not clear if these undercollections are inputted in the system, or if the system provides a mechanism by which these transactions may be reflected as modifications made on initial assessment. But it was clear that there are no recordings of how many or how much these undercollections were.

## Recommendations

Since there are a lot of unclaimed impounded vehicles, the LTO may seriously consider the auction of these vehicles, as this is legally allowed, if only to clear up limited impounding areas. It is obviously a waste of resources if these vehicles and their occupied spaces are not put to a better use. A feasible incentive scheme may be worked out with appropriate government entities to facilitate disposal of these vehicles.

### 4) Release of Confiscated Items

For purposes of check and balance, the Custodial Section was established at the Central Office. The Section checks the resolution and attached documentary requirements including assessment of penalties imposed before the release of the confiscated items. If there is something amiss i.e. if some information were overlooked, causing *under collection*, the additional penalties (usually accessory penalties), are handwritten by the reviewing officer at the Custodial Section, and returns the papers to the Hearing Officer for appropriate modification. Cases that are relatively more complicated are referred to the Assistant Secretary for review.



Since fees/fines are automatically generated upon entry of the violations into the system at the Hearing Officer level and have already been paid, additional penalties imposed at the Center are manually recorded and consequently payments are made before release of confiscated items.

The Custodial Section is mandated to safe keep and release confiscated items after due process. This process of "post-assessment" is an initiative undertaken by the Assistant Secretary; however, there are no records of how many cases were reverted/remanded to the Hearing Officer or referred to the Assistant Secretary for appropriate action.

The functions of the Custodial Section are lodged at the Operations Division in the Regional Offices, and since there is a ubiquitous problem on manpower adequacy, it was not clear if post-assessment on the resolutions made and fines imposed are done.

### ***Underassessment (Undercollection) of Penalties***

Underassessment is commonly referred to as under collection in LTO. It involves apprehension cases where penalties imposed are lesser than what it should be. It may be considered that cases being adjudicated at the TAS are mostly legally uncomplicated; however, with the volume of transactions on a daily basis, there is a high probability that some vital information may be overlooked. But since adjudication exercises some level of discretion, that is error might be intentional, additional measures might be explored to minimize such risks in adjudication.

This function of post-assessment is highly dependent on the effectiveness of the releasing (review) officer.

The impact of this risk is highly significant as it causes loss of revenues for LTO. Based on some documents made available, additional penalties cost 2 to 4 times more than the original fines imposed.

It was attempted to establish the number of under collections but there were no available data. Tracking mechanism is absent for cases that backtrack. There are no data on the number of resolutions revised, or how much revenues would have been lost due to this risk.

Since this is supposedly the final step for the transacting individual, this backtracking in the process definitely causes dissatisfaction.

### **Recommendations**

Data on entry and exit of cases at the TAS should be properly recorded. Since there is a backtracking in the process in instances where there is undercollection, revisions made should be properly reflected in the system so a revised resolution might be generated. This will not only ensure entry of additional information on the system but will likewise provide a mechanism to monitor performances of Hearing Officers.

Undercollection indicates lapses in the review mechanism or performance at the adjudication level, both at the Hearing Officer and approving officer's levels. If the review process is not enough at these levels, the review function lodged under the Custodial Section should be positioned before payment of fines and penalties, if only to ensure a more systematic accounting and prevent backtracking in the process. Attendant to this is need for the installation of a performance system that proactively links lapses in adjudication resulting to undercollections with incentives/disincentives of concerned individuals.

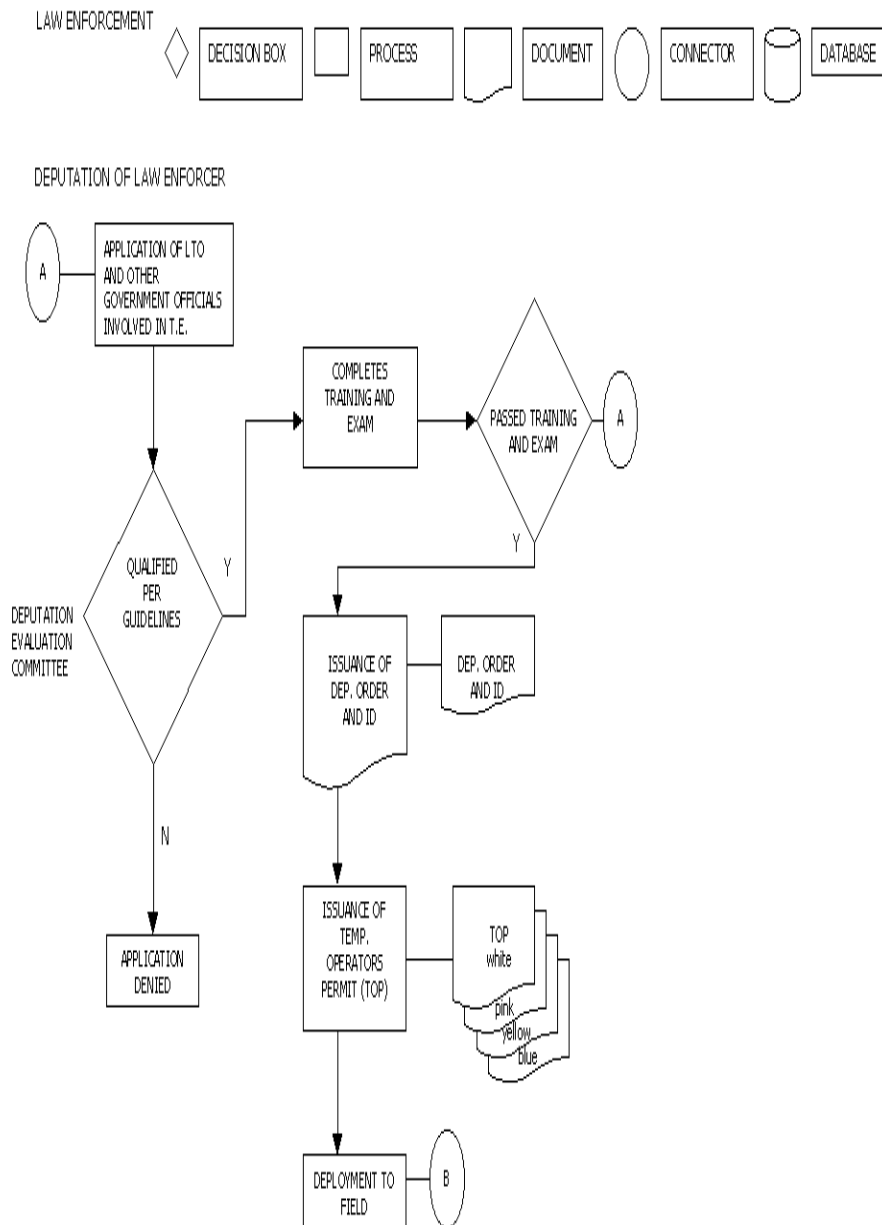


### List of Recommendations for LETAS

- Tracking form to ensure a more efficient queuing system and tracking of documents for performance monitoring (for managers) and procedural information for the transacting individual.
- Management reports should be generated by the system to guide policy development and implementation.
- Ageing and auction of impounded of vehicles, issuance of IRMV at the time of apprehension including a appropriate notation on the Temporary Operators Permit (TOP)
- Automatic generation (in the system) of attendant penalties for certain offenses, like suspension of license or impounding of vehicle to prevent errors and deliberate omission of information. System should likewise provide mechanisms to reflect modifications, such as those resulting from undercollections.
- Establishment of time standards and manpower transaction ratio, at least for major transactions
- Reassess plantilla positions along with the real staff requirements of offices. Contractual and non-organic personnel have less accountability and personnel stake than organic personnel.
- Lay outting of offices to reflect process flows and ergonomics, e.g. adjudication
- Exclusivity of apprehension to the field enforcement division/unit, including smoke belching and maintenance of one custodial section and cashiering, both at CO and field levels. Thereby providing more time for TSD to undertake its major functions on education and advocacy.
- Link up undercollection with monitoring of performances of Hearing Officers. It cannot be discounted that such lapse in judgement may be intentional. It is both disadvantageous to the LTO (possible loss of revenues caused by underassessment) and to the transacting individual (backtracking, double jeopardy if the case was intentionally under-assessed for a fee or favor)
- Proactive apprehension. Identify bus/taxi with expired franchises or out of line operations from LTFRB data.
- Prescription of ceiling for storage fees of impounded vehicles.

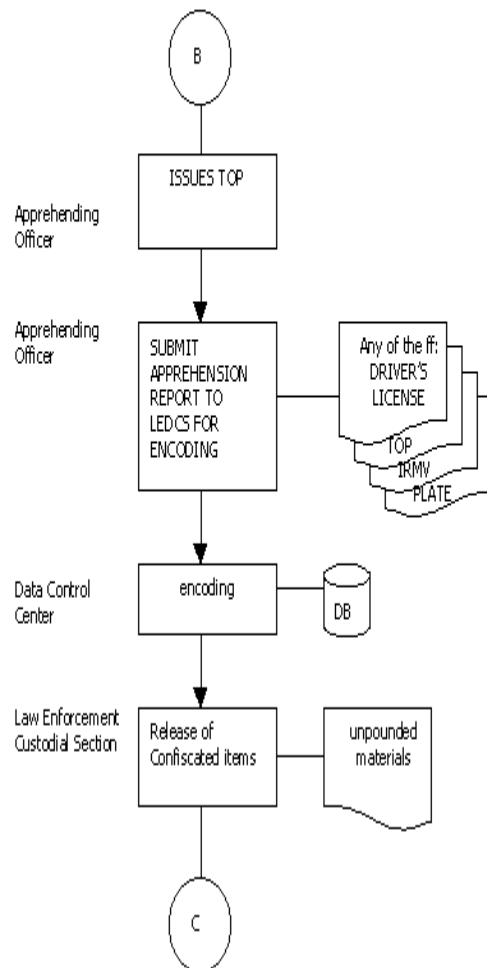


## LETAS Process Flow Chart

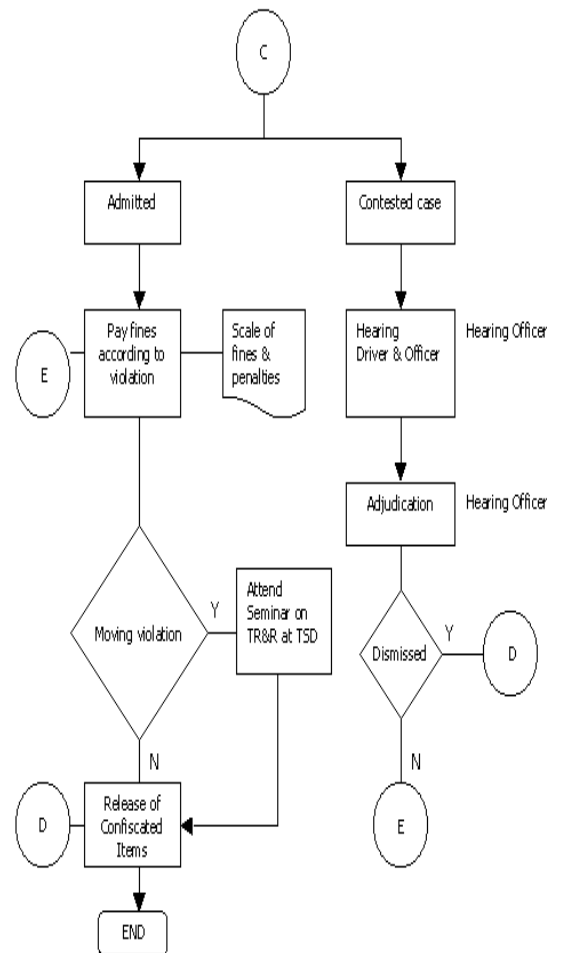




## APPREHENSION



## ADJUDICATION





### CVA Areas No. 3: MOTOR VEHICLE INSPECTION AND REGISTRATION <sup>1</sup>

One of the major services rendered by the Land Transportation Office to the public is the registration of motor vehicles from more than five (5) million motor vehicle owners and operators in the country. The LTO Assessment Team considered this area as vulnerable to corruption because of the inherent risk it involves as it generates revenues from the registration of motor vehicles. This may abet abuses of discretionary powers. The following conditions will explain the susceptibility of the area to corruption.

#### CVA on registration proper

The emission-testing certificate is presumed to be an unimpeachable attestation of the non-pollution proneness of the vehicle (redounding to roadworthiness). The insurance companies are presumed to have properly gauged the insurability of the vehicles (redounding to roadworthiness).

a) **Re Emission Testing:** The information was given that the results are computerized at once and accessed to DOTC and to LTO. One observance period of 3 cars being tested all passed well below the limit (out of 250 units of particulates passing, the gauge measured between 50 and 100 on every trial (remembering that each car being tested is tried a mandatory number of times each). These, even though the emissions from each trial were visually apparent just as it can be seen everywhere by the ordinary citizens how vehicles which emit thick smoke can still run around the streets obviously registered (having passed the emission tests). The explanation offered has to do with emission testing attendants giving tips on how to pass, among which tips is to thoroughly clean the engine before having it tested. The manner of and interval of pressing the gas pedal, according to some, also helps. In other words these are remedies resorted for the purpose of testing. Once registered, the normal operation of the engine comes to fore. With that if it were prone to emit beyond the limit, it would.

b) **Re Insurance:** It is openly admitted that insurance companies rebate up to 35 % of the premiums to the LTO employees and the rebates are pooled along with the "tips" from registrants. From this pool, the compensation for informal aides come. However, how this is organized (collected and allocated or as the sociologist would put it, redistributed) into an informal compensation scheme has not been discovered during the CVA. In any case, this is regarded as a coping mechanism to the lack of manpower in the plantilla.

Given this situation, is there any incentive for any LTO employee to reject a dubious insurance document or even a "real" insurance document, which nevertheless contain misrepresentation of facts about the vehicle and its owner? [especially dangerous in the case of third-party liability insurance].

As a control mechanism for the insurance, DTECH stickers are placed on the insurance certificates.

#### STAGE 1: INSPECTION OF MOTOR VEHICLE (MV)

Responsible Person/s: Chief Inspector, Inspectors and Inspector Aide (informal aide)

Objective/s: To check on the appearance and roadworthiness of the Motor Vehicles

**Inspection.** An observation was made at the start of the CVA that at the onset of the process, there seems to be something amiss in the Registration system. This is with regard to the presence of runners or informal aides to the Inspectors who do not inspect but sit and wait for the informal aides to bring to them the necessary stencils of chassis numbers and engine (?) numbers and other paper requirements. The

<sup>1</sup> The field assessment was limited to regional offices as there is no registration of motor vehicles at the Central Office.





inspectors also receive payments (although they are not cashiers) given by clients including tips, it would later be revealed by interviews (observations by two assessors at Pasig). From this practice alone, since inspectors do not directly inspect, there is no necessity for the public to bring their vehicles for inspections – a practice that was revealed also by interview. These notwithstanding that the motor vehicles inspection report is supposed to be checked by the chief.

In Region XI, The same process flow at DCDO is practiced at MDO on the aspect of MVIS whereby MVs from far-flung places or neighboring towns have to be inspected as scheduled. A question was raised regarding the non-appearance of the MV at the station. Is there any exemption or in any case, wherein the MV can be registered even without the actual inspection? One of the inspectors admitted affirmatively only on a case-to-case basis. Like for example, for brand new MVs (from car dealers), MVs of co-employees, friends and relatives known to them. They based it on what is called “honor’s system”. In some instances where the MVs cannot be physically present like those located at Samal Island, the actual inspection is done on the said location through a written request and sometimes done on a weekend and the emission test machines are brought there depending on the number of MV’s to be inspected.

A suggestion was given that a position of a utility worker/aide/personnel be created even on a contractual basis who would be tasked to do the stenciling of motor and chassis number.

It was observed in Cebu City District Office that the inspection of motor vehicle is missed out entirely due to the fact that it lacks space and manpower to do so. The subject District Office is within the compound of the Regional Office and that it occupies a small portion of the area together with the Licensing Center. Thus, it is highly unsuitable a location to accept motor vehicles for inspection. The motor vehicle to be registered is supposed to be inspected by a Transportation Regulation Officer (“TRO”, for brevity) who is sufficiently trained to do the required job. However, in the list of personnel working in CCDO, there is only one TRO. Thus, MV’s are not properly assessed as to its physical appearance, its operation and safety features and its road-worthiness because of the non-appearance of the MV’s. But it seems that there is a comedy of errors, because the supposed inspector certifies at the left lower portion of the Motor Vehicle Inspection Report (MVIR) form that “all information are true and correct and that an actual test was conducted”. Despite of the absence of actual physical inspection of the motor vehicle, the LTO still uses this form, thereby not just violating the provision of the law as far as the inspection aspect is concerned but also making a mockery of the relevance and use of the MVIR form.

In Region XI, a visit to a Motor Vehicle Inspection Station (MVIS) where the actual inspection of government and for hire motor vehicles are done as well as the administration of the smoke emission tests show a spacious area for inspection which is conducive to proper inspection. It is also equipped with Opacimeter for diesel-fed vehicles and Gas Analyzer for gasoline-fed vehicles. The station is manned by six (6) regular employees, headed by the Chief of the MVIS, three (3) Inspectors and two (2) inspector aides performing the emission tests. Registrants are met with a courteous handshake by the inspectors and are attended well. Workflows/charts are displayed on conspicuous places. A poster of the PRIDE is showed. Inspectors are not tied up to registrants asking favor to assists them and expedite the registration of their MV’s at the DCDO because according to them it’s time consuming to travel to the DCDO considering the proximity of the MVIS to DCDO.

In Mati, still in Region XI, the chief of MVIS herself did the stenciling. No informal aide (or for that matter, no other inspector was around to do this. This is a lone exception to the observation of the presence of informal aides.<sup>2</sup> The district office is headed by the Supervising Transportation Regulation Officer (STRO) with three (3) regular personnel, two (2) casuals and two (2) complimentary support staff from the provincial government.

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<sup>2</sup> Since the coming of the Assessors were known, there is doubt that this is the usual situation



An illustration of lack of manpower resulting into multi-functions is evident in Mati. The four regular employees assist one another by doing almost the process flow in MVR, Licensing and LETAS. Except for the cashier who concentrates in his area. The support staff does only the recording and filing and other tasks as maybe assigned to them from time to time. The two (2) regular employees do the actual stenciling of the motor and chassis number and they are in their uniforms doing a rough and untidy work. They do not really have a MVIS and emission test area. Actual inspection of MV is done just in front of the office and under the heat of the sun. After inspection and emission testing, the same set of employees will then evaluate, encode and assess the payments. The only female regular employee does the same as the others and in addition she is also in charge of the releasing of plates assisted this time by one inorganic staff (as differentiated from an informal aide).

Another observation elsewhere is the blatant acceptance of money for fees and charges by the MV Inspectors (also by the Evaluators). While it may be reasoned that these money would eventually be paid to the cashier and the Inspectors were just merely facilitating things for the public, such behavior encourages the public to give surfeit money (that may tacitly be accepted as a "tip" which is really a surcharge going to private individuals). When as might happen, the money for a transaction is lost by whatever means, the transaction remains incomplete and the public (who would not be advised of the loss) may interpret it as an invitation to remedy things up with the fixers in order to complete the transaction.

#### **Risk Factors:**

The likelihood of occurrence of and significance of impact are high resulting from non-appearance of MVs during the actual inspection. The roadworthiness of the MV is not properly checked/inspected and the whole inspection process is disregarded, thus, this lapse eventually endangers lives on the road.

Loose inspection is due to the presence of only few inspectors' aide (non-government employee) who actually stencils the chassis and motor numbers of the MVs. When as sometimes happen the chassis and engine numbers can not be read either through time erosion or by deliberate means for whatever purpose, then these non-accountable personnel can easily be "persuaded" to see what can not be seen.

These aides have no accountabilities and they are prone to accept "tips" from registrants to forego the operation and safety test of the MV. This can be attributed to the fact that they do not receive official compensation or commissions for assisting the inspectors in the actual inspection of the MVs. They only depend on what the registrants give them as a token. What is interesting is that they were observed to be wearing identification cards with LTO logo on and a label "Inspector's Aides" (at least in one district office)

There is no control mechanism or safeguard measures because the Chief Inspector signs the Motor Vehicle Inspection Report (MVIR) after which the inspector certifies the MVIR even without personally inspecting the MV for confirmation.

It was observed during the conduct of the CVA that the MVIR form is loosely issued or given to anybody who asked for it. Although the said form has no pecuniary value, it is still considered an accountable form. Thus, to avoid wastage of government funds, which are allotted for the printing of this form, a monitoring system can be established for this purpose. Under this circumstance, non-appearance of motor vehicle, which is subject for registration, can be avoided if the MVIR form shall be given only to the client after the vehicle has been inspected.

Lastly, a risk that may result from improper inspection is improper assessment of fees. Thus, a 6 wheeler truck may be passed on as 4- wheeler van, as often happens. This is easy sailing when the motor vehicle is not present but also manageable even when the motor vehicle is present but there is loose inspection.



#### Area for Improvement/Recommendations:

- Establish control mechanism in the issuance or distribution of the Motor Vehicle Inspection Report (MVIR) and consider certain modifications thereof.
- There should be a proper maintenance of logbook to record the actual number of vehicles actually present for inspection.
- There should be strict enforcement of “no vehicle no registration” policy<sup>3</sup>.

should undergo inspection before it is accepted for registration but due to insufficient or limited number of manpower and lack on they are constrained to do away or miss out the required procedure as mandated by law. Further, taking into consideration the inspection entails, it would surely affect the realization of the targeted revenue collections.

- There should be a formal (official) hiring of additional manpower like a utility worker/aide to perform the stenciling of the chassis and motor number of the MV. Hiring for personnel on this regard shall be done on a contractual basis.
- In addition, delimit the accreditation of PETC's <sup>4</sup> to easily monitor compliance of actual tests/inspections of MVs. <sup>5</sup>
- Minimally calibration of test equipments (Opacimeter for diesel-fed vehicles and Gas Analyzer for gas-fed vehicles) should be conducted regularly.
- There is a need to develop program of skills upgrading for inspectors. At the presentation, the information was given that the qualification for an inspector would be upgraded to the level of engineer!
- A recommendation that is not only applicable to Inspectors or to the MVR but to the whole LTO employees is the one on reorientation on the Code of Conduct as well as on pertinent rules and regulations of the CSC.
- Perhaps also applicable to other front line employees should be reorientation on the Manual of Operations, about which many in the regions are not aware (one from the region requested to borrow a copy from the Assessor so she could Xerox it for her own copy). <sup>6</sup>

## STAGE 2: EVALUATION OF DOCUMENTS

Responsible Person: Evaluators

Objectives: To cross-check completeness of documents presented and to encode correct and accurate data.

**Evaluation.** The person responsible for this step is the Evaluator (who also encodes) checking for completeness of documents. The observation was made that the first come first served policy is not followed. Furthermore, the Inspector (above) duplicates on the function of the evaluator (prompting an

<sup>3</sup> One of the assessors has seen the memorandum circular on this. It is a policy needing to be enforced.

<sup>4</sup> The fact that LTO district office itself has few MV inspection stations measured against its volume of transactions point to an over-reliance on PETCS.

<sup>5</sup> Motor vehicles other than those previously stated (i.e. government vehicles and vehicles for hire., may at their option have the emission test done at accredited private emission tests center

<sup>6</sup> Personnel are not really aware of the different forms to be used as stated or required in the Manual of Operations, hence, the need for orientation or re-orientation for that matter- From Region XI assessors



assessor to sarcastically remark to one inspector that it is such a pity he also has to do other functions with such little pay]..

At the presentation to the Agency the word used was “encroaches” to which there was an objection. Here “duplicates” might be acceptable. More importantly the point was made that inspectors are trained to pre-evaluate the documents so that the evaluator himself might not be inundated by paperwork some of which would not do as in the case of incomplete sets of documents.

In any case, this affects the queuing system. Non-adherence to the first come first served basis policy might be incidental to the inspector “duplicating” the evaluator. In the case of incomplete or invalid set of documents which are returned to the registrants, the next in line goes on to proceed to the evaluator giving a sense of no rule on first come first serve.

In fact, with respect to the evaluation of documents reaching the evaluator, the first come first serve policy is observed. Usually, there are two (2) evaluators for renewal transactions and one (1) solely for miscellaneous transactions. Further, it is claimed that transactions from liaison officers of car dealers are given last priority because of their volume (referred to as fleet transaction, specifically big in NCR and Reg VII) in order to give way to other stakeholders with only one or two vehicles to register.

In a best practice instance in one district office, stakeholders of transactions which cannot be released or those which cannot be processed because of the lack of required documents were given a claim slip or a slip of paper nevertheless, together with a list of documents yet to be submitted (“to follow”)..

Region XI. From MVIS, the registrant brings the certified Motor Vehicle Inspection Report (MVIR) to the Evaluator Station along with the other attached supporting documents which are received by the casual clerks who checks on the attachments. assigned/forwarded to the evaluators. The clerks keeps track to whom and where the application was referred to for easy follow up. The Evaluators reviews the applications and the assessments done by the inspectors, encodes and prepares the CR) and an Official Receipt (OR) of payment for new MVs. For renewal, they prepare the OR.

atic filing to track down application for registration because the clerks can trace to whom the documents were forwarded. The encode an application as fast as 5mins per transaction except on wrong assessments and incomplete documents.

Based on the duties and responsibilities of the evaluator, he is assigned to assess and compute the registration fees, penalties and other charges. The practice at LTO as observed, not only in Region XI but also at NCR, it is the inspector who makes the assessment (as underscored in the report above). By reason of their long stint in the office, the inspectors learned how to compute already the fees. This is being practiced so that the applicants will know in advance how much he/she will pay before submission of the application to the ES. In that way, applicants would still have time to produce the stated amount in case they are short of cash for payment.

### **Risks Factors:**

One risk is the probability of fake documents, which might be passed through the evaluator in regards to emission tests and insurance papers (see discussion on these in the Preliminary Remarks). Fake documents risk legal registration and it might be added it risk illegal purpose. Impact is high client dissatisfaction and creation of bad image/perception should that happen.

At this stage since the evaluator also encodes the data, there might be entered incomplete/wrong encoding of pertinent information resulting from (a) human error due to exhaustion (if there are too many registrants entertained for the day as the volume attests for some district offices) or (b) should the evaluator assume that the inspector anyway has pre-screened enough the set of documents.



Impact is the inconvenience on the part of the client in registering MV because erroneous encoding may result in the posting of alarm to hold the transaction.

As an important aside, at the presentation to the Agency, a question was raised why it takes too long for the alarm to be removed even though the cause for it has long been corrected. A claim was made in the retort that the alarm is not Stradcom's responsibility but of the internal computer system. It was a surprising twist to know just then that there is a separate computer system operating side by side with Stradcom.

Another risk factor is that in case of computer glitches (this time attributable to Stradcom), the public not wanting to wait indefinitely would leave the documents and money with the Evaluator. This would compromise the integrity of the agency should the evaluator be tempted to use the money (e.g. "meanwhile" use the money for a "sure win" at the cockfight) or to accidentally lose the money in his care in case of theft or mislaying. This would result not only in an uncompleted process in the system but in creation of a bad image for the agency.

To balance things out, there is a prevailing claim (to which the assessors find no compelling contrary evidence) that the LTO as an agency acts on complaints filed against employees. Appropriate sanctions are meted. The matter of actions on resolution on administrative cases is a different matter. This point was mentioned by presenter during on in the presentation to the agency (see IDA portion on administrative cases) where over a five-year period no resolution resulted from the filing of cases. Obviously filing and resolution of cases are two different things, notwithstanding a recent resolution of one more-than-5- year case.

#### **Areas for Improvement:**

A meter numbering type of queuing, the one used in banks or in QC tax payments, may improve on the existing queuing system, which as yet requires applicants to be physically standing in line for long. Such sights make fixers an attractive alternative. If meter numbering is introduced, registrants may gauge from the rate of flow at what time he or she may return so that he/she might not have to stand in line for so long doing nothing.

A self-review by the evaluator of encoded materials prior to the preparation of Certificates of Registration and/or Official Receipts of payment would be possible if there were not too many transactions for the day. Adoption of a point demerit system for the encoder to ensure accuracy in encoding has been offered by assessors. This point is mentioned just as not to entirely dismiss it, provided a way of rewarding accuracy is also include. In any case, there should be a clear delineation of functions: evaluator and encoder and in the previously mentioned instance inspector and evaluator

To address the issue of too many transactions per day for the existing personnel is (a very un-original recommendation which is known to LTO all along, namely) to augment manpower complement and also to create additional MVI Stations

There should be strict compliance with the directive that only cashier should accept payments.



### STAGE 3: ASSIGNMENT OF PLATES

Responsible Person/s: Evaluator

Objective/s: To determine actual fees for payment and proper documentation.

**Assignment of plates.** The Evaluator might not follow the sequence of numbers every time. Thus certain favored numbers might be more accessed by favored clients.

Below is a best practice that should be emulated and applied by other district offices around the country because it gives an impression of non-preferential treatment. Thereby such public perception of fair dealing discourages corruption. While Cebu City DO do it sequentially by "uploading" first all the released plates from the Central Office in their computer system, for proper accounting and transparency. In this manner, no one has the discretion to assign and release the motor plate at her/his whim and caprice, except for a particular plate, which is already requested from the office of the Regional Director and other accommodations that shall given from time to time. Hence, vulnerability to corruption in this area is very low.

Plates are also placed in unsecured areas. For example, at NCR regional office, they were stack near the stairways along the pathway. In Reg. VII the problem of adequate space for plates was observed.

#### Risk Factors

Although the likelihood of occurrence is low, there maybe an abuse of discretion in giving favors to clients/registrants to choose/select plate of their preference. This would result in a chain, beginning with the disruption of the sequential ordering resulting difficulty in accounting for plates, particularly missing plates, which may be used for illegal purposes. In any case the public perception of the agency would be affected.

Preferential treatment given to liaison officers of big companies and car dealers is groundwork also for exchanging favors either immediate or in the future.

The releasing of plates although in sequential order, the releasing officer may delay the issuance of plates.

Due to increasing number of MV registrations, the space to keep the plates may not be enough to stock it because the space is small, hence, missing plates may likely to occur.

#### Area for Improvement/Recommendations:

The evaluator after checking the compliance of documents and doing the proper assessment of fees should follow strictly the sequential order of assigning plates by issuing a temporary order slip for payment to the registrants. Once fully paid, the evaluator permanently assigns now the plate numbers in order that the releasing of plates are sequential and chronological.

Anent the "uploading" first of all the released plates from the regional office in the computer system before its issuance to the stakeholders is highly recommended for proper accounting and transparency. In this way, corruption vulnerability can be lessened if not avoided if capability of an evaluator to grant accommodation to special request if this control mechanism is introduced. –  
MVR sub-group report

Additionally, replenishment of plates should be made only by batches and only when all issued plates have been released to the public.





There should be separate lanes for single and multiple transactions (as in banks and in payment of bills in malls) so that single transaction may not have to wait unfairly. At least the big and multiple transactions are handled by professional and compensated liaison officers.

Lastly, and touched on in the 2<sup>nd</sup> Major Recommendation, there should be adequate and secure place for plates; both new and the used plates are vulnerable to being misused by anyone who can pilfer through the stacks so accessible to the public. Below is from the report of an assessor:

Then we proceeded to the MVIS where we have observed that the returned plates (due to conversion to public utility), numbering to around fifty (50) boxes were just stored in one area of the building without lock.

**Recommendation from the field on plates:** The assigned personnel there commented that it would be good if LTO would adapt the system in the US wherein a certain vehicle is issued only one plate and if it is converted to a public utility only the color of the sticker would be changed.

**[Recommendation from the field on impounded vehicles:** We also observed that there were lots of impounded vehicles and motorcycles which have been there for quite a long period of time. The said vehicles have already been fully depreciated. The personnel assigned there expressed his concern that LTO must enforce its policy on the forfeiture of impounded vehicles if it remained unclaimed beyond the prescribed period in order to make use of the useful life of the vehicles.]

#### **STAGE 4: COLLECTION OF PAYMENT AND ISSUANCE OF OR and CR**

Responsible Person/s: Cashier (OR) and Releasing Officer (CR)

Objective/s: To collect revenues.

**Collection of payment and issuance of OR-CR.** There is here a big security risk in that most often as in the cases of NCR district office (Pasig) and in Reg. VII Cebu City district office and extension offices in Mandaue, Lapu-Lapu, and Talisay. with a large volume of transactions, cashiers often have to go on working even long after office hours. It is not unusual, according to cashiers themselves, to stay beyond midnight at Pasig and beyond 10:00 in Cebu. <sup>7</sup> The cashiers at Pasig also could not leave their work place even during lunch time because of the presence of cash (visually observable from the inside).

A field report from one of the assessors show how even with overtime, there is a lag (in the example below, of a full month in update of cashbook:

May 17, 2006: Her cashbook entries were only up to the second week of April, 2006. According to her she could not immediately update the cashbook for lack of time. She said that almost everyday she works beyond the regular working hours. Sometimes she works up to 10 o'clock in the evening issuing ORs specifically for fleet transactions. She said that normally the Abstract of Collection is printed the following morning in preparation for the deposit of the said collections.

Another risk is when they are asked by superiors to process papers on the chief's vouched assurance of later payments by the clients. However, the assessors have not encountered any failure of payment resulting from such vouching by chiefs.

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<sup>7</sup> Her cashbook entries were only up to the second week of April, 2006. According to her she could not immediately update the cashbook for lack of time. She said that almost everyday she works beyond the regular working hours. Sometimes she works up to 10 o'clock in the evening issuing ORs specifically for fleet transactions. She said that normally the Abstract of Collection is printed the following morning in preparation for the deposit of the said collections.



### **Risk Factors:**

There is a great security risk whereby the Cashier renders extension time or overtime during heavy registration or deadline. There is high risk of occurrence of holdup especially at night. Such occurrence will tarnish the image of the agency (e.g. words can fly "inside job", etc.). A tarnished image encourages a demand for corruption.

Securing the area specifically the cashier's booth during heavy registration and deadline is a felt need. It is such a big concern that, according to a report from the field that in one district office, the cashiers pay from their own resources for overtime of security guards during those times.<sup>8</sup> Specially vulnerable are offices which collect about a million pesos a day or more (imagine the number of transactions a day it takes to reach such a collection at a liberal average fee of 1,000 per transaction]

Cashiers render overtime without compensation (a variation of this is that only 2 hours are paid in overtime lasting up to past midnight) . Somehow, an office can from the employees resources still manage to pay out overtime of security guards from (along the status of informal aides since they are not paid by the government) may be a manifestation of the existence of a pool from tips given by registrants (in the form of "keep the change"). The existence of such tips is openly offered information (but not by the cashiers themselves) and this is justified by the reason that it is not government money. The tips take only a modest 10-20 pesos per transaction but with heavy volume, it is a large daily fund<sup>9</sup>

While it is mandatory that collection must be deposited the first banking hour of the following day in order to avoid loss of money and bulk deposits' interests, in reality, banks are governed by their own timetable. For example at 3:00 p.m. they close. What happens to collection in between 3:00 and 5:00 and much more time beyond that for some cashiers? In heavy collection and on Fridays the Land Bank personnel come to accept deposits twice, around 10: 00 and just before 3:00, otherwise it is once a day.

However, when the computer system breaks down and is unable to come with a printout of the abstract of collection then the banks refuse to accept the deposits. This is to prevent the deposit and collection overlapping (and in the overlap, someone may be smart enough to exploit or use the money temporarily but profitably as in the case of overnight placement of big money). When this comes about the deposits stay with the office usually loosely guarded. There was a case (fortuitously hit by a sampling of just 3 days in a one month period at interval of 10) when a P1 million collection had to stay in the office during a 3-day long week-end (holiday economics)

Another risk is the incurrence of human errors by the cashier due to exhaustion. Considering it is money involved, such errors might be costly for the agency and nerve wracking for the Cashier to make a correct statement on the collection, or even in recording of cashbook. Certainly such errors from exhaustion could cause delay in the deposit of collection and any extra day not deposit might be an opportunity to gain privately. It might be stated categorically that there has not been one instance of such thing happening (the CVA might not be the tool for it, for one).

### **Area for Improvement/Recommendations:**

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<sup>8</sup> There are only four (4) guards on a three-shift basis. The Chief of the MV Registration even remarked that there are times that they give money to the guards from their own pockets just for them to render duty beyond their regular working hours.

<sup>9</sup> A 5 digit fund is a minimum that might be mentally calculated from a P1 M collection a day if only 10 pesos is offered, a tip that watch-your-car boys would hesitate to accept nowadays)





About all that can be offered by the team for this stage are recommendations that are not that original since all along the situation is appreciated by the LTO employees.

***Inadequacy of the number of cashiers***

Two ways: (a) training and accreditation of non-cashiers from existing personnel (b) secondment and/or detailing of cashiers from other government offices not too saddled with collection. This would allow existing ones to have alternates for their rests days as well as supplement their rendering of cashiering services. The only snag might be that such may upset or intrude into whatever internal arrangements or schemes that may be existing in the pooling of the "tips".

At third one might be offered (c) formalizing such a pool so that additional manpower might be hired officially. This would take the form of "capture of the surcharge" going to private (or non-government) discussed elsewhere in this report.

***Security of deposits staying in the office***

The formal hiring of more security guards as well as installation of security systems (as in the movies, e.g. infrared-triggered alarms and bolting of exits, etc.) come to mind. With so much money passing through the LTO it would not be amiss for it to demand a budget for such.

***Non-acceptance by banks for deposits without abstract printouts.***

See portion on the 1<sup>st</sup> major recommendation.

**STAGE 5: RELEASE OF ACCOUNTABLE ITEMS (plates and stickers) .**

Responsible Person: Releasing Officer

Objective: To release promptly to the clients accountable items like Certificate of Registration, Official Receipts of Payment, and MV Plates/Stickers.

***Release of accountable items.*** The releasing officer maintains daily reports on the number of plates and of stickers issued, and these are consolidated weekly. Usually in a District Office:

A window is designated for the releasing of official receipts, certificate of registration and plate. Since the evaluator already assigns a particular plate number, the supply officer merely provides the plates in her custody. <sup>10</sup> The office of the supply officer is orderly and plates can be found easily when needed. Therefore, the vulnerability to corruption in this area is nil.

A Customer Care Service counter is provided to attend to and address queries relative to delays and problems encountered by the transacting public. However, it is noted that there is no notice posted outside the windows that would inform and advise the public of such relevant service.

A best practice observed in this step is from Region XI. Although in the Releasing section, it will look like that it is not that organize as in the DCDO, however, their records are intact and the releasing of plates are also

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<sup>10</sup> Apparently from the discussion at the Presentation, some perceive that it is the supply officer who assigns plates which might reflect idiosyncratic practice in NCR. Nevertheless, the assessor being questioned retorted that it is in the LTO Manual of operations that the supply officer is only a custodian of plates and stickers.



in sequential order except on plates not issued to them. An ocular inspection was done by the MVR team at the plates releasing station. It is manned by the Releasing Officer and two (2) regular employees. The area is not that spacious, however, the personnel in the said station managed to arrange and organize the plates and their records. The area though small is clean and tidy. Records are intact and accessible anytime that when the Team asked a record or documents they are available and ready for perusal because the records are in order (after doing a random check on Riva's, stickers, plates and generated reports of plates issuances). The releasing of plates is in sequential order except on very few plates not supplied to them by the Central Office. Applicants cannot choose their own preference plates hence, even car dealers cannot go through inside the releasing area.

#### **Risk Factors:**

An observation in the field except for the best practice mentioned is that there is a perception of an often a delayed release of accountable items (i.e. usually we are referring to plates, stickers, OR-CR are also included].

Delays in the release of accountable items are sometimes caused by insufficiency of supplies for distribution to the transacting public. A more common cause is the frequency of computer glitches. However the public will not know the difference and in fact the excuse often given for the delay is, ironically, that the office is already computerized!

Whatever, these lead to dissatisfaction of customers. The number of dissatisfied clients is increasing thus, tarnishing the image of the Office. A tarnished image encourages the demand for corruption in a cycle of cause and effect.

#### **Area of Improvement:**

Report on the number of accountable items issued should be made on a daily, weekly and monthly basis, which would serve as input in the preparation of procurement program.

Minimum stock level of accountable items should be maintained of established in order to ensure its continuous supply.

#### **Recommendations for MV Registration**

##### ***Behavioral:***

making a good impression to the public and changing the public's perception as to its level of corruption vulnerability, it is the ie employees to somehow educate the transacting public by such means as strictly observing the queuing system, the first to not deal with fixers" policy.

! CVA that some stakeholders prefer to bring their queries to the CTRO regarding registration matters, which can be addressed r the front liners, i.e. the evaluators, the cashier, the in-charge in releasing the OR, CR and plates and the employee manning r. Considering the voluminous documents to be signed, entertaining FAQs from the stakeholders can be time consuming and in unwelcome deviation considering that most transacting public are awaiting outside for their approved documents.

To digress, considering the limited resources, the work attitude of the CCDO personnel in carrying out the daily tasks by working for the government without pay beyond the office hours, is highly commendable.

Some of the following may fall under two (or possibly 3) of the above types but predominantly they fall into:



### Organizational/structural

Increase the number and provide adequate space for inspection stations, including provision of trained personnel to do the job.

Accreditation of PETCs should be strictly implemented and be limited to a manageable number for easy monitoring.

### Procedural/ Enforcement/ strengthening/maintaining existing control mechanisms

- Creation of logbook indicating number of vehicles actually present (is this doable - how to check this, given that the Inspection report already alleges presence?)
- Strict enforcement of MV Inspection Report.
- NMVIS- inspection of got .and for hire only
- Certification to inspection administratively signed, to be noted by chief with counter-checking
- Reinforced queuing system (numbering meter?)
- Batching of plates, replenishment only on full exhaustion of the batch
- For district offices to sequentially by "uploading" first all the released plates from the regional Office in the computer system, for proper accounting and transparency. (Reg. 7)
- Have a permanent one plate per vehicle with only the sticker replaceable yearly regardless of re-classification
- Improve annual procurement program of plates/stickers to synchronize with projected demands.

### Guidelines, policies:

- Issue policy that employees should not receive money during computer glitches (only?)
- Payments should only be handled by the cashiers (this is already understood, how to enforce this?)
- Chiefs vouching for clients should not be enough for the transaction to be completed.
- Drug testing should be with LETAS nor registration, drug testing should be spot-testing of drivers (when apprehended for example).

### CONCLUDING REMARKS FOR MVR

**Lack of Manpower and other Appropriate Resources:** An illustrative case is the Cebu City District Office with only nine (9) personnel complement including the Chief Transportation Regulation Officer ("CTRO", for brevity), it processes a huge volume of transactions daily and earns high revenue collection amounting to millions of pesos weekly. With this limited manpower, the chief of office reveals that employees of this district office work without pay until ten in the evening, as they deem necessary, to be able to finish processing the huge volume of transactions for the day. During the period of the CVA, they work beyond the normal government working hours reportedly without proper compensation.

There is only one security guard manning the office who does not maintain a logbook for visitors. Some persons can enter easily inside the office and especially if one knows someone inside. The risk of having the documents inadvertently picked up by outsiders is likely to happen if people can easily come and go.

This lack stems from the desire of several politicians to create several LTO extension offices within their jurisdiction.<sup>11</sup> Corollary, several regular employees were assigned to these new extension offices, thus

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<sup>11</sup> For example, as gathered from the LTO-NCR's bulletin board, there are ten (10) Extension Offices namely: Camp 1) Aguinaldo; 2) Malabon; 3) Navotas; 4) Paranaque; 5) Kalookan; 6) Mandaluyong; 7) Taguig; 8) Muntinlupa; 9) PUVREC (Public Utility Vehicle



greatly depleting the manpower resources of district offices with only enough plantilla positions. Hopefully, this problem would be addressed sufficiently by the implementation of the rationalization program. Also, there are employees from Local Government Units (LGU's) assigned or detailed to LTO extension offices. Unfortunately, the undersigned IDR assessor failed to look into the documents pertaining to the regularity of such assignment or detail.

It appears that the problem is not the system per se but the scarcity of manpower and lack of necessary tools or resources in carrying out the mandate of the law. Further, there is the added pressure on the expectation of meeting or achieving the program target on revenue collection.

It may be worthy to point out, that for an LTO District Office to follow the law, as far as inspection of motor vehicle before its registration is concerned, it needs a spacious site that can accommodate plenty of vehicles and enough manpower to do the inspection. Oftentimes, the District Office of an LTO is impelled to meet the target of collection for a given year with limited necessary resources at their command. Therefore, it is hereby recommended that a Motor Vehicle Inspection Station shall be provided for this purpose with trained personnel to do the job.

As mentioned previously, the Cebu City DO is sharing a space with the licensing center within the confines of the Regional Office premises, thus most of the times shouting is necessary in order for one to be heard because the other office is using the aid of a microphone in calling out their stakeholders. This set up is not projecting a government office where proper behavior and decorum is a must but thereby making it an arena where misunderstanding, misinterpretation and confusion may unnecessarily occur.

**Presence of Informal Aides:** But the disheartening fact is the presence of non-government employees working side by side with organic government employees, and they are in fact performing regular functions of the office. Actually, their presence is a kind of manpower augmentation but they have no accountability towards the government simply because they are not hired by the government. Nevertheless assurance was made by at least one chief (in another region) of Transportation and Registration Office, that they are automatically terminated if found erring, Since they are informal hiring, such termination does not have to go through a process which otherwise if formal would be tedious. This practice has been going on for quite sometime even before assumption to the office. According to the CTRO, in three years as the Chief, there has never been any untoward incident even with the presence of these non-LTO personnel.

In view thereof, it is therefore imperative that regular employees of LTO should wear at all times their ID's for proper identification and accountability to the public. Otherwise the public may mistake the regular presence in the office of certain persons as proof of employment. Anecdotes from assessor reveal do such happen.<sup>12</sup>

So, the likelihood of occurrence on corruption vulnerability in this area is very high and impacts greatly on the very purpose and importance of vehicle inspection. The continued use of the MVIR could be used as a ruse in accepting bribe in lieu of the non-appearance of the motor vehicle to be registered.

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Registration Extension Center); and 10) Southern Licensing Extension Office. There are four (4) Licensing Centers namely: 1) Eastern Licensing Center; 2) Northern Licensing Center; 3) Southern Licensing Center; and 4) Western Licensing Center. On the other hand, there are five (5) DLRC (Driver's License Renewal Center namely: 1) Alabang; 2) Farmer's Plaza; 3) Araneta; 4) Ayala MRT; and 5) Metropoint (Metropoint Mall, Pasig City).

<sup>12</sup> In Reg. 7, an insurance agent was mistaken to be an employee, at Central Office (but not in connection with MVR), a drug tester misrepresented himself to a Korean as an LTO employee.



### CVA Area: Financial Management: Deposit and Reconciliation

ent of the three mission-critical functions of LTO, which are Law Enforcement and Traffic Adjudication and Motor Vehicle aspects are likewise included. The financial management system of the agency was initially identified as a vulnerable area, raints, this was limited to deposit and reconciliation.

Data on the following were requested from the sites visited:

- Abstract of Collections for April 10, 11, 20, 21, 28, 2006 and May 2, 2006 from the MV Registration Cashier and LETAS Cashier:
- Deposit slips and List of Deposited Collections (LDC) from the Finance Division for both the MV Registration and LETAS Collections on April 11, 12, 21, 24, 2006 and May 2 and 3, 2006

s to verify if the total collections for the day were being deposited intact the following day. Based on the sample transactions, ns for the day were deposited intact the following day. However, the LDC for the MV Registration includes the Licensing

The team likewise interviewed the Chief, Finance and Management Division regarding the number of personnel they have in their department, their designation and present function. We also asked about the budget of the Agency for CY 2005. We asked about the average monthly collection of the Agency. We inquired also on the status of Bank Reconciliation for the Agency's disbursement transactions and the status of the Agency's Treasury Reconciliation. XXXXXXXX They really find so hard to conduct Treasury Reconciliation. There are no personnel assigned specifically for the Treasury Reconciliation. According to her, she is convinced that failure to do the Treasury Reconciliation could be an area which is vulnerable for corruption or anomalies. We also explained to her that the purpose of reconciliation is to check on the accuracy of amount of the collections, the timely deposit of collections and the proper recording of the accounts, etc. Once they failed to conduct the reconciliation there could be occurrence of errors and/or fraud that would remain undetected and would be detrimental to the interest of the government.

return to the Regional Office, I proceeded to the Accounting Division to get all the necessary documents needed for the CVA- ble to secure copies of the Abstract of Collections for April 10, 11, 20, 21, 28, 2006 and May 2, 2006 together with the s for both the LETAS and MV Registration collections. Based on the sample transactions, we found that the collections for the he following day.

ack, the accounting system is in order. The collection records, cash receipts and daily deposit slips tallies and reflected on the

There is no separate financial report, the findings are integrated into the MVR and LETAS reports. Some are used in the Major recommendations particularly as to Stradcom, as for example the from the field notes below:

I observed that the cashbook entry was up to April 28, 2006 during my interview on May 17, 2006. According to her she is preparing the cashbook entries at home. She asked her Assistant to prepare a cardboard copy of the OR's to be her basis for the entries in the cashbook. It is observed that Abstract of Collections is computer generated except for those which are manually issued ORs. The reason for the manual entry is that, the violations are not part of those provided for in the system by the STRADCOM. In order to collect, they would encode a violation not the exact offense committed but the cashier will issue manual OR for the UC (under collection). The ORs for the under collections are crossed referenced with the computer generated ORs. These UCs are verified by the Division Chief. According to the Cashier, their deposit is being picked-up daily by



Land Bank's armored car. I also learned from her that they only have four (4) security guards for three shifts for the whole LTO building and not for the LETAS alone.

[another region] During the interview and verification of some transactions for the months of April and May, 2006, I found out that the collections of more than 1M for May 9, 2006 were only deposited on May 11, 2006. According to the Cashier they were not able to deposit the said collections because they could not print the Abstract of Collections due to computer breakdown. The bank does not accept deposits without the Abstract of Collections. The cash was just kept in the safe inside the Cashier's booth which though secured with a heavy duty padlock yet the door is not made of a solid wood. This could easily be ransacked if a perpetrator gains entry at the main door more specifically with the fact that the LTO compound is not sufficiently secured.<sup>13</sup>

From Region XI xxxx in some instances, beyond their control, due to intermittent functioning of the computers, causes delays in the encoding and processing of the applications, likewise, even the work of the cashier is affected because she is assigned to issue the Official Receipts (OR).

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<sup>13</sup> A curious combination of flooding along with computer breakdown shut for some time at the Cashier's Office of an office



## Overall IDR Recommendations

### 1. ASSESS ICT SERVICES & REQUEST CONCESSION

#### Situation:

- Field interviews point to dissatisfaction with ICT services
- Information system is reduced to automation of transactions and limited data-basing
- ICT breakdown affects transactions with public and risk the financial security
- ICT related complaints account for a combined 68.67 % (see attachment)
- Suggestions to improves services point to ICT with 50.38 %
- Though seemingly unrelated, problems on ICT still came up on how leadership can be improved with 4 % saying : re-engineering of ICT

From conversation with employees in the field, the survey results are confirmed. The perception is that the LTO's IT System was merely reduced to databasing and automation. It is as if it only replaced the manual typewriter.

- Inadequate data-basing, Internal assessors says it can not even give the status of how many number of impounded vehicles as just one example
- providing management data for decisions
- printouts in transactions (like O.R. etc.) where computer breakdowns delay public transactions
- insuring banks accept deposits on the same day (related to above) where absence of printouts of abstract of collection prevent banks from accepting deposits
- providing for categories into which fines can be properly accounted for instead of having an under-collection account needing a cross-checking for O.R. on an adjusted category (see situation)

Field observations and the Results of the Survey of employees (see Below) point out Stradcom is viewed in a bad light. However, as far as the public is concerned Stradcom is not known and it is LTO suffering this image problem of an inefficient computer system at best and worse of an inefficient agency

#### Recommendations

- Improve the capabilities and scope of ICT in terms of:
  - Data generation support system, i.e. ability to produce meaningful & reliable reports for decision making and operational improvements in real time
  - Data structure should be adequate to include fines, charges and fees that are not presently categorized, thereby resulting to manual recording of under collections
  - System should have flexibility to include modifications of resolution (re accessory penalties) and corrections of erroneous resolution entries with appropriate safeguards against tampering
  - Minimizing system break/downs, installation of a reliable back-up system (printout of abstract of collections required by banks to accept deposits)

#### On Financial Aspects Touching on ICT (Stradcom)

- Make provisions in the ICT system (Stradcom) for categories of payment under LETAS





This should be instead of dovetailing into those not provided into existing categories of fines (resulting in under-collection for those not exactly fitting the category resulting in turn to manual entries – hand and typewritten- to account for them. The categories are definitely a lot more than 77, the last number based on a List of violations as of May 16, 2005 (some have sub-categories e.g., 16A-16D. Sometimes also violations are not in the TOP checklist in which case violation is put in a related category which carries fees higher than in that listed in the checklist. In whatever case, though portions of the payment is manually recorded still that is cross referenced to an OR that carried with it portions payable to Stradcom.

- Improve the ICTT system (Stradcom) so that it would not be vulnerable to extended breakdown

This breakdown and glitches can result to, among others, delayed deposits of collection for want of printout of abstract of collection which is a requirement of banks in the acceptance of depositing.

While the NGAS puts in its charts of accounts to accounts covering licenses (account 608 "Other permits & Licenses (drivers, conductors, and student permits)" and account 628 "Other Service Income (Registration, Licensing, LES & others) with the last covering registration as well. This makes difficulty in tracing readily the accounts from collection to deposits. In both drivers license and Motor vehicle (MV/DL) Stradcom charges 134.40 per transaction regardless of fees (this can lead to a lopsided income for the LTO vs. Stradcom e.g. a certain C.C. paid on April 11, 2006 in the Pasig District office a total of 194 pesos of which 134.40 went to Stradcom, 10 to Legal Research fund (for U.P.) and 50 to Misc. (this one going presumably to LTO) or for the same day OR nos. 34737664 up to -669 paid each 240 and for each paid 134.40 to Stradcom and 100 to Miscellaneous or for the six O.R. total of 806 for Stradcom vs. 600 for LTO]

- Improve the accounting of and reconciliation of the ICT (Stradcom) account.

The CVA on the financial aspect particularly on deposit and reconciliation was inspired by the issue uncovered in the IDA and later by document review that reconciliation of about Php120 M remained for a year. It was later explained that such issue was already resolved by the time of the conduct of CVA .

The payment to Stradcom is unique in government in that its fees are immediately remitted to the company without passing through Treasury and on a daily basis yet. As a background, deposits to banks are lumped (3 lumps of deposits, namely: checks to LTO, cash to LTO and cash to Stradcom, e.g. deposit slip to sub-trust account itf-03-46 of LB <sup>14</sup> ). These are eventually traceable to separate accounts but there is difficulty in this, except as to Stradcom which fees are fixed in the portion of licensing (57 per transaction) and in the registration (134.40 per transaction) and also LETAS (53.76 regardless of payment amount of fines) <sup>15</sup> under this account are many which include LES (Law Enforcement Section) and Computer portions of the MAID (Manufacturers-Assemblers-Importers-Dealers/LETAS/ADLE (Automated Driver's License Examination System) fees

<sup>14</sup> check deposit of 1,215,016.55 + 91,921.60 (total=1,306,938.15) for the treasury and 99,590.40 for Stradcom for April 11 of Pasig district office deposit to land bank or nearly 8 % of total deposit.

<sup>15</sup> from Daily abstract of collection





The team decided early on not to go into the point of whether or not the government is at a disadvantage in regard to Stradcom [see executive summary on the LTO IT Project and also the COA resolution on the matter, listed in the documents used for the CRR]. However field observation and the above survey cry out for some concessions from the ICT in exchange for the outright daily payment in cash of its share which is estimated to hover around 7-8 % of daily total deposits of the LTO to Land Bank.

Example of direct deposits to Stradcom in a one-month period

Daily Collection and Deposits		MVR: Pasig District Office Only)	
Date	Grand Total	Stradcom	Percentage
	1,237,495.52	98,891.52	0.0799126
	961,839.06	79,484.16	0.0826377
	1,275,221.43	93,031.68	0.0729534
	1,407,128.34	99,939.20	0.0710235
	1,640,489.45	109,939.20	0.0670161
	1,406,428.55	99,590.40	0.0708108
	1,346,047.85	96,633.60	0.0717906
For April 2006 only	21,746,182.39	1,609,520.64	0.0740139

## 2. ASSESS MANPOWER NEEDS VIS-À-VIS VOLUME OF WORK

This recommendation is issued from field observation. A manpower study was not attempted for two reasons:

- Difficulty in obtaining documents related to manpower, for some reason or another <sup>16</sup>
- It would be a separate study by itself. Needless to say, a bigger human resource organizational study is not possible within the CVA.

### Situation:

Field observation points to a lack of manpower in some frontline work stations, such as hearing officers, organic law enforcers, cashiers and MV Inspectors, etc

This lack translates to a multi-function of staff, particularly incompatible functions compromise checks and balance (e.g. internal audit to human relations management)

Hiring of contractual staff and availment of services of informal aids and detailed LGU personnel (specially of TAS) are the common recourse.

<sup>16</sup> Upon learning of the presence of the non-LTO personnel in the MV Registration department, we asked from the Human Resource Management department to furnish us with the total number of LTO-NCR personnel per office including the contractual employees and the non-LTO personnel. We were not able to get the number of non-LTO personnel – Report of an assessor. It was only from LTO RXI that the team was able to get data on contractual/casual personnel and their designations.

[another region] Then I talked to the Chief of the personnel division and asked him about the LTO Region plantilla. I requested from him to give us the actual number of personnel per Division/Office/Extension Offices indicating their designation and actual functions, but according to him he cannot give it to us at the moment because he wanted to have it individually prepared and authenticated by every Chief of Office or Division. The rationale for this is to determine if the personnel are functioning according to their designations and that if there are no overlapping functions or to determine if there are personnel performing incompatible functions. However, as of this writing he was not able to send it to the team.



There is a lack of manpower due to the following factors:

- There is a yearly increase in public transactions because of ever increasing of land transport vehicles and yet plantilla positions have been stable for many years.<sup>17</sup>
- There is an increase of district and extension offices where present personnel are extracted from existing ones without manpower replenishment at source<sup>18</sup>

The resulting situation from these factors gives way to two coping mechanisms:

- Existence of informal aides with no accountability to government and with attendant risks<sup>19</sup>
- Multi-tasking of existing personnel<sup>20</sup> as well as uncompensated and extended overtime for some especially in the revenue collection effort.<sup>21</sup>

**Example of risk due to lack of manpower.** Field observations bring out for example a case where there are only 4 security guards assigned to check on two buildings (Reg. 7), they are still divided into 3 shifts (presumably two guards during office hours and one guard each on two night shifts) There are days when the collections from registration alone total more than a million pesos, and there are days that they could not be deposited. So to augment this meager number of security guards, informal source of fund is resorted to.

**In the registration system, the best example of the phenomenon (but not limited to it) occurs in the inspection of motor vehicle.** If it normally takes 40 minutes from arrival to the finish of inspection (engine must be cooled first), then one inspector without taking any coffee break can only handle 12 vehicles in a day. However inspection report shows an inspector would be handling a lot more than that.<sup>22</sup> This could only have been possible with the use of runners (or informal aides), several to one inspector. This informal aide has no accountability to government and indeed how they find compensation in the work can only be imagined.

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<sup>17</sup> According to a Chief, Finance and Management division, since she became an employee of LTO-NCR and up to now, which is more than 18 years, the number of employees did not increase. Their collection then was only around P40M a month but now they are having a collection of around P100M a month.

<sup>18</sup> In the course of our conversation he mentioned that their Office complement is depleted due to opening of Extension Offices without hiring additional personnel. According to him, the opening of these additional Extension Offices is a political accommodation. As gathered from the data from the personnel division, there are fourteen (14) employees who were distributed to five (5) Extension Offices namely: 1) Talisay City with four employees; 2) Talibon, Bohol with one employee; 3) Lapu-Lapu City with five employees; 4) Bayawan City, Negros Oriental with two employees; and 5) Medellin, Northern Cebu with two employees. The Region also has Driver's License Renewal Center which is manned with three (3) personnel. The whole Region has only 150 personnel complement which includes one (1) contractual employee.

<sup>19</sup> After office hours, I interviewed the MV Registration Cashier, Ms. Luciana Diccican, Cashier III. Her assistant is Ms. Sandy Mapili, a contractual employee. Ms. Mapili helps her in preparing, checking the totals/footings in the Abstract of Collection. During our CVA activity Ms. Mapili was absent due to the death of her daughter. However, her sister, a non LTO employee replaces her for the meantime.

<sup>20</sup> On this day it was also learned from the Chief of the MV Registration that due to the voluminous transactions, they are practicing multi tasking wherein at times one personnel is doing two incompatible functions. She herself is sometimes doing the processing/evaluation function, which is not supposed to be as she is the Chief of Division. She only ought to do the review of the works of her staff to maintain the check and balance.

<sup>21</sup> From Region XI. The sentiments of working over-time without pay had been raised. The same way with the evaluators who work till 2am in order to accommodate late registrants whose practice is "beating the deadline". Due to the influx of applicants during deadlines, the evaluators and the cashier had to render overtime service.

<sup>22</sup> For example Reg. VII handled in 2004 260,000 MVR/transactions divided by 365 days= 712 MVR transactions per day if every day of the year were a workday.



**Informal aides** are compensated thru several ways: one of which is from a pool from the commissions from the insurance companies who rebate back up to 35 % of the premium paid by the public. Another would be “tips” from the registering public.

Throughout these tips and commission pools, no one can accuse anyone that government money is stolen- so the reasoning goes, since the proper charges and fees are fully paid, unless there are under-assessment which is not evident in the registration process with its fixed schedule of fees (compared to the probability in MAIDS –which we did not deal into-; and to some aspects of LETAS as in the case of mis-declaration of the type of apprehended vehicles).

Indeed during the IDA, there was somebody who said that it is the public who is willing to pay a surcharge (or a premium) for faster services. Since the government was not imposing the surcharge (except in recent years in the case with the privileged numbered plates- special and vanity- where a premium is charged through an auction process), no revenue is lost for the government.

Along this reasoning, the matter of informal aides compensated informally from other sources (mainly surcharge, premium or whatever nomenclature is proper here) is talked about openly and with no shame, since no government money is stolen.

**Coping mechanism:** The existence of informal aides paid through informal means is thought more or less as a coping mechanism (maybe laudable from another perspective) to the phenomenon of increased revenue targets with a stagnant number, at best, and in many cases, a diminishing number of personnel (especially when new district offices are opened, the personnel is taken from existing ones with no replacement at the sourced office)..

**In the LETAS system**, the best example (but not limited to it) occurs in the apprehending stage. The spotter and the ones who flag down the spotted to-be-apprehended vehicles are informal aides who do not receive salaries nor allowances but who finds time and benefits in various ways, one of which is the “prestige” of being known around the block to be “connected”. They may not necessarily find direct benefit now but who knows what or how later this may be translated to benefits. In any case, there had been moves before to tap volunteer organization to fill this lack of manpower. In addition, there is the formation of task-forces from the different LYO offices especially for week-end traffic enforcement.

Manpower needs need will have to be linked with the performance management.

Some LETAS related micro- recommendations touch on this, for examples:

Deputation system for monitoring of performance should be put in place and strictly implemented.

- In order to protect the system from such kind of vulnerability, there is a need to properly establish the screening process at the regional level, since applications are no longer formally evaluated at the level of Deputation Evaluation Committee (based at the Central Office).
- To ensure proper performance (a) the composition and tenure of the DEC must regularly be defined, (b) background (and motive) investigation of applicants for deputation may be conducted.
- Probationary status of new deputized agents for a specified period and quarterly evaluation of individual performances of deputized agents maybe considered before deputation or renewal of deputation.

Traffic enforcement

- Area of jurisdiction for CO and NCR in traffic enforcement should be established to clearly define accountability, accordingly making performance monitoring more efficient.



#### Organizational

- Rethink separation of the Anti-Smoke Belching Program from Law Enforcement, in the interest of efficiency and economy
- Should maintain only one cashiering section and appropriately separate account for anti-smoke belching for accounting purposes

In summary, the agency may consider the following recommendations:

#### **Assess absorptive capacities of staff to determine actual manpower needs based on volume of work**

- Develop standard processing times
- Time-Motion Studies The manpower needs for proper time to do proper function, e.g. for inspection (for one) or checking on driver's skills for another, would be tied up with the third major recommendations

#### **Link performance monitoring with rewards/incentives and sanctions system, e.g. under collections with performance of hearing/approving officer, MV registration related violations**

### **3. RE-ASSESSMENT OF PERFORMANCE TARGETS**

The concept of reversal of targeting <sup>23</sup> (i.e.) was deemed by the team as too radical and therefore a more realistic re-assessment of performance targeting is recommended, i.e. without giving up on the revenue collection targeting per charges, fees and fines, to also emphasize education targets, as well as stricter registration and driving license procedure. The revenue targets pull that makes personnel hurry up on the inspection for example should be tempered with actual time to accomplish the MVIR Report (particularly for inspectors not only to get the chassis number but go through the checklists on road-worthiness (lights, horn, etc.).

#### **Situation:**

Performance targets of the Agency is mainly in terms of revenue collection

- Revenue targets in terms of quantitative public transactions (charges, fees, fines)
- Incremental quantitative targeting with DBM
- Agency qualitative targets translate into individual performance targets at the frontline office
- Qualitative targeting (e.g. better drivers, roadworthiness of vehicles, improved traffic safety, etc) may even go against quantitative targeting (less apprehension and so lesser volume of fines" slower but stricter inspection of vehicles and so lesser fees, etc.

#### **Performance Targeting in Terms of Financial Targeting**

It was expressed (at least at the NCR IDA) that the performance of some employees were gauged in terms of attainment of the agency/ office performance targets which are measured in terms of revenue collection. In any case, these are in terms of such indicators as the number of apprehension (moving and non-moving violations as well as and separately smoke belching), registration, licensing, adjudication etc. These targets rise up yearly respectively and this is justified by the ever increasing number of vehicles (and it may be

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<sup>23</sup> The team has agreed that no long term recommendation would be put forward, a long term one being something that would require legislation. Nevertheless team leader pushed for it



added, by the low rate of obsolescence <sup>24</sup>). The rates vary per type of type of revenue collection sources, e.g. for 2005 "LTO must handle 22,482 apprehensions for Clean-Air or an increase of 96.49%. 109,274 for Seatbelt Use Act or 10.89% increase; and 543,137 for D.O. 93-693 and Axle Overloading or 7.10% increase. In totality, a 9.36% is set for apprehension for 2005 to conform to DBM's target. <sup>25</sup>

**Along this vein, there is no motive for the agency as a whole to target the reverse, as for example do a targeting for a lower number of apprehension.** Such targeting would then involved certain foundations: strict enforcement and proper manpower deployment for licensing procedure to weed out right off those who can not drive properly and/or those who do know traffic rules and regulations; strict enforcement and proper manpower deployment for the registration procedure to weed out potential vehicle hazards off the road (thus lessening apprehension). The list can go on, strict enforcement and proper manpower deployment for control of smoke belching (lessening apprehension), <sup>26</sup> etc.

**One can tie this up with two aspects already discussed: the phenomenon of informal aides and the phenomenon of the surcharge.**

If the public is willing to pay surcharge (or premium) to private individuals in exchange for faster transaction, it would be willing to pay surcharge for government for the same faster service. The surcharge can pay for the formal employment of aides (and therefore secure accountability to government) , and the surcharge can delimit the rate of transactions as well, which can in turn contribute to faster transaction since there would be fewer public to deal with. **In the end, the reverse targeting hand in hand with higher charges (incorporating the surcharge) may also contribute to revenue collection targets.**

However, things are not a simple as it may seem.. The agency on its own motive, being a revenue-generating agency<sup>27</sup>, will not make the reverse targeting (nor would DBM). So this is a recommendation that **would require legislation.**

Additionally, there conceivably would be two external interests that would oppose such moves:

- (1) those private individuals partaking of the surcharge (which at present the government is not charging for except for the vanity and special plates) and
- (2) politicians who need to satisfy every one among his public/district/locality who has a vehicle that "got to be registered" or a driver that "got to be licensed", viewing this as a matter of right.

On the latter point, the creation of numerous local offices at the request of politicians is a sign that politicians are party in interests in the transactions that LTO make with the public.

And yet it would require legislation (and politicians) to address a reversal of targeting. [No single cause to explain complex phenomenon of corruption/ both demand and supply]

#### **Recommendation: Re-assess agency performance targeting mode:**

- Balance quantitative targets with qualitative ones. However, this would be linked to the balancing of revenue targets with providing manpower and other resources

<sup>24</sup> i.e. in Japan a two-year vehicle is obsolete, here a ten-year old one is still serviceable

<sup>25</sup> "The discrepancy of targets of DBM as against targets of agency is divided among the central and regional offices of LTO based on the % share of transactions/volume of transactions and revenue" –from IDA Report

<sup>26</sup> Although here it may be claimed there is strict enforcement of emission testing (with the existence of opacimeter and gas analyzer) , there is no belying what everybody can readily see and smell on the roads.

<sup>27</sup> The LTO has about 3,000 employee and in 2004 for example generated 9B in revenue that amounts to about 3 M generated per employee



- Lower but stricter number of transactions: this is possible by capture the surcharge the public is will to pay to private individuals