



I. Overview of the Project

Integrity Development Review is a process of building and sustaining an agency's ability to prevent corruption from happening. It is a preventive measure against corruption focusing on systems review and employs a two-stage assessment process using tools that were adapted from international benchmarks. It entails a systematic diagnosis of the corruption resistance mechanisms in place in an agency and its vulnerabilities to corruption.

It is about integrating corruption resistance strategies into the various organizational facets of an agency so that factors that contribute to corrupt behavior can be checked and those that discourage corrupt acts or malfeasance are reinforced. As the old adage goes, "an ounce of prevention is better than a pound of cure."

There are various approaches to prevent corruption. One tested formula is that of Klitgaard's minimizing corruption by demonopolizing power, circumscribing discretion and raising accountability. Another is a four-point approach, namely limiting opportunities for corrupt transactions, decreasing the gains, increasing the probability of being caught and raising the magnitude and severity of penalties. In any case, a thorough diagnosis is a logical first step in order to establish activities that are vulnerable to corruption, check availability of control mechanisms that can detect and deter wrongdoings and evaluate the effectiveness of penalty and reward systems.



Pursuing Reforms through Integrity Development (PRIDE)

The Program on Pursuing Reforms through Integrity Development (PRIDE) thru the IDR is intended to assist the Office of the Ombudsman, and its key partners in corruption prevention, in establishing a culture of professionalism and integrity in government, raising consciousness on corruption prevention and providing practical tools to improve organizational and systems integrity in public sector agencies.

The IDR builds on the Corruption Resistance Review (CRR) approach developed by the Independent Commission Against Corruption (ICAC) of New South Wales and the Corruption Vulnerability Assessment (CVA) tool developed by the Development Academy of the Philippines. The CRR helps agencies assess their level of corruption resistance and progressively develop and implement corruption prevention measures to meet certain standards at every level for organizational integrity. Patterned after the vulnerability assessment guidelines of the United States Office of Budget and Management (US OMB), the CVA determines the susceptibility of agency systems to corruption and adequacy of safeguards to forestall wrongdoings. With the support of the World Bank, the CVA was pilot-tested in the Department of Budget and Management in 2002.

The OMB and the Department of Education were the pilot agencies for the IDR in 2003 with support from the US Agency for International Development (USAID). The OMB, experiencing the success and benefits of the IDR implementation initiated its institutionalization.

The IDR process consists of two stages: Stage 1 involves corruption resistance review via guided self-assessment, indicators research and a survey of randomly employees. Stage 2 demands a detailed process mapping and risk assessment.



Under the European Commission-Office of the Ombudsman Corruption Prevention Project, sixteen (16) public sector agencies are scheduled to undergo the IDR in two cycles. The participating agencies include:

List of IDR Participating Agencies under the EC-OMB Corruption Prevention Project

1st Cycle (5 Agencies) (November 2005 – August 2006)		2nd Cycle (11 Agencies) (December 2006 – August 2007)			
Bureau of Customs	Land Transportation Office	Armed Forces of the Philippines – Philippine Navy	Department of Agrarian Reform	Land Registration Authority	Procurement Service
Bureau of Internal Revenue	Philippine National Police	Bureau of Corrections	Department of Environment and Natural Resources	Light Rail Transit Authority	Philippine Veterans Affairs Office
Department of Public Works and Highways		Bureau of Fire Protection	Department of Health	National Irrigation Administration	

The first cycle was completed in August 2006 while the second commenced in December 2006.

Teams composed of senior technical staff from the oversight agencies and participating agencies will conduct the assessment. These Assessors were nominated by both the oversight and participating agencies and were trained to undertake the field assessment.

The DAP is the implementing agency for the IDR.



II. Overview of the Participating Agency: Philippine Veterans Affairs Office

HISTORY¹

The passage of Philippine Legislature Act No. 2756 on 23 February 1918 paved the way for a law granting monthly pensions to invalids of the Philippine Revolution. This can be considered as the very first legislation on the administration of benefits to *war veterans*. The approval of Commonwealth Act No. 288 on 01 January 1939 created the Board of Pensions for Veterans, the first agency tasked with providing pensions for veterans of the past Philippine Revolution or wars including the revolutionary soldiers of Gen. Emilio Aguinaldo. Subsequently, on 22 August 1940, Commonwealth Act No. 605 created a new Board of Pensions for Veterans thereby absorbing the powers of the former Board. Then came Republic Act No. 65 passed on 18 October 1946, which created the Philippine Veterans Board under the Department of National Defense. This same Act created the Filipino Veterans Bill of Rights, which granted educational benefits, disability and death pensions as well as veterans preference in civil service examinations. On 22 June 1957, Republic Act No. 1889 was enacted creating the Veterans Claims Commission, which adjudicates all unsettled claims of Filipino veterans.



The advent of the Philippine Veterans Administration, pursuant to Republic Act No. 2664 on 18 June 1960, marked the consolidation of the Philippine Veterans Board, Veterans Claims Commission and the Veterans Back Pay Commission into one compact agency, which administered all benefits due to veterans. Consequently, Presidential Decree No. 1 dated 24 September 1972, through Letter of Implementation No. 19, phased out the Philippines Veterans Administration and created the Philippine Veterans Affairs Office (PVAO) under the helm of the Department of National Defense.

The functions of PVAO may be summarized as follows:

- Formulate policies concerning ex-servicemen's affairs, including their placement and training, as well as assistance to widows, dependents and retired personnel;
- Adjudicate and administer their benefits, pensions and other privileges granted to veterans, their heirs and beneficiaries;
- Provide medical care and treatment to veterans pursuant to existing laws;
- Administer, develop and maintains military monuments or shrines.

From its earlier days at Arroceros, Manila to its present office compound at the Camp Aguinaldo, Edsa, PVAO has sought to maintain its service towards an effective and efficient administration of the veterans' rightfully earned privileges.

A veteran, as defined by Republic Act No. 6948 Sec 2(a), refers to any person who rendered honorable military service in the land, sea or air force of the Philippines during the revolution against Spain, the Philippine-American War, World War II, including Filipino citizens who served in Allied Forces in the Philippine Territory and foreign nationals who served in the Philippine forces, the Korean Campaign, the Vietnam Campaign, the Anti-Dissidence Campaign, or other wars and military campaigns; or who rendered military service in the Armed Forces of the Philippines (AFP) and has been honorably discharged or separated after at least six (6) years total cumulative active service, or sooner separated due to death or disability arising from a wound or injury received or sickness or disease incurred in line of duty while in the active service.

¹ Department of National Defense website: www.dnd.gov.ph, March 2007



MANDATE

The PVAO is mandated to perform the administration of veterans' benefits; hospitalization, medical care and treatment of veterans and their dependents; and administration, development and maintenance of national military shrines. The PVAO administers the following benefits:

- Old Age Pension - monthly pension (PhP5,000) granted to a veteran who is at least sixty-five (65) years old. The same amount of pension is granted to the surviving spouse of a deceased veteran regardless of the spouse's age at the time of the veteran's death. (Sec. 10 & 11 of RA 6948 as amended by Sec. 3 & 4 of RA 7696)
- Disability Pension - granted to World War II veterans who were disabled or injured in line of duty and to post-War AFP veterans with a disability discharge rating. (Sec. 5 of RA 6948 as amended by Sec. 2 of RA 7696). The amount of pensions depends on the rate of disability as provided below:

Rate of disability	Amount (09 April 1994 to present)
30%	P1,000
40%	P1,100
50%	P1,200
60%	P1,300
70%	P1,400
80%	P1,500
90%	P1,600
100%	P1,700

Spouse and dependent children of veterans with 100% disability are also entitled to a P500 monthly pension each.

- Death Pension - granted to the surviving spouse and unmarried minor children of a veteran who died in line of duty, or in default thereof, the parents of a deceased veteran with the right of accretion², or to a widow of a disability pensioner who died due to a service connected disability or sickness. (Sec. 12 of RA 6948 as amended by Sec. 5 of RA 7696)

The following table shows the amount of pension given to the deceased veterans' dependents:

Dependents	Amount due	
	09 April 1990 to 08 April 1994	09 April 1994 to present
Surviving Spouse	P500	P 1,000
Unmarried Minor Child	P500	P 1,000
Parents (for each), in case the deceased veteran is single	P500	P 1,000
Single Parent (with accretion)	P500	P2,000

- Total Administrative Disability Benefit - given to a veteran with or without a service-connected disability who upon reaching the age of seventy (70) is deemed totally disabled and shall be entitled to a monthly pension of P1,700.00 plus P500.00 for the spouse and P500.00 for each unmarried minor child. [Sec. 5 (h) of RA 7696]

Since the enactment of RA 7696 in 1994, no appropriation has been made for the payment of this benefit.

² Each parent is entitled to P1,000 monthly pension. In the event that one parent survives the other, he/she will receive the consolidated pension of P2,000.



- Educational Benefits - granted to veterans of World War I, World War II, Philippine Expeditionary Forces to Korea (PEFTOK), Philippine Civic Action Group (PHILCAG) or the surviving spouse or one direct descendant of a veteran in whose favor he renounces such right. (Sec. 3 of RA 6948 as amended by Sec. 1 of RA 7696)
- Hospitalization Benefits - extended to veterans, their spouses, minor unmarried children, and children who are mentally or physically incapacitated regardless of age, and dependent parents of the veteran (at least PhP200/day). The subsidy is now pegged at PhP400/day. (Sec. 17 of RA 6948 as amended by Sec. 6 of RA 7696)
- Burial Assistance (P10,000) - given to the beneficiaries of a deceased veteran to defray his funeral expenses. (Sec. 20 of RA 6946 as amended by Sec. 7 of RA 7696)

VISION

The Philippine Veterans Affairs Office's vision is to be a dynamic, committed and effective organization imbued with the highest standard of integrity, competence and professionalism in delivering benefits and services to all veterans and their beneficiaries, promoting their general welfare and memorializing the veterans' heroic deeds.

MISSION

PVAO embraces a three-fold mission stating its commitment to the veterans, its employees, and the veterans' organizations.

- To the veterans, it commits itself to deliver benefits and services with utmost dedication, efficiency and compassion to improve their general welfare and perpetuate the memory of their heroic deeds.
- To its employees, it pledges to instill in them the value of professionalism, patriotism, integrity, commitment and cheerfulness that shall bind PVAO to move as one in thoughts, words and in deeds; provide opportunities for its employees to grow to their fullest potential both as professional public servants and as persons; and, develop in them a broad understanding of PVAO's directions and priorities.
- To the veterans' organizations, it commits to create a strong partnership and cooperation leveraging on the strength of each partner to build long-term relationships that are mutually rewarding.

ORGANIZATIONAL STRUCTURE

PVAO is one of the five bureaus under the supervision of the Department of National Defense along with the Armed Forces of the Philippines (AFP), Office of the Civil Defense (OCD), The Government Arsenal (GA) and the National Defense College of the Philippines (NDCP).

It is further divided into three sub-units to carry-out its three-fold mandate: PVAO Proper which administers and adjudicates veterans benefits; the Veterans Memorial Medical Center (VMMC) which administers free medical care for the veterans; and, the Military Shrines Service (MSS) which maintains and develops military shrines honoring the heroism of our veterans. The Administrator directly supervises and has operational control over PVAO Proper. On the other hand, the MSS and VMMC while under the supervision of the Administrator, operate autonomously from PVAO Proper, and have their own respective budgets. This integrity development review focuses on the functions and operations of the PVAO Proper. The following figures present the over-all organizational structure of PVAO.



Figure1. DND-PVAO Organization

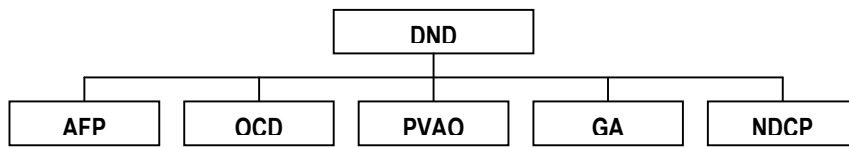
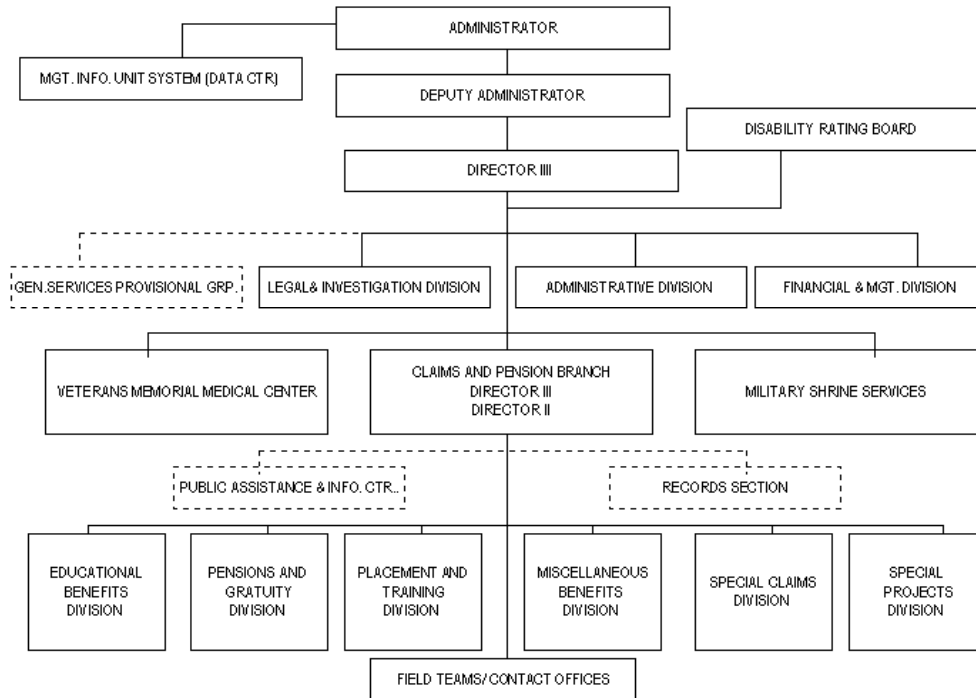


Figure 2. PVAO Organizational Structure*

*Provisional Reorganization per RA 6948





CURRENT PROGRAMS

There are three (3) major programs that the PVAO has initiated to improve its operational efficiency and effectiveness, namely:

1. Revalidation of Pensioners

This is a survey-based, nationwide revalidation of the pensioners' records to ensure that these are updated and that the pensioners are still alive and/or qualified for the benefits. The results of the survey will serve as baseline information for establishing a permanent mechanism to revalidate the status of the pensioners. This revalidation effort has contributed to the recovery of P110M in overpayments for the year 2006.

2. Bank Payment Pension Scheme

This project is a shift from postal delivery of checks to direct bank remittance. At present, around 70% of PVAO's pensioners have already shifted to bank remittance. The PVAO management seeks to increase the coverage of this project to 95% by inviting new banks to participate in the scheme, by renegotiating agreements with existing partner banks and by allowing the use of the partner banks' ATMs. PVAO has signed a Memorandum of Agreement (MOA) for this project with UCPB last November 2006.

3. Consolidation of Veterans File

Presently, the Pensioners' 201 files are arranged by benefit type making the retrieval difficult, given the fact that PVAO has more than 1 million folders of active and inactive claims. Hence, the Records Management Improvement Committee (RMIC) has been created to segregate, dispose unnecessary records, and set retention limits for necessary records.

This project aims to consolidate the 201 files into a "one veteran-one file" approach that is in line with the proposed rationalized PVAO organization where benefits available to veterans and their dependents will be simultaneously processed upon application. This project, however, is hindered by the lack of adequate storage facility and the lack of manpower and financial resources.

BUDGET AND ACTUAL FUNDS: 2006

PVAO is the government agency responsible for administering benefits and services due our veterans and their dependents. To perform its mandate, the National Government appropriated P15.553 billion to finance its programs, activities and projects.

The table below reflects the agency's total allotment from all sources, obligations/expenditures incurred and the unobligated balances, by Expense Class as of December 31, 2006.



Financial Report of Operations

31 December 2006

(in thousand pesos)

Expense Class	Adjusted Allotment	Total Obligations	Balances
<i>Regular Budget</i>			
Personal Services (PS)	90,406	88,520	1,886
Maintenance & Other Operating Expenses (MOOE)	329,144	319,171	9,973
MOOE	68,960	58,987	9,973
Veterans Benefits	260,174	260,184	
Capital Outlay	0	0	
Total Regular Budget	419,550	407,691	
<i>Special Purpose Fund</i>			
Pension	15,133,371	15,133,371	
Grand Total	15,552,921	15,541,062	11,859

Note: From the unobligated balance of P11.859 M, the amount of P 2.859 M is reverted to the General Fund; while the P9M [MOOE], is taken up as Continuing Appropriations.

Personal Services (PS). The total obligations of **P 88.520 Million** was used to cover payment of salaries and wages of permanent and non-permanent personnel; commutable allowances and fringe benefits (RATA and honoraria); year-end bonus and other authorized incentives; other benefits (PERA, ADCOM, clothing/uniform allowances); laundry/subsistence allowance of health workers and Productivity Incentive Benefits (PIB); and government share of fixed personnel expenditures such as retirement and life Insurance premium, Pag-IBIG contribution, health insurance premium and ECIP); and terminal leave benefits of personnel who have retired from the service in 2006.

Maintenance and Other Operating Expenses (MOOE). A total expenditure of **P319.171** million was used for the following: (1) MOOE (regular) the amount of P 58.987 million to cover authorized travel, communication, supplies and materials, repair and maintenance of office buildings and equipment, rents, training, light and water, professional services, and all other expenses incurred for the year; and (2) Other Benefits amounting to P260.184 million, which includes settlement of other benefits due to veterans and their dependents. Although these are mandatory benefits under RA 6948 and RA 7696 (and not operating expenses) these are included under MOOE, broken down as follows: a. Educational Benefits (P 188.870M), b) Burial Assistance (P 69.845 M) and c) Hospitalization (P1.469 M).

Special Purpose Fund. The total Pension Fund of P15.133 billion covered the following pension benefits:

<i>A. Regular Pension</i>	
Old Age Pension	P12.711B
Disability Pension	0.223
Death Pension	0.565
Sub-Total	13.499B



<i>B. Arrearages in Pension</i>	
Old Age Pension	P1.546B
Disability Pension	0.001
Death Pension	0.087
Sub-Total	1.634B
Total	P15.133B

Note: P414 Million in arrearages is taken up as Accounts Payable. There is no equivalent cash allocation released during the year.

BUDGET DATA FOR FY 2007

For fiscal year 2007, the agency has a total appropriation of P15.559 billion. Of which, P 80.596 million will go to PS, P209.933 will go to MOOE. The latter will be further divided into regular MOOE (P76.043M) and the settlement of other benefits (P133.890M). The funds for pension benefits are broken down as: a) educational benefits (P 58M), b) burial assistance (P 71.482 M) and c) hospitalization (P4.408 M). A measly P80,000 pesos is allotted for Capital Outlay to be used to procure much needed office equipment.

FY 2007 Appropriations (RA 9401) (in thousand pesos)

Expense Class	Total Appropriations
<i>Regular Budget</i>	
Personal Services (PS)	85,778
Maintenance & Other Operating Expenses (MOOE)	209,933
MOOE	76,043
Veterans Benefits	133,890
Capital Outlay	80
Total Regular Budget	295,791
<i>Special Purpose Fund</i>	
Pension	15,263,336
Regular Pension	13,499,336
Arrearages in Pension	1,764,000
Grand Total	15,559,127

A total of P15.263 billion pesos of Special Purpose Funds will cover payments for the regular monthly pension and arrearages in pension of veterans and surviving spouses as follows:

<i>A. Regular Pension</i>	
Old Age Pension	P12.725 B
Disability Pension	0.237 B
Death Pension	0.537 B
Sub-Total	13.499B



<i>B. Arrearages in Pension</i>	
Old Age Pension	P1.531B
Death Pension	0.233
Sub-Total	1.764B
Total	P15.263B

PENSIONER PROFILE

PVAO currently has an estimated 257,539 pensioners, 77.76% of which receives Old Age Pensions (47.88%-spouses, 29.88%-veterans), 15.67% Death Pensions and 6.57% Disability Pensions. It should be noted however that since some pensioners receive multiple benefits, the number of individuals actually receiving the pension is lower.

The distribution of pensioners per type of benefit as of June 2006 is depicted as follows:

Table 3. Pensioner Profile (As of June 2006)

Type of Pension	Number of Pensioners
Old Age Pensioners – Spouses	123, 312
Old Age Pensioners – Veterans	76, 947
Death Pensioners	40,348
Disability Pensioners	16,923
Total:	257, 530

Table 4. Budget per Type of Pension, 2005 - 2006

Pension Type	As of December 2005		Total Payments		Balance as of November 2006	
	Number	Amount (P'000)	Number	Amount (P'000)	Number	Amount (P'000)
Old Age Pension	56,441	5,880,693	10,236	1,379,418	46,175	4,501,275
Death Pension	10,997	513,549	3,258	141,866	7,739	371,683
Sub Total	67,408	6,394,242	13,494	1,521,284	53,914	4,872,958
Accrued Pension	1,073	260,226			1,073	260,226
Administrative Total	83,320	20,279,374			83,320	21,676,774
Disability						
Total Pensioners	151,801	26,933,842	13,494	1,521,284	138,307	26,809,958

MANPOWER COMPLEMENT

Promotion and Permanent Recruitment have been temporarily suspended due to the provisions stated in the AO 103 (2003) and EO 366 (2005), thus, many vacant authorized slots have not been filled yet. PVAO's present manpower complement is summarized by the table below:



Table 5. Manpower (PVAO and MSS), 2006

Status	Authorized			Filled / Existing			Vacant		
	PVAO	MSS	Total	PVAO	MSS	Total	PVAO	MSS	Total
Permanent	412	72	484	334	68	412	78	4	82
Casual	140	0	140	107	0	107	33		33
Sub Total	552	72	624	441	68	509	111	4	115
Military Personnel	0	0	0		10	10		(10)	(10)
Contractual	0	0	0	9	0	9	(9)		(9)
Total	552	72	624	450	78	528	92	(6)	86



III. Assessment Methodology

A. Corruption Resistance Review Methodology

The CRR is Phase 1 of the Integrity Development Review. CRR is conducted in stages with two main components:

Stage 1: Integrity Development Assessment. This is also called the guided self-assessment undertaken in a focus group discussion (FGD) where participants are requested to rate the efforts of their agency to put in place measures that can prevent and/ or forestall corruption. This tool does not measure or determine incidences of corruption, but rather identifies the areas where the agency has placed systems to prevent corruption. There are 10 dimensions for review:

1. Leadership
2. Code of Conduct
3. Gifts and Benefits Policy
4. Human Resource Management: Recruitment, Selection and Movement of Personnel
5. Performance Management
6. Procurement Management
7. Financial Management: Budgeting, Accounting, Cash Handling
8. Whistleblowing, Internal Reporting and Investigation
9. Corruption Risk Management
10. Interface with External Environment

For each dimension, the agency can assess their levels of achievement vis-à-vis a five-point scale. The assessment yields possible steps that the agency can undertake to advance to the next level.

Stage 2: Survey of Employees. This is a means to check the deployment of integrity building measures and solicit feedback from employees on:

- Their personal experiences with integrity building measures of the agency;
- Clarity of guidelines and procedures (particularly when they serve as safeguards);
- Effectiveness of corruption prevention measures; and
- Their suggestions for improvement

The survey uses the sealed envelope technique to encourage honest feedback and ensure the confidentiality of respondents and responses.

Stage 3: Research Indicators. This is where documents are collected and analyzed to support the ratings made during the IDA process.



B. Corruption Vulnerability Assessment Process

A key step in addressing corruption is to understand the nature of the problem and then define its extent. This is where vulnerability analysis becomes useful. CVA entails detailed examination of the general control environment of the agency, the inherent risk of corruption in agency operations, and the adequacy of existing safeguards. A risk is defined as anything that could jeopardize the achievement of the agency's objectives. In the context of vulnerability assessment, a risk is taken to mean an element or factor that can induce deceit, malfeasance, or abuse of power or position for private gain.

Vulnerability means the probability that corruption occurs or will occur and not be prevented or detected in a timely manner by the internal controls in place. Vulnerability is estimated by considering both the threat's inherent risk and the condition of the internal control. Corruption vulnerability differs from extent or level of corruption in an agency. A "clean" agency may have high vulnerability to corrupt acts due to weak control systems. CVA does not measure the extent of corruption in an agency. As an analytical tool, CVA will principally help decision-makers to detect susceptibility of systems, policies and procedures to corruption. The fact-based information that can be gathered from systematic assessment can be used by agencies to institute appropriate corrective and preventive measures.

The purpose of the CVA is to examine the high-risk activities and/or functions and assess the probability that corruption occurs or will occur and not be prevented or detected in a timely manner by the internal controls in place. Based on the vulnerabilities identified by the agency or surfaced from CRR, a detailed investigation and risk assessment of selected activities, functions, processes, procedures, and/or controls is carried out. The assessment involves process mapping, identification and classification of risks, checking of existing controls, and evaluation of adequacy of safeguards. Data and information may be culled from document review, key informant interviews, and process observation to the extent possible.

IDR at the Philippine Veterans Affairs Office

The Integrity Development Review (IDR) of the Philippine Veterans Affairs was done from January to June of 2007.

Selection of Sites

Four (4) field offices were selected to be the assessment sites - two from Luzon and two from Mindanao. The sites were selected based on the number of clients they have or the volume of transactions, geographical location and their overall performances. Two sub-teams were deployed simultaneously from 12 to 17 February 2007 to conduct the initial phase of the IDR. Since there was only a limited number of field staff, all staff was surveyed. The survey was administered first prior to the focus group discussions (IDA) to shield the survey results from probable biases resulting from the IDA discussion.

The PVAO CRR was conducted in five (5) sites, namely: the Central Office (CO) in Camp Aguinaldo and four (4) selected field teams in La Union (Field Team 1), Baguio City (Field Team CAR), Cagayan de Oro City (Field Team 10) and Davao City (Field Team 11).

Only three sites were visited for the second phase of the process, with the Field Team in Dagupan as an addition to the Luzon field offices that were visited during the first phase. The schedule of activities were as follows:



Table 6. Timetable of IDR Activities, Jan – June 2007

Activity	Central Office	La Union	Baguio	Cagayan de Oro	Davao
No. of Staff		6	3	3	3
CRR					
IDA	24 Jan.	13 Feb.	15 Feb.	13 Feb.	14 Feb.
Survey of Employees	29-30 Jan.	13 Feb.	15 Feb.	12 Feb.	15 Feb.
Indicators Research	26 Feb. to 08 Mar.	14 Feb.	16 Feb.	13 Feb.	16 Feb.
CVA					
Activity	Central Office	La Union	Baguio	Dagupan	
CVA	21-25 May; 12-14 June	29-30 May	30-31 May	28 May	

The PVAO IDR Team composed of nine (9) assessors, specifically two (2) from DAP, three (3) from OMB, one (1) from COA, and three (3) from PVAO, conducted the Integrity Development Assessment on January 24, 2007 at the PVAO Central Office. Sixteen (16) senior officials participated in the activity, which was held for the whole day.

Integrity Development Assessment

The process started with an overview given by the Project Director (DAP) as well as rating process, which is being used for the IDA. Each Assessor explained the dimensions and participants were given reasonable time to self-rate their agencies and then discuss and come up with a single agency consensus score per dimension.

PVAO top officials decided to voluntarily abstained from participating in the discussion, so as to allow the free exchange of ideas and opinion among senior managers and process owners of PVAO.

During the consensus building, participants with the lowest and highest scores were first to explain how they arrived at their respective scores. Upgrading or downgrading of scores ensued as each participant explains the basis of their self-ratings. The Assessment Team however cautioned each participant, particularly process owners to provide objective evidences to support the agency's final rating.

Survey of Employees

A total of 115 respondents were interviewed from the Philippine Veterans Affairs Office (PVAO) coming from 3 sites: Central Office (CO), La Union/Baguio and Cagayan de Oro/Davao.

Corruption Vulnerability Assessment

The second phase of the IDR will only focus on three (3) mission critical or highly vulnerable functions based the results of the initial assessment and IDA ratings. Since the bulk of the transactions are on Old Age Pension processing, this has been made a priority area. And since performance management and financial management impacts greatly on the performance of PVAOs mandate, these were likewise selected for assessment.



1. Leadership

The role that leadership plays in promoting integrity in the organization cannot be over emphasized. In a society where institutions need to be strengthened, leadership in most cases determines the way an organization deals with the issue of integrity building. This dimension considers the equal importance of what a leader does and with what he or she professes.

Senior leaders and officials are key in setting values and directions, promoting, practicing, and rewarding good governance, using performance management in proactively addressing ethical and accountability requirements. Many times resoluteness of the leadership determines the success of corruption prevention initiatives. Given the wide scope given to them, opportunities for abuse of authority should be carefully monitored. The agency should set clear organizational policies and structure in decision-making and accountability for senior leaders and officials.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ Senior leaders set organizational values, short and long-term directions and performance expectations. ▪ Senior leaders articulate the importance for everyone in the organization to be ethical in their behavior and in dealing with all stakeholders. ▪ Senior leaders have clearly defined authorities and accountabilities.
2	<ul style="list-style-type: none"> ▪ Senior leaders deploy organizational values, short and longer-term directions and performance expectations. ▪ Senior leaders take proactive steps to discourage staff from engaging in corrupt practices.
3	<ul style="list-style-type: none"> ▪ Senior leaders have specific responsibilities for prevention and detection of corruption. ▪ Senior leaders are trained on corruption prevention and detection.
4	<ul style="list-style-type: none"> ▪ Practices and performance of senior leaders in preventing and detecting corruption are regularly reviewed/evaluated. ▪ Decisions/actions of senior leaders are randomly checked for possible abuse of authority/discretion, conflict of interest. ▪ Integrity enhancement/ corruption prevention are integrated in management functions.
5	<ul style="list-style-type: none"> ▪ The agency reviews the effectiveness of its leadership organization in enhancing the integrity in the organization. ▪ Results of the review are used to strengthen the agency's leadership organization and system.

1.1 PVAO's Leadership Structure

The Philippine Veterans Affairs Office (PVAO) is headed by an Administrator, whose functions are as defined under Letter of Instruction (LOI) No. 19, namely:

1. Exercise supervision and control over all units including field teams under it;
2. Promulgate rules and regulations to carry out the policies and attain objectives of the office;
3. Represent PVAO in legislative policy making and program development bodies;
4. Approve long-range plans for the promotion of veterans' welfare including their widows, orphans, and other dependents; and
5. Perform such other functions as may be provided by law.

The same law also provides that PVAO will be headed by an Administrator and not more than one Deputy Administrator. Under PVAO's current set-up, the Administrator is supported by one (1) Deputy Administrator and 438 support officials and staff throughout the country, which include casual and contractual employees.



PVAO is mandated to perform the following functions under Presidential Decree No. 1, as implemented by LOI 19, namely:

- Formulate policies concerning ex-servicemen's affairs, including their placement and training, as well as assistance to widows, dependents and retired personnel;
- Adjudicate and administer their benefits, pensions and other privileges granted to veterans, their heirs and beneficiaries;
- Provide medical care and treatment to veterans pursuant to existing laws;
- Administer, develop and maintains military monuments or shrines.

The first two mandated functions are being taken charge by the Claims and Pensions Branch while the third and fourth, by the Veterans Memorial Medical Center and the Military Shrines Services, respectively. It is worth to note, however, that only the last three (3) defined functions are being actively carried out by PVAO at present.

1.2 Assessment

Leadership	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	1	0	0	0	0	
Deployment Rating	50-60%	--	--	--	--	10-20%
Validated Rating	1	0	0	0	0	1

It is noteworthy that while the FGD participants from the Central Office arrived at a consensus rating of (1), FGD participants from the Field Teams all gave this particular dimension a (0) rating.

Central Office. During the validation at the Central office, evidences showing that senior leaders set organizational values, short and long term directions, and performance expectation, were gathered, such as: statements of mission, vision, and thrusts of PVAO as found in conspicuous places and on some documents like the Rationalization Plan dated 13 November 2006 and submitted on 30 Nov 2006 (pursuant to E.O 366 dtd. 04 Oct 2004); Primer on Veterans Benefits, which also includes statement about PVAO's mandate, history, mission, vision and Q&As, as well as office directories of offices, officials and hotlines; PVAOs Strategic Plan; and Accomplishment Report for CY 2005 & 2006.

Whether the Office has a long term plan was one of the points of contention during the discussion. One participant cannot agree that they have one.

Also gathered were another set of documents showing that senior leaders regularly articulate the importance for everyone in the organization to be ethical in their behavior and dealing with all stakeholder. These documents include LO 05-017 authorizing HRMO III Corazon Fernando to attend a three (3) day Seminar-Workshop on Public Service Ethics and Accountability; handwritten instruction of the Administrator to Admin & LID, dated 06 November 06 - attached to the OMB Compilation of Laws on Graft and Corruption – to “prepare series of lecturettes based on the attached manual to be given during flag raising in lieu of updates”; LO-07-002 authorizing R.O. Ana Nacis to attend Hotline/Help Desk System Training Course under the EC-OMB Corruption Prevention Project; LO-06-073 authorizing RO Ana Nacis to attend the “Ehem! Aha! Anti-Corruption Seminar” of the Office of the Ombudsman; Certificate of Attendance relative to Item 4 above; LO-06-052 authorizing 10 personnel to attend in the flag raising ceremony re: 18th foundation anniversary of the Ombudsman, with proof of receipt by the participants; LO 06-023 authorizing the Head of PVAO Reg. 11 to attend to a seminar -workshop for “customer delight”, with proof of receipt; LO-05-156 authorizing certain officials to attend to a 2-day seminar on “Countering Corruption through Integrity Development”; LO-05-155 authorizing RO Ana Nacis to attend seminar and nationwide FGD on “Whistleblowing and Tipping Project”.

Documents showing that leaders have clearly defined authorities and accountabilities were also gathered. These include an electronic copy of PVAO's Manual of Operations which clearly defines duties & responsibilities of officials and employees, including their names/titles, as well as organizational and functional charts; OO-05-035



creating PVAO Sub-Change Management Team, with the team's clearly defined duties and responsibilities; OO-06-008 designating certain personnel to the PVAO PRAISE Committee, with instructions to strictly observe the functions enumerated in CSC MC 01, series of 2001; OO-05-025 creating a fact-finding committee with clearly delineated functions; and OO-06-051 reconstituting PVAO's Selection Board with clearly defined duties.

The foregoing findings have established enough bases for giving PVAO Central Office meets a rating of one (1).

Field Team No. 1 (La Union). The participants agreed on a rating of (0). There appears to be a big gap insofar as deployment of policies to the field office is concerned. Obviously, no one knew about the PVAO's strategic plan, more so its annual accomplishment reports. This notwithstanding, indicators were gathered that can be considered as their respective strengths like the existence of mission and vision statements posted on conspicuous places of the office, as well as copy of the clear book which delineates their duties and accountabilities. Other than these, no other indicators were validated. The findings merit a rating of (0).

Field Team CAR (Baguio). The participants also agreed on a rating of (0). The same findings in Field Team 1 were also established. There is a big deployment gap insofar as policies are concerned. However, mission and vision statements were found posted on conspicuous places, in the same manner that a copy of the clear book which delineates their duties and accountabilities exist. Other than these, no other indicators were validated. The findings merit a rating of (0).

Field Team No. 10 (CDO). The field teams' rating for this Dimension was (0) Like the other field offices, there is strong indication of a deployment gap. But even so, some indicators that could be considered strength were found. These include the existence of mission and vision statements posted in a conspicuous place; and the existence of a clear book clearly defining their duties and responsibilities. Noticeably, the participants have an inkling of some oversight policies because the chief of office came from the CO. But aside from the foregoing, no other indicators under Level 1 were established, hence, a validated rating of (0).

Field Team No. 11 (Davao). The consensus rating is (0). During the validation, not one indicator was validated. However, some strengths were also noted. As in other field teams, there are mission and vision statements posted in conspicuous places of the office, there is a copy of the clear book clearly delineating their duties and responsibilities. However, these were not sufficient to merit a rating more than (0).

During the validation, it was noted that there is limited awareness of the Strategic Plan that the Office has formulated in the recent past. Some interviews also points to the ambiguity of responsibilities among managers, there is even an observation that management decisions are mostly undocumented, and if there are, these are not translated into policies.

The ongoing Rationalization Program of the government provides an opportunity for the leadership of PVAO to institute the necessary changes in its organizational structure, it should however, consider the formulation, dissemination and integration of policies, including the identification of accountable units for its implementation as a major reform area.

1.3 Survey Results

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
Employees are consulted on policies that concern them.	2.24	2.67	1.83	2.24
Employees are consulted in making decisions.	2.56	3.25	2.00	2.59
Lines of communication are open.	2.33	2.75	2.33	2.36

On the question of whether employees are consulted on policies that concern them, respondents from CO gave a slightly positive net agreement, which means that they see policy making as a shared responsibility of the management and employees. In CDO/DVO, respondents registered a moderately positive net agreement, which means that personnel from this Field Team, to a higher extent, believe that their opinions matter when it comes to



policy making In contrast, respondents from LU/Baguio gave a slightly negative net agreement, which suggests their perception that they are in most cases neglected/ignored by the management insofar as policy making is concerned. The seeming contrast in perception could have been on account of the fact that some, or probably most, of the respondents from the CO are supervisory employees, while those from CDO/DVO may have been transferred/reassigned from CO. Despite the foregoing, the agency still registered a slightly positive net agreement.

On whether employees are consulted in decision-making, various responses were elicited. Respondents from La Union/Baguio gave a highly negative net agreement, suggesting that they do not see themselves as taking part in decision-making process of the office. Comparatively, the slightly negative net agreement of the respondents from the CO suggest their slight disagreement, at the same time shows a little deviation from their answer to previous question. Respondents from CDO/DVO, on the other hand, posted a moderately positive net agreement, showing their consistent trust in the way the management formulates decisions.

On the question of whether communication lines are open, both respondents from CO and CDO/DVO gave a slightly positive net agreement, which suggest that they somewhat view management as reachable, open to suggestions and does not maintain/observe any communication gap. Respondents from LU/Baguio on the other hand gave a slightly negative net agreement.

The following table shows that, on the average, the respondents elicit a moderately positive net agreement to the statements pertaining to their view of how the managers use their authority and if the managers inspire employees to be professional. We can also see however, that the La Union and Baguio field teams gave the lowest net agreement while the field teams in CDO and Davao gave the highest net agreement.

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
Managers in our agency do not abuse their authority.	2.00	2.00	1.20	1.96
Managers in our agency inspire employees to be professional.	2.15	2.38	1.33	2.12

Succeeding this page is the table presenting the responses for the open-ended questions in the survey. Among all the suggestions, we will see that the highest frequency was attained by responses emphasizing leadership by example and transparency, followed by the need for a strict implementation of Standard Operating Procedures and Penalties, and more opportunities for personnel development and information dissemination.



What can you suggest to improve/further improve the leadership's contribution in preventing corruption in your agency?	Frequency	Percentage
Leadership by example, be transparent, wag pagtakpan ang may mga kasalanan, avoid "barkada" system during office hours, be fair, be open, moral values, lessen red tapes, be firm in decisions	39	31.20%
Fast and fair processing, strictly implement and adhere to SOPs, take action on reports about corruption, penalize accordingly guilty offenders, polish policies to make them clear	27	21.60%
Provide trainings and seminars, improve information dissemination campaign, personal development, constant communication between head and employees, monitor regularly employees, conduct general assemblies, conduct lifestyle check	24	19.20%
Increase salary of workers, automate payment of arrears, implement reward system, lower taxes	14	11.20%
Ban fixers in PVAO premises, remove corrupt officials and employees, tighten security at the gate	5	4.00%
Allocate funds for operating expenses of each unit, fund for payment of agency debts	2	1.60%
Hire additional manpower to expedite processing	2	1.60%
Create a one-stop-shop to facilitate all transactions	1	0.80%
Implement payment of arrears/pension by masterlist policy	1	0.80%
Establish a system of pinpointing responsibilities	1	0.80%
Nothing to share, none, no suggestions, wala akong alam, ok naman ang manager	9	7.20%
	125	100.00%

1.4 Next Steps

The management needs to take more proactive steps in setting organizational values particularly geared not only on systems improvement but also on corruption prevention, and ascertaining their deployment not only to the entire Office, but to all stakeholders as well. It is imperative for the Office to institute the necessary organizational changes in the light of the Rationalization Program to improve its operational efficiency and effectiveness. Clear definition of roles in the formulation and implementation of key policy interventions is critical not only in delivering better public services but also in minimizing incidences of unethical behavior and irregular activities.

Since there is a marked limitation on the involvement of key process owners, middle management and key stakeholders in the formulation of plans, targets and activities, a more participative process may be employed not just to widen the base for inputs but likewise foster ownership of the plans and targets set.



2. Code of Conduct

A code of conduct sets out the standards of behavior expected of staff. It defines desirable behavior for all types of work in the agency. The existence of a code of conduct should not be seen as an end in itself. For the code of conduct to become an effective integrity enhancement measure, its form and content must be appropriate and relevant for the agency. The end goal of a Code of Conduct is to define the behavior of officers and employees and should therefore be communicated, promoted and taught to all personnel of the agency and integrated in the various aspects of its operation.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency has a general code of conduct (RA 6713). ▪ The agency monitors annual submission of Statement of Assets and Liabilities and Net Worth (SALN) and disclosures of business interests and financial connection.
2	<ul style="list-style-type: none"> ▪ The agency has a customized Code of Conduct, which has concrete examples of ethically acceptable/non-acceptable practices and situations of conflicts of interest that are relevant to the different types of work carried out by the agency. ▪ There is a program for promotion (e.g. orientation) of the agency Code of Conduct.
3	<ul style="list-style-type: none"> ▪ The agency Code of Conduct is consistently enforced, with managers having clear tasks of promoting and monitoring compliance. ▪ Violations of the agency Code of Conduct are sanctioned. Rewards are given to employees who consistently exhibit behaviors that are consistent with the agency Code of Conduct.
4	<ul style="list-style-type: none"> ▪ The agency Code of Conduct has been integrated in key systems and mission critical functions (e.g. applicable provisions of the Code of Conduct are included in contracts with external parties). ▪ Employees' record of adherence to or violation of the Code of Conduct is used as basis for promotion. ▪ Disclosures of employees from SALN are analyzed and appropriate actions are taken.
5	<ul style="list-style-type: none"> ▪ The agency Code of Conduct is regularly reviewed for effectiveness in preventing corruption and in specifying and promoting the desired behavior of employees. ▪ Results of the review are used to strengthen the agency's Code of Conduct.

2.1 PVAO's Customized Code of Conduct

The drafting of the Agency Code of Conduct, which took two (2) to three (3) months, was spearheaded by Commodore Artemio Arugay in 2002. The code was a product of a collation of data gathered from the government formulated RA 6713 (Code of Conduct and Ethical Standards for Public Employees) and the AFP Code adapted for the PVAO Context. An Office of the Inspectorate was temporarily established to oversee the drafting and dissemination of the same. Before the code's final approval, the draft was circulated among the Division Chiefs to give way to their comments and suggestions. After the pooling of all viable comments and suggestions and final additions by the Inspectorate, the code was finally approved by the DND under the leadership of Secretary Angelo Reyes.

The Agency Code of Conduct's aim is to raise the awareness of employees to the mandate, vision and mission of PVAO. It is also an endeavor to promote among the employees the values of responsibility, honesty, discipline and respect for elders and women, as these values are greatly needed to effectively and efficiently carry out the mandate of PVAO.

After the code's approval, a copy was given to each of the Division Chiefs with the instruction that it should be read by all employees under them. The Code of Conduct is also supposed to be read by all new employees as this matter is presumed to be included in the employment contract. However, in the event of Comm. Arugay's



resignation, the deployment of the Agency Customized Code of Conduct Project, along with the Inspectorate, was put out of precedence.

2.2 Assessment

Code of Conduct	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	3	0	1	0	0	
Deployment Rating	50-60%	--	50-60%	--	--	50-60%
Validated Rating	3	0	1	0	0	1

Central Office. The Code of Conduct is defined as setting out of the standards of behavior expected of staff as well as all types of behavior in the agency. In the Philippine Veteran Affairs Office this matter was extensively tackled to determine the level of achievements the agency has as of the moment.

After being briefed on the different areas of coverage for each dimensions, the members with the facilitation of the concerned IDR assessor, discussed the different indicators to wit:

All senior managers agree that the agency has a general code of conduct, which is RA 6713. They professed that this general code of conduct had been disseminated to all its officials and employees. A copy of RA 6713 and the employees' handbook are kept in the library.

The agency has a customized code of conduct, which was formulated in 2002 that has concrete examples of ethically acceptable and non-acceptable practices and situations of conflict of interest relevant to the different types of work carried out by the agency. It was a curious observation though that during the discussion, no one from the participants can locate a single copy of the Agency Code. A heated debate ensued when dissemination of the Code was discussed. In the end it was agreed that there was an orientation made on the same several years ago. A memorandum was provided by the Personnel Division that shows discussion of RA 6713 was a part of a reorientation seminar conducted in 2002; however, it should be noted that the 2nd level requires dissemination of the customized code and not RA 6713. Only a single copy of the Agency Code was obtained after a thorough search in key offices.

The Division Chief of the Personnel Office reasoned that their failure to conduct the necessary orientation on the Code was due to Administrative Order No. 103 that prescribes observance of austerity measures including the suspension of training activities.

The participants agree that the Agency Code is consistently enforced though no specific details were provided. They also state that managers by the nature of the responsibility, monitors its compliance and that violations are sanctioned. They reasoned that when an employee is penalized for any administrative infraction, the employee is likewise deemed penalized for the applicable provisions of the agency code.

They also claim that rewards are given to employees who exhibit exemplary behavior but no records were provided to verify the claim, specifically as to the nature of the reward, frequency of administration and sample list of recipients.

They agree unanimously that the agency monitors the annual submission of the personnel SALN. They reasoned that this being a requirement of the law, its compliance is being strictly monitored, even at the field levels. These SALN are collectively endorsed to the Civil Service Commission for filing, hence non-compliance can be immediately detected.

Respective copies of the agency's endorsement to the Civil Service Commission of the employees SALN for the year 2004 and 2005 had been obtained.

Participants arrived at a consensus rating of three (3); however, after validation, the rating can only be placed at one (1) with a deployment score of 50-60%.



In this dimension the main discrepancy between the rating of the central office and the field offices is in the area of deployment of RA 6713. Though almost all employees are aware of the existence of the law, field offices are not provided by the central office a copy of said law or its implementing guidelines. Only Baguio City field office has a copy of the same and it did not come from the central office but from the Civil Service Commission.

As to the discrepancy between the consensus rating of the central office, which is three (3), and the validated rating of the undersigned assessor which is 1, Central office raters relied on their perception and conclusion on the level of compliance or deployment. Take the agency code of conduct for example; it is a known fact among the PVAO personnel, that it exists but only a few employees had seen it, much less, read it.

Thus deployment should be given more emphasis as the existence of a code or regulation will not do any good to the organization if the persons suppose to be affected by the same are not properly informed.

Field Team No. 1 (La Union). The Field Team gave a rating of zero (0) because they know that the agency has a general code of conduct though they are not updated on the matter by the central office. However they have a copy of a reviewer for the said code courtesy of the Civil Service Commission. The Field Office monitors the annual submission of SALN as shown by the official transmittal of the same to the main office. However, there is no customized agency code of conduct.

Field Team CAR (Baguio). The Office has a copy of RA 6713. The office faithfully monitors the annual submission of the personnel SALN. The consensus arrived at a rating of one (1).

Field Team No. 10 (CDO). The Field Office monitors the annual submission of SALN as shown by the official transmittal of the same to the main office. There are no copies of RA 6713 and customized agency code of conduct. The consensus rating was zero (0).

Field Team No. 11 (Davao). The Field Office monitors the annual submission of SALN as shown by the official transmittal of the same to the main office. There are also no copies of RA 6713 and has no customized agency code of conduct. The consensus rating was also zero (0).

Of the four field offices visited, only Baguio City office rated themselves 1 in this dimension, as they were able to produce a copy of RA 6713, which they obtained from the Civil Service Commission. Other provincial offices only produced their respective copies of the transmittal to the central office of their respective SALN.

In view of the same the undersigned assessor believes that the proper rating for the dimension of Code of Conduct is one (1). The existence though of the agency Code of Conduct is a strength which should be properly acknowledged.



2.3 Survey Results

Statement	Response	Central	LU/Baguio	CDO/DVO
Does your agency have a written code of conduct?	Yes	77.00%	88.89%	100.00%
	No	23.00%	11.11%	0.00%
Did you submit your SALN for 2005?	Yes	95.00%	100.00%	100.00%
	No	5.00%	0.00%	0.00%

We can see from the preceding table that the CDO/DVO field team posted a 100% awareness of the agency code of conduct and a 100% submission of SALN for 2005 as well. While the LU/Baguio field team also posted a 100% submission of the 2005 SALN, a small percentage of 11.11 (one respondent) claimed a lack of awareness of the agency code of conduct.

The Central Office Respondents, on the other hand, posted a considerably high awareness of the agency code of conduct (77/100), despite actual non-dissemination and a 95% adherence to the submission of SALN for 2005.

The results of the survey in this dimension are particularly curious because despite the non-dissemination of the Code, majority of the respondents claimed that they have a code and that they have received an orientation about it.

Statements	Central	LU/Baguio	CDO/DVO	Agency Rating
A written code of conduct is being followed in our agency.	1.97	2.14	1.83	1.98
Adequate orientation on the code of conduct and other corruption prevention measures are provided in our agency.	2.26	2.67	2.00	2.27
Those who violate the code of conduct are punished.	2.11	2.67	2.20	2.16

The respondents who stated an awareness of the agency code of conduct gave a slight to moderate net agreement on the statements concerning the code of conduct's adherence, orientation, monitoring/implementation.

2.4 Next Steps

The customized Code of Conduct of the agency indicated the seriousness of the Administration to elicit desirable behavior from its officers and staff, however, there is a need for a proactive action on its dissemination and implementation. While it is true that there are perennial budgetary problems on training, this does not preclude the agency from conducting simple orientation/workshops on the Code. It is also important to identify the responsible units/persons for its promotion and implementation to clarify accountabilities. It is only appropriate to delegate this task to the Administrative Office, particularly those handling HR functions.

There should also be a conscious effort to engage the support of its key stakeholders and their organization so that reforms may be more sustainable.

There is a need for the enhancement of the existing customized code of conduct by clearly defining the positive acts or duties required of an official or employee, the prohibited acts, as well as the corresponding consequential penalty or sanction for their violations.

The agency likewise needs to strengthen the definition, installation and monitoring of its rewards/incentives system, including the sanctioning of unethical behavior. This should also be integrated in other critical organizational processes, such as procurement and promotions of officers/staff.



3. Gifts and Benefits Policy

Gifts are offered innocently or solicited as bribes. Similarly, the recipient's work may place them in a situation where they could give or receive personal benefits, which might include preferential treatment, promotion or access to information. The acceptance of a gift or benefit can in some circumstances create a sense of obligation that may compromise the official/employee's honesty and impartiality. Agencies need to have policies and procedures in place to deal with gifts and benefits and also need to promote their policies and procedures to their staff/officials and clients.

Gifts refer to a thing and or a right disposed of gratuitously, or any act of liberality, in favor of another who accepts it, and shall include a simulated sale or an ostensibly onerous disposition thereof.

A step in ensuring that agencies deal effectively with offers of gifts is to establish a registry of gifts (as is practiced in other countries) and ensure that all staff (and where necessary the community and clients as well) is fully aware of it. The registry should record information on the date, name of the person and/or organization offering the gift, name and position of the intended recipient, type and value of gift, decision taken regarding what should happen to the gift. A gift registry can help enhance transparency and reduce tolerance to abuse.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency has a written policy on solicitation and acceptance of gifts with relevant examples that is consistent with RA 6713 and RA 3019. ▪ The agency has written guidelines for donations. ▪ The agency has a written policy on offers of bribe.
2	<ul style="list-style-type: none"> ▪ The agency has a program on the promotion of the policy on solicitation and acceptance of gifts, for both internal and external stakeholders. ▪ The agency has a registry for gifts, donations and institutional tokens.
3	<ul style="list-style-type: none"> ▪ The policy on solicitation and acceptance of gifts is consistently enforced, with managers having clear tasks of promotion and monitoring compliance. ▪ The gifts and benefits received and documented are disposed of according to procedures defined in the agency policy. ▪ Rewards are given to those who report offers of bribes. ▪ Sanctions are applied to officials and staff who fail to comply with the policy.
4	<ul style="list-style-type: none"> ▪ The registry of gifts is available for examination by internal and external stakeholders. ▪ The gifts in register and reported bribes are regularly reviewed and examined vis-à-vis decisions and treatment of agency's stakeholders.
5	<ul style="list-style-type: none"> ▪ The agency's policy on solicitation and acceptance of gifts is regularly reviewed for effectiveness. ▪ Results of the review are used to tighten agency's policy on solicitation and acceptance of gifts and benefits.

3.1 Solicitation and Acceptance of Gifts

PVAO has no written policy on solicitation and acceptance of gifts that is consistent with RA 6713 and RA 3019 (Anti-Graft and Corrupt Practices). Nor does it have any written guidelines for donation and on offer of bribes. Hence, PVAO (CO and regions) was rated zero (0) for this dimension.



3.2 Assessment

Gifts and Benefits Policy	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	0	0	0	0	0	0
Deployment Rating	--	--	--	--	--	--
Validated Rating	0	0	0	0	0	0

Central Office. PVAO claims that the agency disseminates to its divisions and units some Memoranda sent by the Office of the President to the DND relative to the prohibition of receiving gifts especially during the Christmas season. But during validation, PVAO cannot produce even a single copy of these memoranda.

PVAO pointed out that the agency's policy on gift giving is provided in PVAO's customized Code of Conduct (Sec 30 A – D), to wit:

Sec. 30. Gifts or Gratuities

A. General

An employee shall not, directly or indirectly, request or accept any gifts, favor, service, loan or entertainment for himself or others under circumstances which might reasonably be construed as influencing or improperly relating past, present or future performance of his government duties.

B. Guide

1. It is normally permissible for employees to accept nominal courtesies extended in the spirit of hospitality.
2. Employees may normally accept certificates, plaques, cups or similar mementos for contributions to and achievements in government, civic, athletic, recreational, social, fraternal, professional, religious and comparable activities.
3. An employee may not give consent to the acceptance by his spouse or children of gifts or gratuities prohibited to the employee and may not arrange, for or consent to acceptance by other relatives or other persons of gifts or gratuities based on the employee's official connection with the donor or the donor's representative.
4. PVAO officials or employees may not accept free gift or discount certificates or entertainment tickets for distribution to other employees.
5. When an employee is in doubt accepting a gift or gratuity, he should submit the matter in writing to his immediate supervisor and obtain a written opinion as to whether acceptance of the gift or gratuity is permissible under this Code of Conduct and Ethical Standards.



C. Gifts or Gratuities from other Employees

It is unauthorized on the part of any employee to solicit contributions from other employees for gift or presents to person in superior official positions. Neither may such superior receive any gift or present offered to them from employees in this Agency, or from any other government office, receiving less salary than themselves. Collection of spontaneous origin may be made for token gifts upon retirement or resignation or for expressing condolences in cases of illness or death, or greetings in case of birthday or wedding celebrations.

D. Gifts from Foreign Government

The constitution prohibits employees from accepting from foreign government, except with the consent of Congress, presents, emoluments, offices or titles.

A review of this short provision showed that it does not define the nominal value of acceptable gifts, its coverage, accountable units and procedure of disposing it. It does not comply with the self-assessment template. However, this policy can be deemed as strength.

Field Team No. 1 (La Union). PVAO's implementation of an *All Forms and Service are Free of Charge* policy can be regarded as strength. This policy is posted on its office walls. Another strength is the print on PVAO's Revalidation Forms stating *NOT FOR SALE* in bold letters. The PVAO field officer-in-charge regularly reminds all personnel the policy on prohibition against gift acceptance during their office meetings. However, they do not keep any minutes of the meeting.

Field Team CAR (Baguio). PVAO also has an *All Forms and Services are Free of Charge* policy. Public are notified of this policy through posting of this reminder in PVAO-Baguio's office walls. PVAO uses Revalidation Forms containing a *THIS FORM IS NOT FOR SALE* phrase written in bold letters on the front portion of the document.

Field Team No. 10 (CDO). Although PVAO-CDO knows that PVAO does not have any written policy on Gifts and Benefits, it nevertheless implements a *no gift/privilege for services rendered* approach.

Field Team No. 11 (Davao). PVAO-Davao is not aware of any policy on gifts and benefits, however, it is an accepted practice in the said agency of receiving, at most, One Hundred Pesos (P100.00) for services done.

3.3 Survey Results

Statement	Response	Central	LU/ Baguio	CDO/DVO
Does your agency have a written policy on solicitation and acceptance of gifts?	Yes	22.45%	11.11%	0.00%
	No	77.55%	88.89%	100.00%

Approximately 22% and 11% of those who were surveyed at the CO and La Union/Baguio, respectively, said that the agency has a written policy on solicitation of gifts. However, all personnel from CDO/Davao said there was none.

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
The employees in our agency are made aware of the policy on solicitation and receiving of gifts.	1.73	2.00	--	1.74
The transacting public and suppliers know the policy of our agency on solicitation and receiving of gifts.	2.00	2.00	--	2.00



Those who answered yes posted a highly to moderately positive net agreement when asked if the agency disseminates the policy. Same respondents also perceive that their transacting public and suppliers are also aware of the agency's policy.

Furthermore, when pressed to indicate the value of a gift that they think is an acceptable, responses vary from 0 to 1000. It is good to know that 74% of those surveyed said that should not accept gifts. The distribution of responses is as follows:

Amount	No. of Responses	Amount	No. of Responses
No answer	1	200	3
0	85	300	1
<100	6	500	8
100	6	1000	4
150	1	Total	115

While the agency has a customized code of conduct, which enunciates the policy on gifts, was not disseminated; results show positive responses to both questions of policy existence and dissemination.

It was cited during the IDA that the staff adheres to the memoranda prohibiting acceptance and solicitation of gifts issued by the Office of the President. The non-acceptance of gifts may also be a direct result of a personal practice, which became an unwritten office policy, as observed in La Union and CDO.

3.4 Next Steps

There is a need to for key offices to develop a program for the promotion of the Agency Code including the formulation of a more detailed policy on gifts and benefits.

A committee may be created to consolidate existing issuances from oversight bodies like the Office of the President and CSC and build on similar provisions under RA 6713 and RA 3019. The agency may use existing policy on gifts and benefits of the Office of the Ombudsman as a model.

Thereafter, extensive dissemination must be made in order to effectively implement the same.



4. Human Resource Management

The recruitment process provides the agency an opportunity to screen incoming employees for likelihood of corrupt behavior and conflicts of interest. The agency should be wary of nepotism or favoritism and ensure merit-based procedures in recruitment and promotion of personnel. It is highly desirable that upon entry, relevant interventions for new recruits include orientation on the Code of Conduct and work standards and training on corruption prevention and risk management. The promotion system can provide opportunity for sanctioning corrupt behavior and rewarding people who comply with the agency's integrity measures.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency has a written guideline for recruitment and promotion of personnel (e.g. Merit Selection/Promotion Plan) following CSC guidelines. ▪ The agency has a Selection Board and Promotions Board with rank and file representative/s. ▪ The agency has a complete set of job descriptions and qualification standards for all positions.
2	<ul style="list-style-type: none"> ▪ The agency guidelines for recruitment and promotion are proactively disseminated. ▪ Members of the Boards and relevant personnel undergo orientation on the agency's recruitment and promotion policies and processes.
3	<ul style="list-style-type: none"> ▪ The policies/guidelines on recruitment and promotion are consistently enforced (e.g. Personnel appointments are issued based on the provisions of the agency Merit Selection and Promotions Plan; policy on outside employment; blacklisting of erring personnel). ▪ The agency employs measures to prevent entry of corrupt employees (e.g. potential conflicts of interest are considered, background investigation conducted). ▪ The agency keeps records of meetings and decisions of the Boards. ▪ The agency has a mechanism to shield recruitment, placement and promotion of personnel from political intervention.
4	<ul style="list-style-type: none"> ▪ Results of performance evaluations and complaints involving moral turpitude are considered in the placement and promotion of employees. ▪ Bases of decisions on promotions and movements of personnel that deviate from the recommendations of the Boards are documented. ▪ The agency has a post employment policy for resigning/retiring personnel. ▪ The agency conducts random checks of the decisions of the Boards.
5	<ul style="list-style-type: none"> ▪ The outcomes of personnel recruitment, selection and promotion are regularly reviewed. ▪ The agency's Merit Selection/Promotion Plan is regularly reviewed for effectiveness in enhancing integrity and preventing corruption. ▪ Results of the review are used to enhance the integrity of the personnel recruitment, selection and promotion processes.

4.1 PVAO's Personnel Selection System

PVAO's personnel selection procedure adheres to the Merit Selection Plan established under the provisions of the CSC. This recruitment and promotion system is undertaken by the Personnel Section led by the HRM Officer III under the Administrative Division. The procedural details of which are as follows:



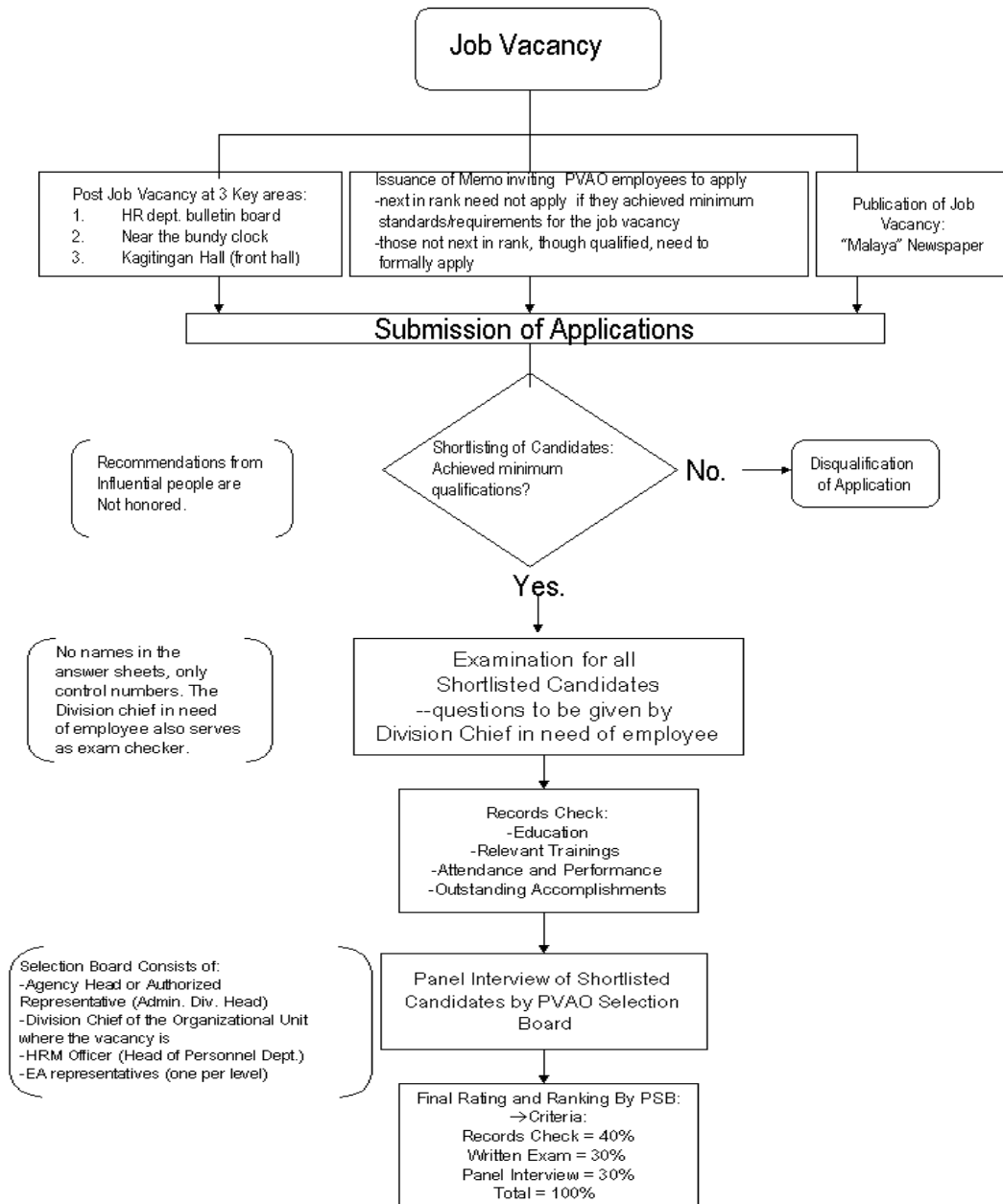
1. The availability of a job vacancy is disseminated through three ways:
 - a. Issuance of a memo informing all PVAO personnel of the job vacancy inviting all qualified employees to consider applying for the position. The next in rank is/are automatically considered for shortlisting on the condition that they meet the minimum requirements for the position.
 - b. Posting of job openings in conspicuous places at PVAO, specifically the Admin (HR) Bulletin Board, the area near the bundy clock, and at the Kagitingan Hall (front hall).
 - c. Publication of the job opportunity/ies at the “Malaya” Newspaper, specifically aimed to inform possible candidates outside PVAO.
2. The PVAO administrative division, hence, accepts applications from walk-in applicants and qualified insiders from which a shortlist of the qualified candidates is obtained. The personnel section head claims that recommendations from influential people are not a part of the rating process so as to ensure equality and fairness among the applicants. She claims that the criteria they follow in evaluating the applicants is very unambiguous and does not include even a single percentage that puts significant weight on any recommendation.
3. All shortlisted applicants are then scheduled for a written exam made and to be checked by the chief of the division where the vacancy is. This exam consists 30% of the over-all rating for the candidates.
4. The shortlisted applicants are also evaluated through a records check of their education, training, attendance, performance and outstanding accomplishments. This procedure weighs 40% of the total rating for the candidates.
5. After which, the applicants go through a panel interview by the PVAO Selection board where they are further screened in terms of their potential, temperament, etc. The PS Board is composed of the Agency head and his/her authorized representative/s (e.g. Admin. Div. Head, Personnel Section Head, Division Chief of the Organizational Unit where the vacancy is, Employees’ Association representatives—one representative per level.) This panel interview carries 30% of the criteria.

Criteria for Selection	Selection Board Members	Terms of Reference
Records Check = 40%	Agency Head or his/her Authorized Representative (Administrator or Administrative Division Head)	Permanent Member S/he also serves as the Selection Board’s Chairperson
Written Exam = 30%		Permanent Member
Panel Interview = 30%	HRM Officer (Head of Personnel Department)	Permanent Member
Total = 100%	Division Chief of the Organizational Unit where the job vacancy is	Until job vacancy is filled
	EA Representatives (one representative from each level)	Selected every two (2) years

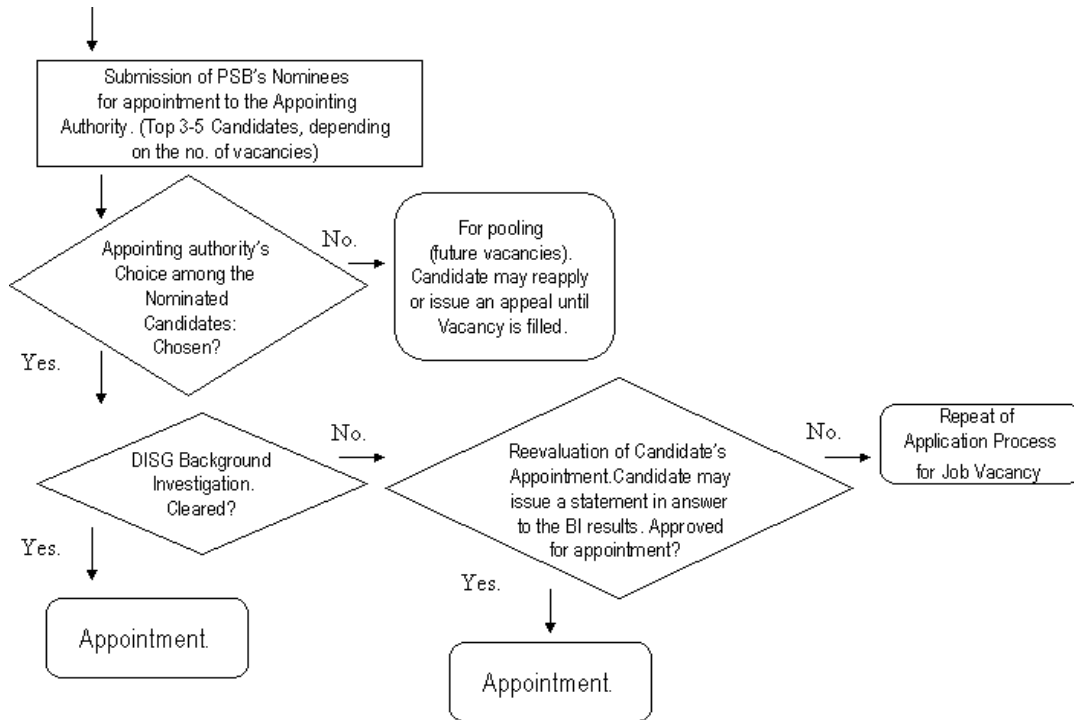
6. The candidates are then ranked, after which the top 3-5 applicants (depending on the number of vacancies) are recommended to the appointing authority. It is the discretion of the appointing authority to choose among the top ranking candidates. The PVAO administrator is accredited by the CSC to be the final appointing authority for all positions below SG 18. Positions marked with Items SG 18 and above are however elevated to the DND leadership as the final appointing authority.
7. The Defense Intelligence Security Group (DISG-DND) is then tasked to conduct background investigation on the appointee/s simultaneous with the appointee/s’ preparation of the necessary papers for employment/transfer/etc. Should there be no problematic and malicious issues acquired from the investigation the appointment is straightforwardly rewarded. However, in the event that a critical issue is found relevant to the appointee/s’ selection, a re-evaluation of the appointee’s qualification will have to be done. Hence, a repeat of the application process may actually be repeated until the vacancy is filled. It is important to note, however, that applicants with pending cases are not excluded for consideration of appointment, as anyone is deemed innocent until proven otherwise.



In summary, we can show the process flow of PVAO's personnel recruitment and/or promotion as follows:



Please see the next page for the continuation of the process flow chart.



4.2 Assessment

The following table shows the summary of agreed-upon IDA ratings given by the CO's top management and the four field offices' population of rank and file employees. These ratings were validated through a thorough research of pertinent documents and a series of interviews with the HR process owners.

Human Resource Management	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	3	1	0	1	2	
Deployment Rating	70-80%	50-60%	--	100%	90-100%	50-60%
Validated Rating	2	1	0	1	1	2

Central Office. The PVAO Central Office was able to satisfy the requirements for a rating of two (2). The guidelines for recruitment and promotion, and the establishment and mandate of the Selection Board are clearly written in their Merit Selection Plan (MPP), which was formulated in January 2002 that was approved by the Civil Service Commission (CSC) February of the same year. There is also a complete set of job descriptions and qualification standards for all positions. It is also noteworthy to mention that in the administrative division office, every table assigned to the personnel is labeled with a list of the personnel's tasks and assignments according to his/her position.

The PVAO Personnel Section under the Administrative Division also abides by the CSC's requisite to post all job vacancies on key areas. However, only one member of the Selection Board had undergone the most recent training/re-orientation conducted by the CSC about the recruitment and promotion process. This trained personnel is none other than the Administrative Division Chief who is a regular member of the Selection Board and is a permanent personnel.

It is also important to record that the PVAO recruitment and promotion process is flexible towards organizational changes, as it gives way to the ongoing rationalization of government agencies. It is as well essential to note, though, that the last promotion was issued last 2002 and was only granted last 2005. And that for the past recent



years, there has been no positional movement (promotion) because of the AO 103 (2003) and EO 366 (2005) temporarily suspending the appointment of permanent personnel. All recruitments afterwards until present are only casual hiring and contract renewals. The following table shows a rundown of PVAO's Personnel Strength as of December 31, 2006:

Position	Filled	Vacant	Authorized
1. Permanent Positions			
a. Central Office	283	70	353
b. Field Teams/Extension Offices	49	9	58
c. Office of Veterans Affairs (OVA – Washington DC, USA)	1	0	1
Sub-total:	333	79	412
2. Casual Positions			
a. Central Office	85	33	118
b. Field Teams/Extension Offices	22	0	22
Sub-total:	107	33	140
3. Contract of Service			
a. Central Office	9	0	9
b. Field Teams/Extension Offices	0	0	0
c. Consultant	0	0	0
Sub-total:	9	0	9
Total:	440	112	552

These validated observations allow PVAO to merit at least a rating of two (2) in HRM dimension.

In addition, significant to the evaluation of this dimension is the consistency of the application process, i.e. it should be unchanging, which may be demonstrated through the absence of substantial complaints. Apart from one (1) contested case that was dismissed by the CSC, there has been an absence of contested issues of appointments in PVAO. Furthermore, PVAO, in its Merit Selection Plan, provides an allowance for questions and/or complaints through its agency grievance machinery.

Another strength of the agency is its measure to prevent the entry of corrupt employees through the background investigations (BI) done by the Defense Intelligence Security Group (DISG) of the Department of National Defense (DND) before the appointment of any employee. However, according to some well-founded respondents, this part of the process has its setbacks as the slow issuance of the BI results causes considerable delay, usually about three (3) to six (6) months, in the appointment of the newly recruited/promoted employees.

The PVAO Administrative Division does a religious documentation and record keeping of all PSB meetings, process deviations, revisions and resolutions. The HR process-owners are also firm in their claim that they do not honor recommendations given by "influential" people in terms of how they administer the recruitment and promotion process. However, the lack of a clear-cut written mechanism, i.e. established formal policy, about how to handle political recommendations during the recruitment/promotion process, the claim, no matter how firmly said, remains to be anecdotal.

There also appears to be a reliable enforcement of the rules set by the agency selection plan based on merit (e.g. performance, accomplishments, absence of complaints involving moral turpitude) and fitness (e.g. background, potential, relevant trainings), thus, may also be hailed as a strength of the agency. However, the lack of a comprehensible policy on outside and post-employment all the more confined the validated rating to two (2).

Hence, the institution of a comprehensive policy on political recommendations in the recruitment/promotion process and the establishment of a clear outside and post-employment policy would allow PVAO to attain a higher rating in this dimension. Data gathered from the results of having regular reviews of the outcomes of the selection process and the consistent evaluation of the selection plan's effectivity and timeliness may also be used to further enhance PVAO's integrity in Human Resource Management. This would gear along the lines of making more proactive steps towards preventing corruption.



The PVAO Central Office gave a 70-80% deployment rating for the HR Dimension—meaning that the approach is well deployed and has no significant gaps. However, as observed, the process-owners seemed to be the only ones familiar with the process. Moreover, a significant number of respondents indicate a *palakasan* system in the recruitment and promotion process; thus places a question on the deployment rating given by the top management.

Field Team No. 1 (La Union). The field team in La Union rated the HRM dimension with a one (1) for the level of achievement and a 50-60% deployment score which connotes an observance of minimum standards and an approach that is well-deployed in key areas but may vary in some other areas or work units, e.g. written guidelines for selection and promotion, a selection board, a complete set of job descriptions and qualification standards for all positions. The awareness of some members of the La Union field team on the over-all HRM functions may be due to the fact that some of them have worked at the central office and have undergone promotion.

Field Team CAR (Baguio). The Baguio field team rated the HRM dimension zero (0). The team is unfamiliar with the overall process of personnel selection, much less in promotion. This may be due to the fact that none of the three (3) members of the Baguio field team has undergone nomination for promotion.

Field Team No. 10 (CDO). The Cagayan de Oro Field team gave a rating of one (1) and a deployment score of 100% to PVAO's HRM dimension, representing a fully deployed observance of minimum standards, e.g. written guidelines for selection and promotion, a selection board, a complete set of job descriptions and qualification standards for all positions. This familiarity with the HRM operations, though little, may be credited to their previous work stint at the Central Office.

Field Team No. 11 (Davao). The field team in Davao gave the HRM component a rating of two (2) and a deployment score of 90-100% signifying a fully deployed adaptation of more than the minimum standards of the dimension, e.g. written guidelines for selection and promotion, a selection board, a complete set of job descriptions and qualification standards for all positions, posting of agency guidelines and process flows in key areas, orientation of selection board members, a flexible agency recruitment and promotions plan. Again, this understanding of the HRM processes, though limited, may be ascribed to the field team members' previous assignment in the central office.

Generally, the field teams appear to be detached from the over-all HRM operations. Perhaps a big factor in this is the centralized system of Administration in PVAO. The field teams functioning as mini versions of the frontline section has limited exposure to vacant job placements within the agency, much less to its complete recruitment and promotion processes. Thus, the deployment score of 70-80% given by the Central Office is lowered to 50-60% indicating well deployment of key processes at key areas, in PVAO's case—the central office, and a variation of deployment in some other areas or work units particularly in the field.

4.3 Survey Results

The succeeding table shows the survey results for the HRM dimension:

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
The process for recruitment in our agency follows a set of criteria.	2.18	2.57	2.20	2.21
The process for promotions in our agency is free from external influences.	2.70	3.00	2.25	2.71

We can see from the table above that the La Union and Baguio Field Teams (Luzon) generated the highest negative net agreement to the statements (from slight to moderate), thus, implying the least satisfaction with the HRM systems.



We can also see from the table that, except for the La Union and Baguio respondents, the first statement (for the recruitment process) has a slightly positive net agreement, while the second statement (for the promotion process), except for CDO and Davao respondents (Mindanao), has a slight to moderate negative net agreement. Thus, respondents perceive that the recruitment process is better dispensed than the promotion process.

The table below shows the survey results on likelihood that some types of corruption may occur. The types selected are those that are or may be relevant to the HRM dimension.

Type of Corruption	Central	LU/ Baguio	CDO/DVO	Agency Rating
Nepotism/favoritism	2.71	3.00	2.60	2.73
Accepting bribes	2.27	2.56	2.50	2.31
Abuse of discretion/power	2.30	2.67	2.00	2.32
Corruption of Filipino values	2.06	2.88	2.40	2.14

We can see from the preceding table that consistent with the data we find in the first table, La Union and Baguio respondents indicate an inclination towards negative agreements when asked about these types of corruption.

We can also see that among the types of corruption mentioned, *nepotism/favoritism* was deemed most likely to occur in the agency while *corruption of Filipino values* is considered as the least likely to occur in the agency.

The table on the following page presents the responses to the open-ended question related to this dimension. We could clearly see from the table that the highest percentage of responses (26.45%) suggest an elimination of the power of external influences, or *palakasan*, in the selection so as to improve the recruitment and promotion processes in the agency. The suggestions to examine qualifications thoroughly and to stick to the criteria for selection follow as the next most repeated suggestions for this dimension.

Hence, while the survey results pertaining to recruitment agree to the IDA rating given by the top management, the survey results pertaining to promotion indicate a discrepancy to the IDA rating. There seem to be a slight yet general reservation on the consistency and reliability of the promotion process.

Q. What can you suggest to improve the process of recruitment and promotion in your agency?	Frequency	Percentage
Remove palakasan system, no favoritism, walang external forces	32	26.45%
Examine qualifications thoroughly, put highly qualified people on the right type of job, hire highly qualified personnel only	23	19.01%
Stick to the criteria on promotion and recruitment, follow CSC standards of merit and fitness, be fair	21	17.36%
More information, post vacancies, information dissemination not only thru writing but also thru interaction	11	9.09%
Di ko po alam, no comment, no suggestion, incongruent (additional manpower, mabagal ang prosesos)	10	8.26%
Chair of board of promotion must be good, must be transparent in selecting	8	6.61%
Promote next ranking official, walang jumping	6	4.96%
Promote based on length of service and performance	4	3.31%
Must include an examination to test knowledge, enhance/revisit criteria for promotion/recruitment	4	3.31%
Consider internal applicants first before entertaining applicants from outside the agency	2	1.65%
	121	100.00%



4.4 Next Steps

So as to merit a higher rating of three (3) for the HRM dimension, a comprehensive policy on the handling of political recommendations, because *palakasan* or patronage politics figure prominently in the IDA and the survey, must be established. Furthermore, in order to gain a more superior score of four (4), a clear post-employment policy for resigning/retiring personnel must also be formulated. This policy enhancement is timely as the agency is currently undertaking its rationalization plan, thus, streamlining of processes and enunciation of integrity measures can already be incorporated.

Moreover, to garner the highest rating of five (5), a yearly random check of board decisions and regular reviews of the outcomes of HR operations may serve as a means for HR check and balance. Deployment of HR-related policies can also be improved by having regular correspondences with the field team heads.

An analysis of the number of staff by nature of appointments may be conducted, as there is a significant number of contractual personnel despite a notable vacancy in permanent positions. This should be considered before any hiring or contract renewal will be effected.



5. Performance Management

A key aspect governing the relationship of the managers and employees of an agency is the divergence of individual interests with that of the organization. An effective way to align individual and organizational interests is to clarify the agency's vision, mission and goals set individual targets based on the agency's goals.

Performance management ensures that agency goals are met since regular monitoring can increase the likelihood of spotting unproductive activities of employees. Efficient and effective units or agencies do not only save time and resources, but they are more resistant to corruption. Performance management can also address possible negligence of duty. A performance management system that sets incentives for honest behavior and disincentives for unethical behavior contributes to building resistance to corruption.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency has set organizational goals, annual targets and performance indicators. ▪ Performance targets and work plans at the unit and individual levels are based on the agency's goals.
2	<ul style="list-style-type: none"> ▪ The agency has a performance evaluation and management system in place. ▪ Managers and supervisors are trained on performance evaluation and management. ▪ The basis of performance evaluation is made known to all employees.
3	<ul style="list-style-type: none"> ▪ The agency regularly prepares reports (e.g. annual report) to assess accomplishment of its goals and targets. ▪ The agency regularly evaluates individual performance. Individuals are made to report on their accomplishments vis-à-vis goals and targets. ▪ The agency consistently rewards good performance and sanctions poor performance and negligence of duty. ▪ Agency annual reports made available to the public to account for what the agency has accomplished vis-à-vis its targets.
4	<ul style="list-style-type: none"> ▪ The agency links staff performance ratings with the attainment of unit's targets and level of performance. ▪ Levels of agency and individual performances are analyzed in relation to corruption incidence in the agency.
5	<ul style="list-style-type: none"> ▪ The agency regularly reviews the effectiveness of its performance management system in preventing corruption and enhancing integrity. ▪ Results of the review are used to improve the agency's performance evaluation and management system.

5.1 Performance Management in PVAO

The effectiveness of any organization is determined how it performs its mandate. One of the Office's mission is to deliver veterans' benefits and services with utmost dedication, and efficiency, and compassion to improve their general welfare and perpetuate the memory of their heroic deeds. These are done through programs, activities and project(s) that are aligned with its major final outputs (MFOs). One of its major MFOs is the processing of claims and payment of pensions and other benefits activities.

To promote operational efficiency, performance measurements used for the delivery of the mandated functions like performance indicators/targets are identified and limited to those that best reflect the workload involved and inputs required [quantity] as well as the measures of how well (quality) the veterans benefits and services is delivered which may include measures of accuracy, completeness, timeliness, cost, accessibility and compliance with standards or clientele satisfaction.



5.2 Assessment

Performance Management	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	1	1	1	0	0	
Deployment Rating	70-80%	50-60%	90-100%	--	--	10-20%
Validated Rating	1	0	0	0	0	1

After deliberating on the basis of their individual ratings, the participants at Central Office, La Union and Baguio finally came up with the consensus that the two (2) indicators under the rating of 1 are present/satisfied. Although the group acknowledged the achievements on higher levels, these are not cumulative; hence, they were noted only as the strengths. The participants at agreed to give this dimension a rating of one (1), while CDO and Davao City gave a rating of zero (0). The validated rating for the CO is one (1), while the validated rating for the four (4) field sites is zero (0).

One participant in the CO was not aware of organization goals, targets, and performance indicators. This does not only indicate a problem of deployment but likewise a deficiency in the methodology used in the formulation of such since the IDA participants are considered the management and process owners of the core functions of the Office.

The discussion also points to the lack if not absence of orientation on the performance evaluation and management system in place. A lot of them had limited knowledge on the mechanics of the system. Some attributes their understanding to experience citing that experience is the best training, but this statement was countered by some.

While the agency prepares and submits reports, only the people involved in the preparation of the Strategic Plan and the OPIF has knowledge of its use.

On the other hand, field visits point to the more serious gaps in information available at the Field Team levels. The offices have a copy of the agency mission and vision statements but were not familiar with organizational goals, yearly targets and the comprehensive performance indicators. While this is primarily a concern of the Central Office, Field Teams should have been oriented on how they figure out in the entire organizational performance.

Field Office Heads admitted that the agency had a performance evaluation system but they were not furnished a copy of its description. Despite these, field offices regularly submit their office performance report and individual performance rating ending June 30 and December 31, of every year at the Miscellaneous Benefits Division, Central Office for compliance.

The levels of achievements generated in the focus group discussion were subjected to validation of documents to vouch for the rating given.

Central Office. Taking into account the levels of achievement in rating one (1), the data/documents were gathered as evidences:

- The agency's organizational outcome/goal as defined in the PVAO Organizational Performance Indicator Framework (OPIF) is to improve the general welfare of veterans and their dependents which eventually lead to the attainment of the Sectoral Goal: Recognition of Military Service For Country; and the Societal Goal: Socioeconomic Welfare and National Unity. These goals can be achieved through the implementation of its program, activities and projects such as:
 - Payment of monthly pension
 - Processing of veterans claims



- Settlement of other veterans benefits [Educational Benefits, Burial Benefits, and expanded Hospitalization program]
 - Investigation, verification of records, strengthening of internal control system and conduct of management and systems audit
- The presence of annual program thrusts which are made integral parts of the agency's annual budget proposals as follows:
- Expeditious processing of claims
 - Timely settlement of pensions and other benefits such as educational benefits, hospitalization and burial benefits.
 - Revalidation of database thru physical verification of PVAO pensioners throughout the country
 - Enhancement of information and communication technology
 - Strengthening personnel in the field
 - Review of MOA with different banks servicing PVAO pensioners.
 - Claims which have been suspended or on-hold status for a period of twelve (12) months shall be deemed dropped from the list of PVAO pensioners
- The Agency Strategic Plan was crafted in reference to the Multi-Year Capability Planning System (MYCaPS) of the DND wherein the PVAO Performance Matrix covers a resource management system focused on capability development with a planning horizon of six (6) years.
- The agency has performance indicators (PIs) used as measurements for the delivery of the mandated services to external clients. The agency PIs are expressed in terms of quantitative and qualitative units of measurement used by organizational units performing the core functions of (a) Processing of Veterans Claims, (b) Payment of Pensions, (c) Settlement of Other Veterans Benefits, and (d) Investigation, verification of records, validation of pensioners, conduct of management and systems audit.

The Quantity Indicators are measures of volume of outputs. It reflects the workload involved/ physical targets as well as inputs required to deliver the services. The unit of measure is in terms of numbers for:

- Numbers of claims processed;
- Number of pensioners receiving old age, disability and death pension;
- No of veterans/beneficiaries of other benefits, like educational benefits, hospitalization and burial benefits;
- Number of beneficiaries who availed the veterans' preference/s;
- Number of pensioners validated

The Quality Indicators are measures of "how well" the services is delivered. It include:

- Measures of timeliness or standard time to process a claim, reflected in their workflow;
- Compliance with standards on the delivery/payment of pension checks either remittance through authorized banks or postal delivery;
- Settlement of other veterans benefits within standard time;
- Cost incurred for payment of pensions and other benefits; and
- Adequate information dissemination regarding veterans benefits

For the second indicator the claim that "Performance targets and work plans at the unit and individual levels are based on these goals" the data gathered as benchmarks to validate are:

- The Work Plans and Performance Targets at the unit level of operations are prepared by program/activities, types of veterans' benefits being administered by the agency mandated under RA



6948 and RA 7696. Under the agency's two (2) priority programs and activities, the Processing of Veterans Claims, and Settlement of Pensions and Other Veterans Benefits the physical performance targets (outputs) are presented/prepared by quarters in accordance with the types of claims/benefits to be processed/adjudicated, as follows:

For Pensions:	For Other Veteran Benefits
Old Age pension	Educational Benefits
Death Pension	Hospitalization
Disability Pension	Burial Assistance
	Veterans Preference

- ❑ The agency uses the DBM Format on Performance Targets/Performance Measures
- ❑ Individual Performance Targets, (on the Performance Evaluation Report Form) accomplished by individual employees reflects their duly assigned duties and responsibilities, e.g. at the processing divisions, in their performance targets (outputs) it reflects the number of claims, standard time to process and the quality of work they planned to accomplished/achieved under a given rating period. These employees, (even without the benefit of a formal training) were successfully doing these exercises for years based on experiences, and they deliver the goods.

Under the second level of Achievement the data gathered shows that the agency had partially satisfied some of the indicators, and the existence of gaps in the process.

- ❑ On the claim that, *the agency has performance management and evaluation system in place, including feedback system*, data/documents gathered show that: PVAO has an established Performance Evaluation System (PES) pursuant to the provisions of Rule IX of the Omnibus Rules implementing Book V of Executive Order 292 which took effect on February 14, 1992 and made an integral part of the Human Resource Development program of the agency. This may be considered as strength. However, except for the portion of the PES on the computation of rating for the job accomplishments which the supervisors and employees may have a knowledge of, there is still lack of a feedback mechanism because majority of the personnel are not aware of other important mechanisms of the system like the basic policies, the processes in terms of planning, setting commitments, progress review, appraisal discussion, the subordinate and the supervisor's role and the mechanics of appeal.
- ❑ Individual personnel prepares [without the benefit of uniform understanding of mechanics of the system] and submit their Performance Evaluation Report that reflects their individual rating vis-à-vis their work performance targets every semester ending June 30 and December 31, of every year, however the agency does not comprehensively evaluate individual performance vis-à-vis the established guidelines/mechanics of the PES.
- ❑ The agency pays productivity incentive bonus [as authorized] based on individual performance rating appearing in Performance Report submitted, however, there's no 100% assurance that each employee's rating are correct, since the raters likewise lack the uniform/common understanding or knowledge on performance evaluation due to the absence of a formal training for this matter. The office is likely giving monetary reward and/or certificate of recognition to selected deserving PVAO model/exemplary employees.

For the second indicator, *managers and supervisors are trained on performance evaluation and management*, research on documents/certificates of trainings/ attendance for this purpose yielded negative results. Supervisors lack the appropriate training on performance evaluation and management. The employee is the one accomplishing the performance evaluation form, thus, he also evaluates his own work performance and behavior using the standards set for specific outputs and behavioral factors affecting performance. The fully accomplished forms are then submitted to the authorized official for review. Due to the absence of appropriate training by the supervisors on performance management, the supervisor most often than not, just agree with the employee's rating, or just signs the Performance Evaluation Form.



Tendencies of bias and inappropriate performance rating may be given due to lack of common knowledge on the standards on which specific outputs and behaviors shall be measured.

The Employees Performance Evaluation Ratings for the previous year is hereby presented in tabular form:

Location	No of Employees	Adjectival Rating
Central Office	351	Very Satisfactory
	4	Satisfactory
Field Offices	65	Very Satisfactory
	7	Satisfactory
Total	427	

With this information and the number of backlogs in the system, it points to the fact that there is incongruence with the organizational performance and that of individual and unit performances

For the third indicator, *The basis of performance evaluation is made known to all employees* - Based on random check, the employees themselves are the one accomplishing their Performance Evaluation Report on the basis of their individual knowledge and understanding on the mechanics of rating only and not on the entirety of the performance evaluation system.

On the 3rd Level of Achievement, Indicators (1) and four (4) are considered as the agency's strengths area on the claim that: the agency regularly prepares reports (e.g. annual report, agency performance reports to assess accomplishment of its goal and targets).

The agency is preparing the following reports:

- Physical and Financial Plan
- Report of Operation/Accomplishments
- Cash Program
- Estimates of Income
- Statement of Allotment, Obligations and Balances
- Trial Balance/Balance sheet
- Statement of Income and Expenses
- Report of Disbursement
- Cash Flows Statements
- Statistical Reports
- Other reports as required

However most of these are submitted to appropriate government oversight agencies as for compliance, such as the Department of National Defense (DND), Department of Budget and Management (DBM), Commission on Audit (COA), Congress and Senate.

There are indication that the agency achieved some indicators in ratings 4 and 5.

Field Team No.1 (La Union) and Field Team CAR (Baguio). On the Performance Management, the Validated Rating is zero (0) on the ground that they are not aware nor provided a copy of the agency organization goals, annual targets and performance indicators, since according to them this is the concern of the Central Office and they had never been consulted or involved in its formulation. Locally, their work output is measured in terms of quantity, or on a as they come basis and timeliness is reflected in their work process flow. However, there are some areas, which may be considered as strength of both offices:

- ❑ Both offices have full knowledge of the agency Mission and Vision and Mandate, copy of which are posted clearly in their offices.



- ❑ Both offices have a defined workflow of their processes and procedures that measures the delivery of their services to the veteran clientele.
- ❑ Both offices are aware that the Agency Performance Evaluation and Management System is in place, however, they do not have a copy of the same, and their knowledge of the mechanics of the system is very limited.
- ❑ Both offices prepared and submit their Individual Performance Evaluation Report every semester ending June 30 and December 31 of every year thereafter.
- ❑ Both offices prepare and submit their Office Accomplishment Report to the Central Office.

Field Team No.10 (CDO) and Field Team No.11 (Davao). The validated rating for both teams is zero (0), with the same reason as that of the other two field teams. However, they too adhere to and comply with the reporting requirements of the Central Office. There are some areas that may be considered as strength of these offices:

- ❑ They know the agency mandate, vision and mission statements, which are posted in their offices.
- ❑ Both offices had a defined workflow of their processes and procedures that measure the delivery of their services to their veteran clientele.
- ❑ They prepare and submit their individual semestral Performance Evaluation Reports and Office Accomplishment Report to the Central Office.

5.2 Survey Results

We can see from the following tables that the observance of the policy on the setting of performance targets is far from 100%, yet, the respondents exhibit a slightly to high positive net agreement to the statements.

Survey results in the Central Office yielded 62% affirmative answer when asked if they have a personal performance target set by their superior for 2006. Since there are only a few staff in the field teams, the fact that not all of them have performance targets indicate a gap in the process. This is validated with the succeeding statements on the provision of feedback, bonuses regardless of performance, to name a few, which are rated moderately positive by the respondents.

Statement	Response	Central	LU/ Baguio	CDO/DVO
Do you have a personal performance target set by your superior for 2006?	Yes	62.00%	66.67%	50.00%
	No	38.00%	33.33%	50.00%

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
My performance targets are clear to me.	1.56	1.44	1.33	1.54
Outstanding performance is rewarded in our agency.	1.94	2.43	1.80	1.96
The employees in our agency are regularly provided feedback regarding their performance.	2.18	2.89	2.20	2.24
The employees of our agency are given the yearly performance bonus regardless of how they perform.	1.97	1.89	1.33	1.93
I am satisfied with my job.	1.68	1.71	1.33	1.66



The ensuing table presents the suggestions of the respondents for the improvement of the performance of employees. Most of the respondents indicated an increase in salary, benefits and rewards to be the best means to improve performances, followed by dedication to work and cooperation, leadership and adherence to processes, to name a few.

What can you suggest to improve the dedication of employees in the performance of their duties?	Frequency	Percentage
Increase salary, appropriate benefits/compensation to employees, reward system to motivate employees, give operating expense fund	49	38.58%
Dedication to work, help veterans, cooperation ng bawat isa	17	13.39%
Leadership by example, discipline all employees, be fair, be honest, respect employees, guide employees, walang palakasan	15	11.81%
Promote deserving employees, security of tenure, screening of applicants	8	6.30%
Do employee monitoring, performance rating, consultation with employees, coordinate with employees regarding how office will be run, give trainings and seminars, education assistance, workshops, constant communication between management and employees, morale upliftment	26	20.47%
Transparency	1	0.79%
Strict implementation of rules and policies, improve the working environment, tighten the security system, avoid duplication of roles for better accountabilities, improve the office	7	5.51%
Additional manpower	1	0.79%
No suggestions, none	3	2.36%
	127	100.00%

The succeeding table relates to individual performances. On the two statements asked (1) My performance targets are clear to me, and (2) I am satisfied with my job; survey results registered highly positive net agreement from all respondents, which are good indicators.

When asked if the annual performance incentive bonus given to employees regardless of how they perform, CO and LA/Baguio survey results yielded a moderately positive net agreement, for each employees who are authorized to received gets their prorated share, while CDO/DVO elicited a highly positive net agreement. Since the statement is negative, the positive net ratings indicate that somehow, performance evaluation is not fully functional.

5.3 Next Steps

Generally, the performance management process in the agency needs a lot of improvement. While there are set organizational targets, there is an indication that this information is limited to only a few and is seldom cascaded to the field levels. Performance evaluation is also done for compliance and thus is not used for objective assessment of actual performances in all levels – organizational, unit and individual levels. This might be attributed to the fact that organizational performance targets and indicators are not translated to unit and individual targets. Mechanism on providing feedback on performances is also absent. Formulation of policies and strict institutionalization of pertinent measures to address all these gaps are critical since this impacts greatly on the core functions of the agency.



6. Procurement Management

The procurement system covers the process of purchasing goods and services. A poorly managed procurement system opens risks of corruption and wastage of resources due to poor quality of goods and overpricing. Risk factors include conflicts of interest, bribery, extortion by public officials, non-compliance with procedures, and lack of information on standard prices. For this reason, the Code requires procurements officers and members of the Bids and Awards Committee (BAC) to disclose conflicts of interest and prevents them from receiving gifts and benefits from suppliers.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency has adopted the new procurement management system (RA 9184). ▪ The agency has an Annual Procurement Plan (APP). ▪ Third party observers are invited to witness procurement process (e.g. eligibility screening, pre-bid conference, opening of bids and bidding evaluation).
2	<ul style="list-style-type: none"> ▪ The agency has written procedures on the different modes of procurement, specifying checkpoints for receiving and inspection of goods and services procured. ▪ Members of BAC and other relevant personnel are trained on the new procurement law, and the different modes and processes of procurement. ▪ BAC members are made to disclose potential conflict of interest in all transactions. ▪ The agency has a centralized database of prices and suppliers of frequently procured items.
3	<ul style="list-style-type: none"> ▪ The agency keeps records of BAC decisions and minutes of meetings. ▪ The agency strictly monitors performance of suppliers and contractors against obligations (e.g. adherence to budget, price, time factors and quality standards). ▪ The agency consistently applies sanctions and penalties to non-performing suppliers.
4	<ul style="list-style-type: none"> ▪ Blacklisting of suppliers and contractors is practiced and shared to other government agencies ▪ Agency estimates are reviewed to reflect current/best market prices from Government e-Procurement Service. Controls are instituted to ensure that specifications are not skewed or tailor-fitted to favor specific bidders. ▪ The agency Code of Conduct is integrated in the bidding document. ▪ BAC decisions and other procurement decisions are audited.
5	<ul style="list-style-type: none"> ▪ The agency plans its procurement based on its pattern of purchasing and consumption. ▪ The agency regularly evaluates the effectiveness of its procurement management system in preventing corruption and enhancing integrity. ▪ Results are used to strengthen the agency's procurement management system.



6.1 Procurement Management

Procurement in PVAO is centralized at the Central Office with large ticket outlays procured at the department level being administratively under the Department of National Defense. A five-member Bids and Awards Committee was created to undertake the procurement functions of the Office.

6.2 Assessment

It was noted that while participants to the IDA represents the senior management of PVAO, it was obvious that the procurement process is a function that is usually known only to its process owners and recipient if not end-users of procured items. Thus, only a few people participated in the discussion.

Procurement Management	CO	La Union	Baguio	CDO	Davao	Final
Agency Rating	3	0	0	0	0	
Deployment Score	30-40	--	--	--	--	30-40%
Validated Score	3	0	0	0	0	3

Central Office. The Central Office got a rating of 3 with 30-40% deployment since only the process owners know the process.

The agency adopts the procurement system and procedures prescribed under Republic Act No. 9184 otherwise known as Government Procurement Reform Act and has an Annual Procurement Plan which is annually formulated and submitted to the DND for approval being its oversight unit. The 2007 Annual Procurement Plan³ amounting to P28.983M indicated office supplies (38%), purchase of equipment (17.3%) and services (13.1%) as PVAO's major expense items. Services procured include janitorial, security, drinking water, pest and termite control treatment.

Based on interviews, the APP reflects the agency's overall procurement estimates including those of its field teams but since field teams are not formally required to submit their own individual annual requirements, it is not clear though how estimates or assumptions are derived for planning.

Based on documentation, an invitation was sent to accredited civil society organization to participate in a bidding procedure⁴, i.e. opening of bids that indicates transparency of procedures. Information on transactions on procurement is disseminated through the issuance of bulletins and postings both at PVAO premises and the G-EPS website. Records of BAC proceedings likewise indicate the intention of having third party observers. BAC's report templates provide for the signature of observers, e.g. witness, COA, representative or CSO observer.

The Bids and Awards Committee (BAC) is composed of 4 members, of which four (4), including the Administrator received a formal training on RA 9184.

There was no instance that the system was tested for conflicts of interest arising from the procurement of office requirements. The Office does not maintain a centralized database but instead uses the list of prices and suppliers posted under the Government e-Procurement System.

The process owners claim that their decisions and processes are well planned and strictly monitor performance of suppliers and obligations. One service provider was even charged formally for non-completion of a project in the agency; however, while the provider did not complete the project, the Procurement Service, who undertook

³ The 2007 Annual Procurement Plan was submitted to the DND Undersecretary for Operations

⁴ Invitation Letter of BAC Chairman to Ambassador Donald G. Dee, President of the Philippine Chamber of Commerce and Industry to send a representative as an observer to a 2006 opening of bid procedure.



the bidding, paid the contract. The same non-performing supplier was blacklisted at PVAO and the information was forwarded to the PS for appropriate action. PVAO is considering a legal action against the provider.

It is noted that the agency follows the prescribed rules and procedures as enunciated in RA 9184, however, since there are no audits of BAC decisions and there are no manifestation of integration of the code of conduct and the procurement process, the agency cannot complete the requirements in level 4. This may be attributed to the fact that the Code of Conduct was formulated in 2002 has not been fully disseminated and institutionalized at the time of assessment.

Field Team No.1 (La Union) and Field Team CAR (Baguio). The rating for both is zero (0). Field personnel maintain that they are aware of the existence of a BAC at the Central Office and an Annual Procurement Plan but have no idea of its contents as it is not properly disseminated.

Field Team No.10 (CDO) and Field Team No.11 (Davao). The rating for both Field Teams is zero (0) for this particular dimension. The procurement of all items, including basic office supplies is lodged at the Central Office. Personnel at the field units assert that their supplies are only provided upon request and have to use personal resources to make emergency purchases or augment office supplies and/or requirements.

6.3 Survey Results

Statement	Response	Central	LU/ Baguio	CDO/ DVO
Are you aware of the new Procurement Law or RA 9184?	Yes	25.00%	66.67%	50.00%
	No	75.00%	33.33%	50.00%

Survey results point to a limited knowledge of the procurement process, not only at the Central Office, but also more seriously at the field offices. Roughly, there were only 25% of the respondents who said that they knew the Procurement Law. For those who knew the process, they provided a high positive net agreement on the statement that says procurement in PVAO follows procedures and if non-performing suppliers are blacklisted.

Statements	Central	LU/ Baguio	CDO/ DVO	Agency Rating
Procurement in our agency follows the procedures as stipulated under the Procurement Law or RA 9184.	1.61	2.60	1.67	1.77
BAC decisions are impartial.	2.00	3.50	1.50	2.08
Non-performing suppliers are blacklisted.	1.78	2.00	1.00	1.74
Relevant personnel are well trained on the entire procurement process.	2.10	2.33	1.00	2.08

However, respondents only gave moderate positive agreement on the statements regarding impartiality of the BAC and training of personnel on the procurement process.

When asked to suggest ways to improve the procurement process, the following were the top answers: transparency in the bidding process and doing away with emergency purchases (22.48%), training of relevant personnel (12.10%), quality control of procured items, inspection, and decentralization of the procurement process, especially at field offices.



What can you say to improve the procurement process?	Frequency	Percentage
Remove "palakasan" system, be fair, no to bribery	5	4.03%
Transparency in bidding process, be open, remove emergency purchase	16	12.90%
Inspect delivered items, keep quality of supplies at high level, low price but good quality	10	8.06%
Reorganize list of suppliers, source more bidders, no ghost bidders, suppliers with less delivery lead time, reliable suppliers, check quotes for overpricing	6	4.84%
Hire/appoint a good supply officer, administrator should control this	3	2.42%
Buy only important and needed supplies by all divisions, purchase necessary items only, do more check and balance	8	6.45%
Should be based on DNP procedures because it is single BAC	1	0.81%
Follow procurement law, should undergo bidding procedure	13	10.48%
Hire additional manpower	1	0.81%
Faster release of procured materials to requesting divisions, allow decentralization of procurement process for faster release of materials needed	8	6.45%
Increase petty cash	1	0.81%
Trainings and seminars for bidders and procurist, publication of procurement processing, perform background checks of bidding officer, perform yearly assessment, listen to opinion of other employees, technical trainings	15	12.10%
Wala, hindi alam, nothing to say, okay ang system, no comment, no opinion, blanks, not involved in procurement process	37	29.84%
	124	100.00%

6.4 Next Steps

The agency generally follows the prescribed procedures as enunciated in the Government Procurement Reform Act, however, while it is a specialized function that is limited to those involved in the procurement process, it is necessary that all middle managers and key staff at the field offices should be made aware of the procedures. It also appears that the Annual Procurement Plan is just an output of a centralized planning activity, which is devoid of an objective criteria and participatory approach to its formulation.

Overall, the procurement at PVAO is highly centralized and while there is an APP, this does not reflect the overall requirements of the agency, nor does it provide clear parameters for the computation of estimates or assumptions. Related to this is the practice of field staff to procure items that are officially required from their own personal funds, which can be attributed to the poor estimation and delivery of requirements and the absence of an imprest system (petty cash fund) at the field levels. Such practice places the staff in compromising situations and may even cause unnecessary stress to them.



7. Financial Management

Any financial transaction is generally vulnerable to corruption. Issuing and receiving payments represent a significant temptation for opportunistic and potentially corrupt individuals especially if the transaction is in cash. While cash taking might represent only low value in terms of individual transactions and be only a small proportion of an organization's budget, they can represent quite considerable amounts of money annually. Even under a situation when funding is inadequate, profligate use of finances can happen due to loose controls, arbitrary setting of budgets and misallocation.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency adopts the prescribed government budgeting and accounting guidelines such as the New Government Accounting System (NGAS), DBM Budget Guidelines. ▪ The agency has established control systems to ensure that its financial resources are protected. ▪ Financial accountabilities of officials and employees are defined.
2	<ul style="list-style-type: none"> ▪ Budgeting and accounting guidelines and processes are defined, approved and disseminated to all concerned units. ▪ The agency takes proactive steps to make all officials and employees aware of their obligations not to use agency's financial resources (e.g. cash advances, collection) for private purposes. ▪ Management and relevant personnel are trained on budgeting, accounting and financial management.
3	<ul style="list-style-type: none"> ▪ The agency strictly enforces budgeting and accounting policies and guidelines (e.g. regular conduct of reconciliation, immediate liquidation of cash advances, immediate remittance of collections). ▪ The agency regularly prepares financial reports containing actual expenditures vs. budget and explanation for variance, statement of income vs. target collection and explanation for variance, etc. ▪ The agency provides full audit trail for major financial transactions. Random audits are carried out, with reports and recommendations for action provided to management. Appropriate follow-up actions are taken on any findings.
4	<ul style="list-style-type: none"> ▪ The agency's computerized systems have been integrated and provided with security (e.g. access codes) to ensure that fraud and financial risks are minimized if not totally eliminated. ▪ The agency's financial performance is analysed vis-à-vis accomplishment of its physical targets to assess the organization's cost-effectiveness. ▪ COA audit findings are immediately acted upon and resolved by management. ▪ The agency's financial reports (including COA Annual Audit Reports) are published/made available for public inspection.
5	<ul style="list-style-type: none"> ▪ The agency's financial controls/systems are regularly reviewed to ensure effectiveness in preventing corruption and enhancing integrity. ▪ Results of the review are used to strengthen the agency's financial management system.

7.1 Financial Management System

The financial management system of PVAO is focused at delivering the major final output of the agency, which is the payment of the benefits of the external clients, the Philippine war veterans and the AFP veterans. On the basis of approved claims, the Financial Management Division processes the claims and accordingly pays the intended pensioner/beneficiary. Consistent with the policy of the Department of Budget and Management, PVAO pays its external clients through Direct Payment Scheme, which refers to the payment procedure for external creditors whereby the Modified Disbursing Scheme-Government Servicing Bank (MDS-GSB) debits the MDS-sub account of the agency through direct credit. MDS-GSB refers to the government servicing banks such as Land Bank of the Philippines, Development Bank of the Philippines and Philippine Veterans Bank, where the Notice of



Cash Allocation (NCA) is issued by DBM for credit to the MDS sub-account of the PVAO. Previously, all pension payments were through checks payable directly to the pensioner. With the implementation of PVAO Pension Payment through Bank Program, later referred to as the Bank Pension Payment Scheme (BPPS), pensioners are now to be paid through bank remittance wherein the pension benefit is credited directly to the pensioners individual savings account with the respective GSB, opened and maintained by them for the purpose. At the option of the pensioner, however, pensions may still be paid with check effected by way of postal special delivery, which has the restriction of being released to the addressee only. Such option is exercised only in the absence of a GSB or any of its branches, and GSB affiliated rural banks near the residence of the beneficiary. This is especially true in the remote provinces where such banks are far and few.

The printing of all checks is done by the Data Center, the Information Technology arm of PVAO, which is under the direct supervision of the Administrator. The Data Center prepares and submits Reports of Checks Issued (RCI) and Summary of Checks Issued (SCI) to the FMD. Upon receipt of the RCI and SCI, the FMD prepares the disbursement voucher to cover the transfer of funds from the PVAO MDS sub-account to the GSBs CFC accounts. If there is allotment, the obligation slip is issued and the pertinent amounts are posted as accounts payable. Once the transaction is approved, the MDS checks payable to the GSBs are then issued. Considering the voluminous number of checks printed monthly, the actual printing of continuous form checks (CFCs) is done in advance.

The financial management system at PVAO is highly centralized with not a single financial activity being conducted in any of the field and/or extension offices. Field Officers used to be designated as Special Disbursing Officers (SDOs) until sometime in 2002 when problems with their liquidation were encountered. As SDOs, they were granted P100,000.00 cash advance for the purpose of paying burial assistance and P10,000.00 more as revolving fund for their operating expenses. Presently, all kinds of pension benefits, including burial assistance, are disbursed in the central office. Anent the operating expenses of the field offices, the prevalent practice for several years now has been the system of reimbursement. The system requires the field officers to use their personal money in the conduct of daily official activities, including the conduct of spot investigation that necessitates travel to the residence of the claimant/applicant, and later claim reimbursement for such money spent. To emphasize the prevalence of this practice, Office Order No. 00-06-041 dated August 11, 2006 was issued authorizing Director Nostradamus A. Villanueva to sign Box C of the disbursement vouchers and the checks (as one of the signatories) for *all reimbursements of field teams and extension offices*.

PVAO adopts the National Government Accounting System (NGAS) with key personnel having attended formal training on it. Likewise, the electronic NGAS (e-NGAS), which was rolled out in April 2004, is already partly operational. No major problems have been encountered in the use of NGAS. However, the same cannot be said about the e-NGAS where technical problems in its access have been encountered due to the program's incompatibility with the server. As of this writing, the Budget System component has not been effectively installed.

The agency does not have an internal audit office of its own; rather, it is subject to the Department of National Defense wide internal audit service (DND-wide IAS) under the control of the Office of the Undersecretary for Internal Control. The DND-wide IAS was created under Department Order No. 99, dated June 09, 2004 with the objective of attaining independence from the functional and organizational structure of its auditees.

There is delineation of authority with respect to the approval of disbursement vouchers and signing of checks though not readily known because it is embodied in various office orders that went through amendments and revocations as a result of the change in leadership.



7.2 Assessment

Financial Management	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	1	1	0	0	0	
Deployment Rating	70-80%	10-20%	--	--	--	
Validated Rating	0	0	0	0	0	0

The agency rated one (1) in this dimension, with the Chief of the Financial and Management Division claiming that even in levels two (2), three (3) and four (4), there are indicators which already exist in the agency. The process owner also mentioned that due to lack of personnel, their office avails the service of employees bound by contracts of service to help with the regular accounting functions. Other participants of the FGD maintained that they are not familiar with the operations of FMD and believed that it is only the process owner who is knowledgeable on the subject.

Upon validation and discussion with the process owners, the agency got a final rating of zero (0). While the participants of the Focus Group Discussion (FGD) claimed that they are already aware of their obligation not to use agency's resources for private purposes, however, there is no showing that proactive steps have been taken to initiate and build up such awareness as required under level 2. Furthermore, based on the findings in the Annual Audit Reports for CY 2004 and 2005, it is shown that the agency does not strictly enforce budgeting and accounting policies and guidelines, specifically on the granting and liquidation of cash advances. It is also quite noticeable that the process flow has not been posted in conspicuous areas to serve as guide and reference of clients, both internal and external creditors.

Field Team No.1 (La Union), Field Team CAR (Baguio), Field Team No.10 (CDO), Field Team No.11 (Davao). In the FGDs conducted in La Union, Baguio, Cagayan de Oro and Davao, it is revealed that the field teams are not well versed with the financial management system of the agency. This is expected of a system that is highly centralized. Field teams are not considered in the dissemination of pertinent budgeting and accounting guidelines since they are not the concerned units mandated to effect the same. It is worth mentioning, however, that there are field officers who have been acquainted with the system because of their previous assignment in the Central Office. Interviews also points to the prevalence of a system of reimbursement for operating expenses. The practice uses personal money of staff to buy items for office use, pay utilities to avoid penalties and transportation expenses for official trips. This curious practice is compounded by the fact that according to them, a clear policy on what items can be bought or settled at their levels. Ceilings are not likewise provided thus, some expenses are no longer reimbursed.

The following documents were used as bases for validation of the rating:

1. Annual Audit Reports 2004 and 2005
2. Memorandum dated September 21, 2005 re: Energy and Utility Conservation Measures
3. Memorandum from the DND Assistant Secretary for Finance dated October 15, 2004 re: Unliquidated Cash Advance
4. Manual of Operations

7.3 Survey Results

Statement	Response	Central	LU/ Baguio	CDO/DVO
Are you aware of the financial management systems in your agency?	Yes	28.00%	44.44%	16.67%
	No	72.00%	55.56%	83.33%



Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
The management scrutinizes our agency spending.	1.86	2.00	1.00	1.84
Financial and audit reports of our agency are accessible.	2.04	2.00	1.00	2.00
Employees know who and where to report irregularities in financial transactions.	2.00	2.00	2.00	2.00

The high net rating of the *No* response only confirm the general view revealed in the IDA-FGD that only the process owners are knowledgeable on the subject. While the survey result in La Union and Baguio posted a high rating of awareness compared with the other sites, the below 50% ratings, however, still negate sufficient awareness of the system. Since the financial management system is highly centralized, it is improbable that field officers and central office employees who have not been exposed or directly involved in the system would know about it. The lack of process flow having been posted in conspicuous places all the more aggravates the situation. But the positive response cannot be totally ignored as it also confirms that the system is in place.

The moderately positive net agreement posted vis-à-vis the last three statements is attributed to those who responded *Yes* to the first statement. Having claimed awareness of the financial management system in the agency, it logically follows that they would respond positively on the succeeding questions.

7. 4 Next Steps

There must be proactive steps to inform the agency people of their obligation not to use agency's resources for private purposes. The agency must refrain from availing the services of employees on contract service because the use of contractual employees in the processing of pension claims does not speak well of good internal control and sound management practice. The absence of security of tenure is an incentive to malfeasance, misfeasance and nonfeasance in a public office.

Also, there is a need to enhance the financial management systems at the field levels to improve their operational efficiencies and effectiveness.



8. Whistleblowing, Internal Reporting and Investigation

Whistleblowing should be encouraged in every agency, as it is one of the fastest ways of detecting corruption though admittedly it is one of the most difficult things officials and staff can do. Many times reporting has led to harassment of the whistleblower, or worse, complete reversal of the case where the whistleblower becomes the offender. Incentives and protection are therefore necessary to encourage employees to report corrupt behavior or practices. Protected disclosures and easy procedures for internal reporting and a good witness protection scheme should be established within the agencies.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency has a written policy/guideline on internal reporting and investigation of information and reports of corruption or unethical behavior. The policy/guideline has provisions on protection of those who report corruption. ▪ The policy/guideline specifies what constitutes corrupt and unethical behaviors, the procedures and responsibilities for reporting. ▪ Roles and responsibilities of staff involved in investigation are clearly defined.
2	<ul style="list-style-type: none"> ▪ The agency proactively disseminates the policy on internal reporting and investigation to <u>all</u> employees. ▪ Employees are trained on how to report corruption. ▪ Relevant personnel receive training in the handling and investigation of reports of corruption.
3	<ul style="list-style-type: none"> ▪ The agency initiates investigations of reported corruption and tracks complaints/cases until final action is taken. ▪ The agency keeps full and complete records of all reports. ▪ The agency protects employees who report corrupt behavior/suspicious of corruption. ▪ The agency protects the rights of suspected individuals when investigating reports of corruption.
4	<ul style="list-style-type: none"> ▪ The agency regularly monitors progress and outcomes of every investigation. ▪ The agency imposes appropriate sanctions to erring employees and officials (including those who submit malicious reports). ▪ The agency reviews and analyzes reports and statistics on incidence of corruption to identify patterns, which could indicate weaknesses of the agency's systems.
5	<ul style="list-style-type: none"> ▪ The agency regularly assesses the effectiveness of internal reporting and investigation system in preventing corruption and enhancing integrity. ▪ Results of the review are used to strengthen the system of internal reporting and investigation.

8.1 Internal Reporting and Investigation

PVAO has no written policy or guideline on whistleblowing; however, internal reporting and investigation functions are lodged at the Legal and Investigation Division (LID).

The LID provides legal services and conducts investigative work pursuant to its mandate and functions. The roles and responsibilities of staff involved in investigation are clearly defined in PVAO's Operations Manual. Through LID, PVAO initiates investigation of reported corruption by its own employees.

It is the Administrative Division, which implements suspensions of employees. Any suspension orders are indicated in an employee's qualification index for purposes of discontinuing his salary during his/her suspension period. Complaints relative to corrupt behavior of PVAO's employees are also reported to a non-organic Resident Ombudsman (RO). The RO either acts on the complaints or indorses it to the Office of the Ombudsman.



The LIDs functions and procedures as stipulated in the Operations Manual are as follows:

- ❑ Provide legal advise to the Administrator, the Deputy Administrator, and the divisions and units of the Office;
- ❑ Interpret laws and rules affecting the operations of the office;
- ❑ Conduct legal research work and prepare proposed legislation on veterans matters;
- ❑ Review for the Administrator claims in cases where doubts exist and report on the validity of such claims;
- ❑ Examine and evaluate claims of unrecognized guerilla or political prisoners;
- ❑ Conduct spot or field investigation concerning the identity and whereabouts of claimants and the genuineness of supporting documents and other relevant information necessary for arriving at sound decision or judgment;
- ❑ Compile all U.S. and Philippine laws providing rights and benefits to Filipino veterans, their heirs and beneficiaries, including policies, rules and regulations thereon; and
- ❑ Perform such other functions as may be provided by law

The Resident Ombudsman has the following functions and office procedures:

- ❑ Evaluates and makes investigation report concerning administrative and criminal complaints;
- ❑ Takes sworn statement or testimonies of complainants concurring their complaints, affidavits and the likes;
- ❑ Conducts conference arising from the commission of offenses in violation of office rules and regulations involving officials or employees and/or private parties and prepares decision, rulings, opinion or recommendations on said case

8.2 Assessment

Whistleblowing, Internal Reporting and Investigation	CO	La Union	Baguio	CDO	Davao	Final
Agency Rating	0	0	0	0	0	
Deployment Score	-	-	-	-	-	
Validated Score	0	0	0	0	0	0

Central Office. All participants recognize the absence of a policy on whistleblowing, however, LID handles internal reporting and investigation within PVAO. But only a few know the process. The Chief of the LID provided the information for the body. By reason of the absence of a written policy on whistleblowing, the participants rated themselves 0 in this dimension.



At present, there were four (4) reported administrative cases that were handled by the LID. Three of these cases were dismissed while only 1 was found to be guilty and was suspended.

Type/Nature of Complaint	Number of Complaints	Agency Response	Sanctions Applied
Complaint for ghost deliveries, overpricing of supplies & equipment, ghost repairs of vehicles & equipment	One (1) anonymous complaint	03/20/01 – receipt of anonymous letter 05/20/01 – LID is required to make a report on the letter 12/11/01 – DA requested LID to make further investigation 12/12/01 – LID proceeded with further investigation. 04/05/06 – LID resolved the case 05/29/06 – Administrative Division implemented the suspension	One (1) respondent was suspended while the rest were absolved.

Field Team No.1 (La Union). As a practice, any complaints at the field unit are indorsed to the PVAO-CO. The officer-in-charge does not conduct any investigation; however, the said officer takes the place of these complainants and pursues the complaint. It is just unfortunate though that in one case that was reported, the CO failed to act or issue any sanctions against the erring employee.

Field Team CAR (Baguio). There was no incidence of any internal reporting of corruption. Should there be one, PVAO-Baguio will indorse it to LID.

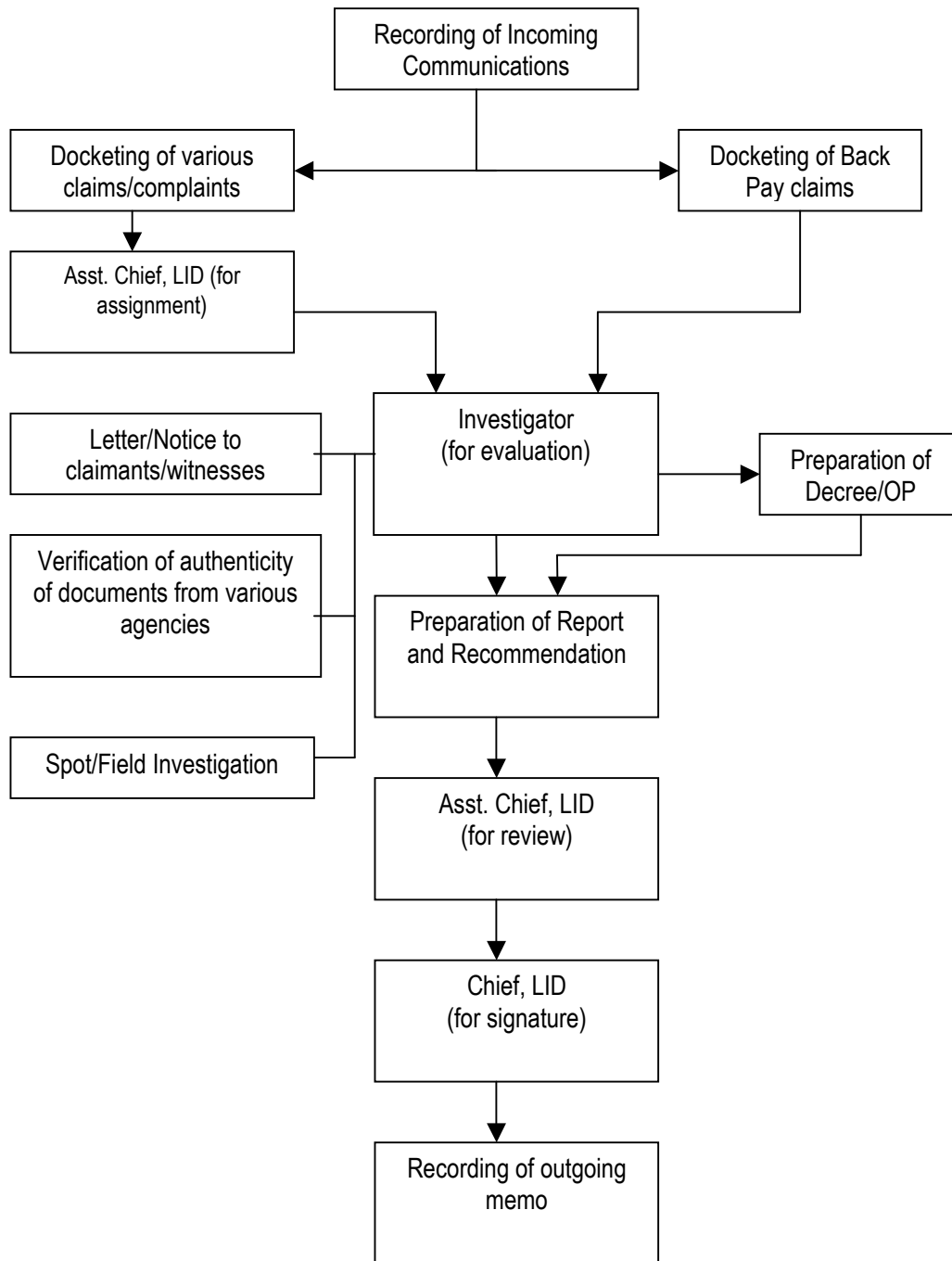
Field Team No. 10 (CDO). There is no known policy on internal reporting at the field level. No test case was ever received.

Field Team No.11 (Davao). Similarly, Field Team 11 personnel are not aware of any policies regarding internal reporting, nor has there been such a case documented.

It should be noted that while there exists a unit to handle complaints from employees, the procedures are not clear, especially at the field units.

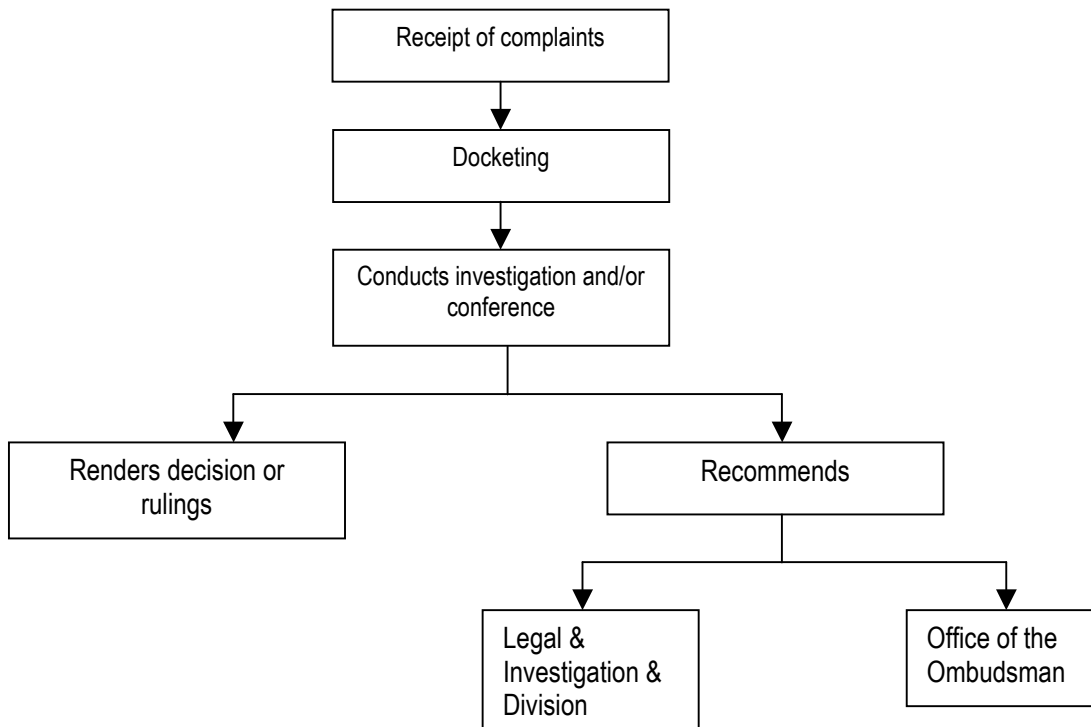


The LID Procedure may be summarized as follows:





The succeeding flowchart encapsulates the RO functions:



8.3 Survey Results

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
Employees are encouraged to report corrupt and unethical behavior within the agency.	2.11	2.22	2.20	2.13
Guidelines to employees for reporting corruption and unethical behavior are clear.	2.30	2.25	2.40	2.31
Reports of employees on corrupt behavior are investigated.	1.95	2.25	2.20	1.99
Employees who report corrupt behavior are protected.	2.48	2.00	2.20	2.43

In this survey, PVAO registered a moderately positive net agreement since its employees are encouraged to report corrupt and unethical behavior within the agency. Employees respond positively to this encouragement because PVAO acts on this report. However, PVAO had a slightly positive net agreement rating when asked if the guidelines for the reporting are clear and offer them protection.

Statement	Response	Central	LU/ Baguio	CDO/DVO
Have you experienced reporting a corrupt or unethical behavior that you have witnessed?	Yes	10.00%	11.11%	16.67%
	No	90.00%	88.89%	83.33%

Only a few (10% for Central; 11.11% for LU/Baguio and 16.67% for CDO/DVO) experienced reporting a corrupt or unethical behavior that they have witnessed. They are encouraged to report because they are satisfied with PVAO's reporting and investigating mechanism. PVAO got a moderately positive net agreement rating. Details about the reported events are stated in the next two (2) tables.



When did this happen?	Frequency	Percentage
When the budget is okay, check and balance	1	8.33%
1979	1	8.33%
Recently	1	8.33%
Sometimes	1	8.33%
In 2002	1	8.33%
Kapag may mali, pinapaalam agad	1	8.33%
Between 2005 and 2006, Dec 2006 (noticed falsified documents), fixers carrying masterlist from accounting, last year	4	33.33%
Maraming on-file at marami nadismiss dahil caught-in-the-act	1	8.33%
When I was OIC-Accounting	1	8.33%
	12	100.00%

How long did it take before it was resolved?	Frequency	Percentage
After a year	1	7.69%
2 years	1	7.69%
Pending resolution, hindi pa nalulutas at paulit-ulit lang	3	23.08%
Immediately resolved, resolved	5	38.46%
Difficult to dismiss permanent employees	1	7.69%
No idea	1	7.69%
Not resolved	1	7.69%
	13	100.00%

About 38.46% of the cases were immediately resolved while 23.08% are still pending as of February 2007.

As to the satisfaction or dissatisfaction of the respondents to PVAO's mechanism for internal reporting, the following results were obtained:

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
How satisfied or dissatisfied are you with your agency's reporting mechanism?	2.40	2.00	2.00	2.33
How satisfied or dissatisfied are you with your agency's investigation mechanism?	2.00	2.00	2.00	2.00

The next two (2) tables imply, the resolution of the reported cases appear to be the main reason for the respondents' satisfaction with the agency's investigation mechanism, while the delay, frequency of unresolved cases, and the general lack of confidence to the mechanism, appear to be the reasons for the respondents' dissatisfaction.

Why are you satisfied / dissatisfied?	Frequency	Percentage
Not satisfied with management's way of running office, may contact pa rin sa loob ang claimants	2	16.67%
Slow processing of complaints	2	16.67%
Lack of confidence	1	8.33%
Paulit-ulit lang	1	8.33%
Because it was resolved, satisfied	3	25.00%
They protect each other, "lawyering" for each other	1	8.33%
No feedback mechanism	1	8.33%
Still not resolved, still existing complaints	1	8.33%
	12	100.00%



Statement	Response	Central	LU/Baguio	CDO/DVO
If you ever witness a corrupt and unethical behavior (again), will you report it?	Yes	78.00%	88.89%	100%
	No	22.00%	11.11%	0.00%

As for the rest of the respondents who have not experienced reporting, a majority of them (78% for Central; 88.89% for LU/Baguio; 100% for CDO/DVO) said that they will report corrupt and unethical behavior should they witness one or experience it again. The respondents' reasons for answering with a yes or a no are:

Why YES?	Frequency	Percentage
To prevent/stop corruption, to remove corrupt officials, to stop tolerating corruption	30	30.93%
I should report it because it is wrong, my responsibility to report, kelangan ireport	21	21.65%
Pinaka-"source" ng di pag-unlad	1	1.03%
For office and employees welfare, para tumino ang ahensiya, to be part of corruption prevention, for good image of the office, to help save the gov't fund	19	19.59%
To set an example, to give lesson to corrupt people, to punish accordingly the corrupt	22	22.68%
I have seen such an event with my naked eye	1	1.03%
To help claimants	1	1.03%
To give solution to the problem	1	1.03%
No comment	1	1.03%
	97	100.00%

Why NO?	Frequency	Percentage
Baka masindak lang kami, it will only affect my work and my promotion, natatakot, no protection for whistle blowers	6	26.09%
Because of favoritism/friendship/relationship, nalulusutan lang naman in the end of the investigation (will you still have the courage to report such?), it will not be resolved anyway	3	13.04%
Have not experience yet, no reason, will not report	9	39.13%
Siguro may reason kung bakit gingawa yun	1	4.35%
Part of Filipino value at nakasanayan na	1	4.35%
Will try to resolve it first with the person involved	2	8.70%
Di alam kung kanino irereport	1	4.35%
	23	100.00%

While the need to stop corruption and the need to set an example appear to be the main reasons of the respondents in choosing to report corrupt or unethical behavior, the lack of experience and/or information as to how to report and the fear for the lack of protection for the whistleblower show to be the main reasons why the respondents would choose not to report such events.



The following table summarizes the suggestions of the respondents as to how the internal reporting system of the agency can be improved:

What can you suggest to improve the system on internal reporting of corrupt and unethical behavior in your agency?	Frequency	Percentage
Ban fixers from entering PVAO premises, avoid fixers, arrest fixers	7	5.74%
Conduct investigations to all, investigate on all reports, be fair in investigating, walang palakasan at bata-bata system, conduct surveillance to verify reports, have an independent and external investigating body, give due process	28	22.95%
Offenders should be suspended for minimum of 6 months, punish offenders accordingly	7	5.74%
Provide protection and compensation for whistleblowers, keep reports confidential, be vigilant	32	26.23%
Transparency, details must be presented, both parties must present evidences, wag pagtakpan, go one on one with reporter	8	6.56%
Administrator should know how to stop corruption, encourage employees to report cases of corruption and unethical behaviors, should have political will on pursuing corrupt officials, should implement clear-cut policies	7	5.74%
Put suggestion box, disseminate more information, coordinate with employees, observe employees and set standards, PVAO employees association should help in investigations, conduct training on awareness	18	14.75%
Reporting thru text messaging	1	0.82%
Amicable settlement na lang	1	0.82%
No comment, no answer, blank, no knowledge, no idea, no corruption in PVAO	13	10.66%
	122	100.00%

The table shows that the utmost concern of the respondents on the internal reporting system is the need to provide protection for whistleblowers. About 26.23% of the respondents posted it as their suggestion.

8.4 Next Steps

Create a committee that will draft and finalize a written policy or guideline on internal reporting and investigation and reports of corruption or unethical behavior (the Ombudsman written policy on whistleblowing may serve as a guideline). And subsequently, make the necessary and proper dissemination of said policy to efficiently and successfully implement it.



9. Corruption Risk Management

Although not widely practiced, corruption risk management is the first step required for a systematic response to corruption vulnerabilities. Risk assessment is an important management tool in detection and prevention of corruption. Risk assessment provides a systematic scrutiny of an organization's operations, systems, and performance that can lead to identification of risks and opportunities for corruption. There is a tendency for an agency to be reactive in its assessment. Assessments are not enough, the agency should be proactive and device a plan for managing risks. Fraud and other forms of corruption may be avoided if the agency regularly undertakes an implementable corruption risk management plan. In this plan, the agency can identify its high-risk functions, source the risks identified, and outline steps in controlling them.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency recognizes the role of internal audit in the prevention and detection of fraud and corruption. ▪ The agency has identified its high-risk operations and functions.
2	<ul style="list-style-type: none"> ▪ The agency proactively undertakes assessment of corruption risk areas. ▪ Relevant agency personnel are trained on corruption risk assessment and corruption prevention planning. ▪ Results of corruption risk assessment are reported to management. Corruption and fraud risks identified are made known to employees.
3	<ul style="list-style-type: none"> ▪ The agency develops and implements a corruption risk management/corruption prevention plan to address identified risks. ▪ Time and resources are allocated, and managers are given clear tasks of implementing and monitoring the corruption risk management plan. ▪ Employees are encouraged and rewarded for identifying responses to corruption risks.
4	<ul style="list-style-type: none"> ▪ The agency's corruption prevention plan is supported/integrated in the corporate plan and other management plans. ▪ Corruption prevention focus is incorporated in management functions, policies, systems and procedures of the agency.
5	<ul style="list-style-type: none"> ▪ The agency's approach on corruption risk management is regularly reviewed for effectiveness in detecting and preventing corruption. ▪ Results of evaluation are used to enhance integrity measures and corruption prevention strategies.

9.1 PVAO Internal Audit System

The Management Section, Financial Management Division (FMD)

Internal auditing is one of the functions of the Management Section of the Financial and Management Division (FMD). Specifically, this Section conducts financial/operations/special audit as programmed and as directed by higher authorities and recommends remedial measures on the findings observations gathered from audit. It shall also review for consistency and adequacy of recommendations for improved or new organizational set-ups, financial and operational procedures, and direct research in effective internal organization, workflow, work specification, preparation of organization and procedure manuals and studies in connection with the performance standards and other management matters (*Pages 130-131, PVAO Operations Manual*).

The Internal Audit Service (IAS)

By virtue of Department Order 99 series of 2004, implementing Administrative Order Number 70, series of 2003, an Internal Audit Service (IAS) was created in the Department of National Defense (DND) under the supervision of the Office of the Undersecretary for Internal Control. Lately, this unit became a Personal Staff of the Secretary



of National Defense (*D.O. 24, series of 2007*). Among others, this department-wide internal audit service performs staff functions with primary responsibilities encompassing the examination and evaluation of the adequacy and effectiveness of the internal control and the quality of performance in the Department proper, bureaus, offices and agencies including the Armed Forces of the Philippines (*Section 1, Department Order No. 99*).

As a result of the creation and operationalization of the IAS-DND, two (2) personnel from the Management Section, FMD were transferred/detailed to the IAS-DND as of September 2004. Among other PVAO assignments, the IAS-DND, pursuant to Department Order No. 09, series of 2005, conducted a System Audit of the PVAO Pension Information System from March 11 to May 30, 2005. The result of the audit was properly communicated to the Administrator, PVAO and the Division Managers.

9.2 Assessment

Corruption Risk Management	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	1	0	0	0	0	
Deployment Rating	10-20%	--	--	--	--	10-20%
Validated Rating	1	0	0	0	0	1

Central Office. During the group discussion of the individual ratings, those who rated 0 were asked their basis for rating 0. The collective response was that they were not aware if the agency has identified high-risk functions, although they know that there is an internal audit system in the office. The facilitator asked if there is an existing study or document on PVAO system. One participant volunteered that the SGV Report was one such document. He also noted that it is presently the DND-IAS, which leads the prevention and detection of fraud and corruption in the whole department. Those who rated 1 were aware of the SGV Management Audit and the existence of the Department wide internal audit. There were no justifications given by those who rated 2.

On level 2 of the levels of achievements, their discussion focused for a while whether to consider if risk assessment in the agency is proactive. On the other hand, they were unanimous that there was no specific training on corruption risk assessment/prevention planning and the absence of the other indicators under the succeeding levels.

Deployment score was quite low since, according to them, only the management is aware of the SGV report and that the participants who are made aware are familiar only with their area of concern.

The participants gave a final rating of one (1) and the deployment score is 10-20%.

Field Team No. 1 (La Union). The same FGD process was conducted in the La-Union Field Team Office. After the discussion on the overview and each dimensions, the group gave the agency a rating of zero (0) in this particular dimension because they are not aware of any internal audit or if the agency has identified its high-risk operations or functions, although one of them has information about the so-called SGV Report being a former staff in the Office of the Administrator.

Field Team CAR (Baguio). The same FGD process was also conducted in the Baguio Field Team Office of which the consensus rating is also a zero (0). The field team personnel are also unaware of any internal audit mechanism in the central office.

Field Team No. 10 (CDO). As in the case of the Field Team Offices in Luzon, the CDO field team also rated the agency with a zero (0).

Field Team No. 11 (Davao). The Field Team Office in Davao was also uninformed about the internal audit mechanism in the central office, hence, the group also rated the agency with a zero (0).



Indicators research was conducted immediately after the IDA at the Central office to validate the result of the FGD. The objective is to validate the whether or not there are documents that could support the ratings given or there are documents, which were overlooked and not considered (this could justify a higher rating). The dimension owner had a hard time looking for the documents, as there is no permanent organic unit or office mandated as central repository of PVAO documents and issuances. At the Central Office, documents such as Reports, Policies, Contracts, and similar documents are scattered in the different divisions concerned.

The PVAO Operations Manual describes the function and operational processes of the Management Section, Financial Management Division (FMD). The Management Section is directly under the FMD and it functions as organic internal auditing for PVAO financial and operation systems. This structure is complimented by the department wide Internal Audit Service lodged at the DND. A PVAO personnel is detailed at the IAS. This information points to the recognition of the role of internal audit in the prevention and detection of fraud and corruption.

Moreover, the SGV Report dated June 2004, though unfinished, identified systems weaknesses both financial and operational, and also identified possible corruption risks areas. The report also contained recommended actions to be taken and implemented. A separate audit on PVAO Pension Information System focused on the following:

- Pension Claim Application Processing;
- Approval of Pension Claim Application;
- Data Encoding
- Funding
- Check Preparation
- Report Generation
- Records Management
- Updating
- Other issues like PVAO FMIS contract

These documents available in the PVAO Central Office prove that PVAO has identified its high-risk functions. The results of the SGV Report were disseminated to the Heads of Division. The existence of this document can be cited as strength since the findings and recommended actions were actually disseminated to the management..

The existence of the documents above support the indicators mentioned above supports the rating of 1 given during the FGD. Since the information reached only the division managers, that validates the deployment ratings of 10%-20%.

There appears to be a deployment problem in the FTs since not a single document the same as above were found or gathered in the Field Offices. In this particular dimension, the field Offices claimed that they have no information on internal audit or any such management audit being conducted by the Office.

9.3 Survey Results

Statements	Central	LU/Baguio	CDO/DVO	Agency Rating
Our agency implements measures to identify potential fraud and corruption.	2.13	2.57	2.20	2.16
It is difficult to corrupt our current system of operations.	2.33	2.50	2.33	2.35
Employees in our agency are trained to prevent fraud.	2.58	2.50	2.40	2.56
Employees in our agency are trained to detect fraud.	2.62	2.75	2.50	2.63
Our agency is successful in fighting corruption.	2.52	2.71	2.50	2.53

Responses to the survey statements regarding corruption risk management vary from a moderately positive up to a slightly negative net agreement.



Statement No. 1 has the highest net agreement rating, which means that the respondents/employees believe that PVAO implements measures to identify potential fraud and corruption. On the other hand, the lowest net agreement rating is Statement No. 4, which indicates that employees, through the respondents are not trained on fraud detection. Employees are slightly confident that PVAO system of operations cannot be corrupted as evidenced by its slightly positive net rating.

The overall agency ratings on Statements No. 3 & 4 indicate slightly negative net ratings on personnel training. This might explain why Statement No. 5 got a slightly negative net agreement meaning that the lack of training in preventing and detecting fraud precludes the agency from successfully fighting graft and corruption.

It is observed that the ratings given by employees from the Visayas and Mindanao in all the statements reflect almost positive perceptions while those from Luzon reflect negative perceptions.

It likewise observed that the overall rating on Statement No. 1 on whether or not the *agency implements measures to identify potential fraud and corruption* reflects slightly positive net agreement rating. It means that employees are aware that PVAO implements measures to identify potential fraud and corruption. Going back to the deployment ratings in the FTs, there seems to be an inconsistency in the rating in Statement No. 1 when compared with the deployment ratings given by Field Teams as to the existence of internal audit (they are not aware of the internal audit); maybe this indicates the failure to connect internal audit with the prevention of fraud and corruption. It must be noted that when the IDR was conducted in the FTs, the survey was conducted first before the FGD.

It can be gleaned from the results of the survey that nepotism/favoritism, tolerance of fixers, overpricing of bids, negligence of duty and abuse of discretion as the types of corruption which have high to medium likelihood of occurrence in the Office. The complete list is found in the ensuing table.



Type of Corruption	Central	LU/ Baguio	CDO/DVO	Agency Rating	
Negligence of duty (4)	2.34	2.22	2.33	2.33	Medium
Falsification of documents	2.07	3.00	1.67	2.13	Medium
Illegal use of public funds or property	2.22	2.13	1.75	2.19	Medium
Unauthorized collection of funds	1.57	1.75	1.40	1.58	Low
Nepotism/favoritism (1)	2.71	3.00	2.60	2.73	High
Disclosure of confidential information	2.10	2.11	1.00	2.07	Medium
Collusion with BAC members	2.02	2.50	2.00	2.04	Medium
Overpricing of bids (3)	2.35	2.83	1.75	2.36	Medium
Collusion with suppliers	2.27	2.75	1.67	2.28	Medium
Forgery or fraud	1.68	2.38	1.25	1.72	Medium
Theft of public resources	1.91	2.57	1.25	1.93	Medium
Accepting bribes	2.27	2.56	2.50	2.31	Medium
Abuse of discretion/power (5)	2.30	2.67	2.00	2.32	Medium
Corruption of Filipino values	2.06	2.88	2.40	2.14	Medium
Tolerance of fixers (2)	2.63	3.11	2.17	2.64	Medium

Respondents perceive the *unauthorized collection of funds*, followed by *forgery or fraud*, as the types of corruption that are least likely to occur in their agency.

The succeeding table summarizes the suggestions given by the respondents as to how corruption could be prevented in the agency. We could see from the table that the increase in salaries and compensations top the respondents' list of suggestions at a 26.56% score followed by dedication to work and other personal values at 21.09%.

What can you suggest to prevent corruption?	Frequency	Percentage
Dedication to work, be honest and transparent, fair processing, avoid granting favors, wag mag-uwi ng supplies, transparency, avoid fixing/fixers, wag pasuhol	27	21.09%
Remove corrupt officials, eliminate red tapes	2	1.56%
Separate PVAO from DND	1	0.78%
Simplify procedure in claims processing, faster processing of arrears, limit time in contact with clients	10	
Increase salaries, more promotions, well compensated employees	34	26.56%
Leadership by example, firm and just leader, leadership without politics, support employees	10	7.81%
Follow office rules and policies, strictly implement rules and regulations, follow code of conduct	14	10.94%
Punish offenders, strict administrative sanctions	7	5.47%
Provide seminars for awareness, provide trainings, values orientation, educate employees about corruption and penalties	15	11.72%
No idea, no comment, no suggestion, no answer, no knowledge, no opinion	8	6.25%
	128	92.19%

9.4 Next Steps

Basically, the PVAO has undergone at least two (2) separate and independent management audits. The outputs are substantial enough to come up with plans and programs addressing fraud and corruption. Yet, these documents remain unrecognized and unappreciated by PVAO managers and policy makers. Evidently, PVAO does not know how to capitalize on it.



Use of these data for policy development largely depends on personnel capability. This points to the lack of qualified personnel or lack of personnel training. This is validated partly by the negative net agreement rating given by respondents/employees on personnel training. Thus, first in PVAOs priorities should be:

- Focus on manpower investment such as personnel trainings, reorientation, scholarship programs, and other capability building programs of similar nature.
- Selection and hiring of qualified people to the positions where they are most suited;
- Strict observance of personnel performance evaluation system.



10. Managing Interaction with External Environment

Corruption incidences within an agency normally involve an external party. Agencies should effectively manage their external environment to contain corruption. Management of external environment includes promoting the agency-established process of doing business, clarifying condition of engagements, and responding to the needs of the clients.

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> ▪ The agency has established an information system to inform the public of its services, policies, rules and procedures. ▪ The agency has a policy on disclosure of information to the public.
2	<ul style="list-style-type: none"> ▪ The agency proactively disseminates information on its services, policies, systems and procedures to the transacting public. Procedures for frontline transactions (that includes standard processing time, fees, persons responsible, specification of the transacting area, etc) are posted in public areas. ▪ The agency employs systems to avoid long queues and prevent “facilitators” of transactions.
3	<ul style="list-style-type: none"> ▪ The agency has a mechanism to check that the published rules, procedures, and standards are being met (e.g. client complaints/feedback mechanisms, service charter) ▪ Relevant personnel are given training on how to handle and resolve complaints. ▪ Managers monitor compliance with service standards and ensure transactions are isolated from undue interference (i.e. patronage and bribery).
4	<ul style="list-style-type: none"> ▪ The agency has a full and complete record of complaints and feedback from clients. Complaints and feedback from clients are analyzed to identify possible incidence of corruption. ▪ Records of releases of information are examined. Results of analysis are correlated with incidence of corruption. ▪ The agency has a mechanism to provide redress for failure to comply with its service guarantees.
5	<ul style="list-style-type: none"> ▪ The agency regularly reviews its system of managing interface with external environment for effectiveness in preventing corruption and enhancing integrity. ▪ Results of the review are used to strengthen the policies/systems on disclosure of information; service delivery and in dealing with external parties.

10.1 PVAO's Services and Major Transactions

PVAO Proper has two major functions: (1) processing of applications and (2) payment of veterans benefits. To carryout these functions PVAO provides the following services:

Type of Service / Transaction	Volume/Year (2006)	OPR
Process applications		Public Assistance Information Center (PAIC), Field Teams (FTs)
Pensions	19,749	
Old Age	15,846	OAPD
Veteran	2,897	
Spouse	12,949	
Accrued/Posthumous		
Death	2,057	PGD, DRB
Spouse	537	
Child	1,107	
Parent	413	



Type of Service / Transaction	Volume/Year (2006)	OPR
Disability	1,846	DRB
Initial	661	
Re-rated	150	
Additional	1,035	
Other Benefits	10,895	
Educational Benefits	463	EBD
Initial	82	
Post Adjudicated	381	
Burial Assistance	9,456	PGD
Hospitalization	968	PTD
Veterans Preference	8	PTD

Type of Service / Transaction	Volume/Year (2006)	Amount
Payment of benefits		
Old Age	203,726	12,711,676,231
Death	40,733	564,865,221
Disability	17,010	222,829,548
Educational Benefits	3,255 students 4,850 bills	52,500,000
Burial Assistance	6,915	69,075,044
Hospitalization	850 patients	1,469,725
Arrears/Unpaid benefits	15,842	1,871,634,525

Type of Service / Transaction	Volume/Year (2006)	OPR
Bank Remittance	5,382	PTD
Revalidation	17,990	PTD, MBD, FTs
Change of Address/Data	1,994	PTD
General inquiry/follow-up		OPA, PAIC, FTs

10.1.1 Processing of Applications

General Process

Except for Disability Pensions and Hospitalization Subsidy, the first step in applying for a benefit is the submission of documentary evidence to prove the following:

- Military service (military service record, F23);
- Proof of identity (valid ID, birth certificate);
- Proof of relationship to veteran if applicable (marriage certificate for surviving spouse, birth certificate for children or parent);
- Proof of death/death in line of duty if applicable (death certificate/battle casualty report);
- Receipt of burial expenses for Burial Assistance.

As a policy only applications with complete supporting documents are accepted at the PAIC or by the FTs. The receiving clerk shall then assign a 14-character claim number with following format:

OV-MCO-07-000001

First two letters indicate the benefit type (OV – Old Age pension for the veteran). Next three characters refer to the office where the application was filed (MCO – Central Office). Seventh and eighth characters refer to the year of filing. Last six digits refer to the order they were filed.



At the Central Office, the receiving clerk at the Kagitingan Hall shall also check the IVDMS for double filing and encode all basic information appearing in the application form.

For FTs, after the issuance of a claim number, applications will be transmitted to the MBD then to the Kagitingan Hall for encoding and cross checking.

All encoded applications will then be transmitted to the concerned processing divisions and assigned to examiners who shall check for the following:

- Completeness of documents
- Authenticity of documents
- Consistency of information both on the documents submitted and with data on previously availed benefits (information on Old Age Pension application is cross-checked with Educational Benefits if available)
- Eligibility for benefit (had 6 years of cumulative service)
- Double-filing. If an earlier application was already filed by a different claimant, the conflicting claims shall be referred to the LID for investigation and resolution. On the other hand, if the earlier claim was filed by the same party (i.e. application was already filed at FT 6 and a similar claim was submitted at the Central Office), the latest application will be disregarded.

If examiner is not satisfied with documentary evidence or there are inconsistencies, he/she may require the submission of supplementary evidence or request for an investigation of the applicant.

Approved applications are reviewed by the Section Chief and Division Chief, and are then assigned a masterlist number or a batch number, which includes some 6-10 claims. The masterlisting of claims facilitates the review of claims by the Director III and final approval of the Administrator. The Sec 5 of DO A-049 designates the Administrator as the final approving authority of all applications for benefits.

Approved claims are finally forwarded to the FMD and Data Center for payment. For Educational Benefits, school bills will be processed by the Billing Section of the Educational Benefits Division then forwarded to FMD for payment.

Old Age Pension

Old age pension applications are processed by the Special Claims Division, which was renamed to Old Age Pension Division. Except for posthumous claims, old age pension applications for both veteran and surviving spouse follow the general process describe above.

Posthumous or accrued pension refers to an unpaid pension, which was not enjoyed by pensioner until he/she passed away. The outstanding amount will now be paid to the pensioner's legal heir/s. This applies only to heirs of existing pensioners and for those who have a pending application for old age pension. Due to the nature of this benefit, the FMD has first certify that the deceased pensioner has an outstanding amount due to him/her before the application is referred to LID for determination of legal heirs prior to processing by the OAPD. PVAO is now in the process of revising its policies on the processing of posthumous claims.

Death

The spouse and minor children or in default thereof the parent of veteran is eligible to death pension if: the veteran died in line of duty (killed in action) or; is an existing disability pensioner who died as a result of his/her service-connected disability or illness. In the second scenario the DRB has first to determine whether the death is service connected, once established the application is forwarded to the PGD and the processing will follow the general process described above.



Disability

Initial Rating – refers to the first time a veteran's level of disability is determined.

For WWII veterans, applications are filed at the PVAO where the veteran will be required to submit a Form 23 indicating his/her illness or injury acquired in line of duty. The DRB shall then convene and determine applicant's level of disability based on the modified *Schedule of Rating Disabilities of USVA* of 1945, as well as the need to for re-rating and then it shall follow the general process.

For AFP servicemen, the applications are filed at AFP Civil Disability Discharge Board where they will be required to stay or board at the AFP Medical Center to determine if illness or injury is service connected and to determine level of disability for recommendation to the DRB.

The application together with the medical findings will be transmitted to the Non-Current Records Division, Office of the Adjutant General, then to the DND and finally to DRB, PVAO.

The DRB shall then convene as a board to determine the level of disability based on the recommendations of the AFP CDD Board, and will then follow the usual process.

Re-rating – RA 65 requires that veterans undergo a yearly re-rating to determine changes in level of disability, except for those whose rating are considered permanent or there is no likelihood of improvement such as amputees; those who are above 57; and, those whose rating has remained unchanged for 15 consecutive re-ratings. Rather than proceed to PVAO for re-rating, disability pensioners in the provinces could undergo physical examination at any government hospital, the results of which shall be forwarded by the hospital to the DRB.

Additional – refers to pensions awarded to the spouse or unmarried minor child/ren of a disability pensioner with a 100% disability rating.

Disability pensioners who were determined to have a 100% disability rating/re-rating are notified that their spouse and unmarried minor child/ren are entitled to additional pensions of P500. An application form is also attached to the notification, which could be submitted through mail together with the required supporting documents.

For existing pensioners with a 100% disability rating, who got married or had children, they will need to secure an application form for additional pension from DRB, which can also be obtained through mail.

All applications shall then follow the normal process described above.

Educational Benefits

Prior to the issuance of DO 157 dated 08 Oct 2002 and DO 65 dated 14 Jul 2005, the grant of educational benefits were determined based on the length and type of wartime service rendered by veterans of WWII and members of the PHILCAG and PEFTOK. AFP Retirees are not entitled to educational benefits.

In addition, PVAO also shouldered all school fees regardless of amount and course and allowed the extension of educational benefits and transfer to another course. However, with the increase in tuition fees and the tendency of scholars to use the benefit for more expensive courses like medicine, PVAO had difficulty in paying all its school bills, which often resulted to the non-acceptance of PVAO scholars in some educational institutions. By Yearend 2005, PVAO had outstanding educational bills amounting to P131M.



To ensure a more equitable distribution of educational benefits and ensure that PVAO is able to pay all its school bills the SND issued DO 65 *“Amending Part II of the Rules and Regulations to Implement Republic Act No 6948 as Amended by Republic Act No 7696 ‘An Act Standardizing and Upgrading the Benefits of Military Veterans and Their Dependents’, thereby Amending Department Order Number A-049 dated May 20, 1990, as Amended by Department Order No. 157 dated October 8, 2002”*.

DO 65 prescribes the following:

- Limiting entitlement to one basic course or degree (2-3 years vocational course for 30 months; 4-year course for 40 months; and, 5-year course for 50 months) regardless of length of wartime service.
- Change of basic course or degree shall be allowed only if there is a remaining balance of period of entitlement and the grantee has not yet finished the course; or in cases where 75% of the units shall be credited to the new course which is neither longer nor more expensive.
- Limit scholarship to a maximum of P24,000 per school year.
- Moratorium on the acceptance and processing of initial claims for a period of two years covering SYs 2005-2006 and 2006-2007.

Initial

The filing of application for educational benefits basically follow the process described above except for an additional step where applications are transmitted to the Records Division for verification and issuance of certification whether or not the applicant has no other claims for educational benefits filed (NOCF). Unlike, other claims which have been encoded in the IVDMS, there is no database for avalees of educational benefits, which had been given out since the passage of RA 65 dated 18 Oct 1946 (other benefits awarded by the then Philippine Veterans Board and death pensions as well as veterans preference in civil service examinations).

In addition, the examiner to which the application has been assigned is also required to further verify based on existing EBD records that no claims for educational benefits have been filed and enjoyed under the name of the veteran.

A previously approved educational benefit may also be waived in favor of another grantee if the original grantee was not able to use the benefit; or where the benefit has been only partially used for causes beyond the original grantee’s control, provided that the subsequent grantee shall only be entitled to the remaining period of entitlement.

In such cases, the examiner determines and certifies the balance of period of entitlement, if any and requires the claimant to accomplish the necessary forms and documentary requirements and follow

Once the claim is approved, the grantee will be notified of the requirements needed for the issuance of award and scholarship credit card (SCC).

The beneficiary will report for finger printing and identification by the Identification Unit. He will also undergo briefing and counseling by EBD. After which, the grantee could already take advantage of the benefit.

Payment of school bills will be discussed in the succeeding sections.

Post Adjudicated refers to other transactions previously allowed for educational benefits. These include the automatic extension, and renewal or extension of the period of entitlement to allow the grantee to finish the course. Under DO 65, the period of entitlement shall no longer be extended but the grantee may still change course or school under the conditions described above.



A grantee who desires to change course or school applies for the same by using PVAO Form E-7 and is required to submit it together with his scholastic records during the enjoyment of the benefits. He/she will also be counseled regarding the possible effects of the change of course or school on the period of entitlement.

If the claim is found in order the processor prepares the evaluation report and follows the same process described above.

After the change of course has been finally approved the student will be issued another award for the newly approved course. Such change of course is reflected on the SCC of the student ward and on the renewal card.

Burial Assistance

The processing of Burial Assistance generally follows the process described above. Since burial assistance benefits can be enjoyed upon the death of the veteran only, and because of the two year prescription period from the time of death, almost all applications for burial assistance involve the death of an existing pensioner, except for members of the AFP who are killed in action. Thus there is normally no need to prove the veteran's military service. An applicant only needs to provide the following documentary evidence:

- Proof of death/death in line of duty if applicable (death certificate/battle casualty report);
- Receipt of burial expenses under the name of the applicant; and,
- Applicants proof of identification.

Hospitalization Benefits

Aside from free medical care at the Veterans Memorial Medical Center in Quezon City, veterans, their spouse, unmarried minor children and children who are physically or mentally incapacitated regardless of age are entitled to a P400 (as of July 2005) subsidy for each day of in patient care at any PVAO-contracted government hospital. There are over 300 PVAO-contracted government hospitals nationwide.

REGION	NO. OF PVAO CONTRACTED HOSPITALS
I	41
II	35
III	38
IV	62
V	31
VI	44
VII	32
IX	20
X	34
XI	20
XII	26
NCR	6
Total	389

To avail of this benefit, the veteran must present the following to the PVAO contracted hospital:

- Copy of his military service record
- Photocopy of application form for any of his approved claim



- Veteran's ID or VMMC ID (green card)
- Photocopy of his old age pension check or certification form PVAO FT

Spouses must also present a copy of the marriage contract and birth certificate for children.

The PTD aside from processing hospital bills ensures through FTs that MOAs with PVAO contracted hospitals are active and/or updated.

Veterans Preference

Pursuant to Executive Order 132 S1948; a veteran is entitled to five additional points in the Civil Service Examinations. Further, ten (10) additional points in the Civil Service Examinations may be credited to a veteran with a service connected disability; a widow of a veteran; and a wife of a veteran who cannot qualify for appointment in the civil service due to a service-connected disability. This was further expanded by Executive Order No. 790. s 1982, to include one child of a veteran in case the benefit was not availed by the veteran or the spouse. For the purpose of this benefit CSC Memorandum Circular No 08 s 2006 dated 22 March 2006, limits the term veteran to individuals who rendered military service during WWII.

Although this benefit is actually granted by the CSC, it is still PVAO's responsibility to determine the veteran's military status, establish the veteran's relationship with either the spouse or the child, and ensuring that the benefit has not yet been availed. As such, the process of securing a certificate that one is a child or a spouse of a veteran follows the process described above.

10.1.2 Payment of Benefits

10.1.2.1 Payment of Pensions

There are two modes of pension payments:

- 1) Mailing of checks through the Philippine Postal Corporation. Twenty three percent (23%) or 57,751 (as of Dec 2006) of pensioners receive their checks through registered mail. However, the delivery of checks are subject to delays caused by weather disturbances and high volume of mail especially during the Holiday Season. Since the postal system is also subject to pilferage and misdelivery, PVAO has been consciously trying to convince its pensioners to shift to a direct remittance of their pensions to their bank accounts which is faster, cheaper and more secure .
- 2) Bank Pension Payment Scheme. In 2001 PVAO began shifting the delivery of pension checks through direct bank remittance. Roughly 77% or 195,000 (as of Dec 2006) pensions are received through five partner banks/financial institutions: Philippine Veterans Bank; Land Bank of the Philippines; Development Bank of the Philippines; Armed Forces and Police Savings and Loan Association, Inc; United Coconut Planters Bank; and, a number of rural banks.

Arrears or Unpaid Pensions

Through supplementary budget releases in 2005 and 2006, PVAO was able to settle all outstanding claims for Burial Assistance, Educational Benefits and Disability Pension as well as partially pay all unpaid Old Age Pension and Death Pension. As of Yearend 2006, PVAO has a remaining balance of P4.151B in Old Age Pensions and P372M in Death Pensions, which it plans to pay off by yearend 2009 with the additional appropriation or P1.764B annually from 2007-2009.



While there are general guidelines in the payment of arrears such as first-in-first-out (claims approved in 2000 and 2001 will be paid by 2006-2007) and ensuring that payments are received only by legitimate pensioners (requiring pensioners to open a bank account and subjecting pensioners to a revalidation process), there is no clear cut policy or written procedure on how arrears or pensions will be paid.

The absence of a written policy and procedure also limits the information available to pensioners. As such, while they may be aware that funds are now available to pay PVAO arrears, there is no information on when they will get paid and if there are other requirements they need to submit.

The amount of arrears (an average of P118,143 per pensioner for 2006), inadequacy of information and lack of written policies and procedures make the payment of arrears highly vulnerable to corruption.

10.1.2.2. Payment of Other Benefits

Educational Benefits

If the student has a new award of benefit, the Billing Section, EBD prepares a billing and financial card of the new student. If the bill belongs to an old student, the Billing Section verifies the balance of the benefit, his scholarship credit card number or the billing card kept in EBD file.

It also verifies the certificate of enrollment if it is duly signed by the student certifying to his enrollment, signatories of the school registrar and the accountant or treasurer as the case maybe.

Thereafter, the Billing Section verifies the amount of fees or charges to find out if they are in accordance with the schedule of fees prescribed by CHED. Miscellaneous fees are not payable.

If the bill conforms to all of the above requirements after a careful verification, then a voucher is prepared corresponding to the amount of school fees assessed by EBD examiner.

The processed school bill with voucher and the obligation slip will be forwarded to FMD for funding and payment.

Checks are normally mailed directly to the educational institution.

Burial Assistance

Prior to 2002, Field Teams through Special Disbursing Officers were authorized to immediately pay claims for Burial Assistance upon submission of application forms and supporting documents. However, from 2002-2004 there was an average of P50M annual shortfall in appropriations for the payment of burial assistance resulting in arrearages amounting to P80M as of Mar 2005.

Budgetary limits together with cases of double payment (payment of separate applications for burial assistance filed at the FT and at the Central Office) and challenges in the clearing funds disbursed by SDOs constrained PVAO to centralize the payment of all claims at the Central Office.

While PVAO was subsequently able to settle all its outstanding burial assistance claims through a supplementary budget in 2005, delays in payment now emanate from the recovery of overpayments, or pensions which have already been credited to the pensioners' bank account (under the Bank Remittance) after his/her death.

Prior to the payment of approved Burial Assistance claims, the FMD first determines and requests for a refund of overpayments were made to the pensioner's account. Only when there are no overpayments, or when the same has been returned to PVAO, will the FMD begin the process of paying the Burial Assistance claims.



As policy, all checks for Burial Assistance claims are mailed directly to the applicant, and pick-up at the Field Teams or Central Office is not allowed.

Hospitalization

Hospitalization Bills are processed by the PTD which checks for the following:

- If the hospital is a contracted government hospital with an existing MOA.
- Completeness and authenticity of veterans documents and patient records
- Accuracy of amount billed.

The PTD shall then prepare a voucher to be forwarded to FMD for funding and payment. All checks are mailed directly to the contracted hospital.

10.1.3 Other Transactions

Bank Remittance

Except for flow charts and various memoranda, there is no available written procedure on how applications for Bank Remittance are processed, and neither is there a standard MOA with all partner banks.

Based on the flow chart and on interviews, applications forms for bank remittance or change of banks are available at the Central Office and Field Teams, but the processing of applications are centralized at the Placement and Training Division, while the actual updating of the IVDMS are performed at the Data Center.

Initially, pensioners will have to secure application forms from PAIC or FTs, which shall then be presented to the partner bank where the pensioner chooses to open an account.

For DBP, branch managers also require a certification from the FT aside from the application form.

For transfer to another bank, PVAO requires a "certificate of no loan" to be issued by the previous bank.

Once the application forms are duly accomplished and signed by the branch manager, application forms together with photocopies of the passbook will be submitted to the PAIC or FT and eventually transmitted to PTD.

Upon approval of the Chief of the PTD, this shall then be forwarded to Dir III then eventually to the Data Center for encoding.

Revalidation

Like the Bank Remittance Program, there are no written policies or procedures for the Revalidation Program. Based on available briefing materials, revalidation is a process where PVAO determines if the pensioner is still alive as well as to note changes in residence, by requiring pensioners to submit an identity sheet and survey form which includes among others a 3R-sized photograph showing the pensioner holding a recent newspaper of general circulation.

Revalidation is also one of the requirements for the FMD to process the payment of arrears.



10.1.4 Information Dissemination Mechanisms

10.1.4.1 Public Assistance Information Center

Located at the Kagitingan Hall, the PAIC serves as a one-stop shop for the issuance and submission of applications as well as to respond to clients general inquiry and follow-up.

This was purposely established outside the PVAO compound to prevent direct contact between applicants and processors/examiners.

PAIC is manned by a permanent staff of three augmented by representatives from other divisions on who man the windows on a rotation or "Officer of the Day Basis" basis. Organic security guards also serve as frontliners by issuing numbers for queuing and pointing applicants/queries to the appropriate windows.

10.1.4.2 Office of Public Affairs / Call Center

Aside from the PAIC, PVAO has an Office of Public Affairs which is supposed to be in charge of PVAO's information campaign, public relations and call center. Sadly though, the OPA is now unmanned while the PVAO Call Center has only one permanent employee.

10.1.5 Field Teams

As previously mentioned, PVAO's operations is highly centralized, with the Field Teams acting primarily as frontline service providers in the regions. They basically perform the functions of the PAIC and the OPA in the Central Office, which is to issue and receive applications, issue certification, respond to general inquiries and follow-up, represent PVAO in meeting, fora and veteran-related activities. In addition, FTs are also tasked to conduct spot investigation, monitor PVAO-contracted hospitals and issue letters of refund to partner banks.

One major weakness of FTs is the lack of direct access to the IVDMS, and absence of a system, which would allow them to immediately respond to queries and follow-up.

There are 11 Field Teams and 10 Extension/Contact Offices manned by 84 employees.

10.1.6 PVAO website

Formally launched on 09 April 2002, PVAO's website www.pvao.mil.ph, provides general information on PVAO and veterans benefits, as well as requirements in availing veterans benefits.

The information on the website is slightly dated. Pending legislation before Congress is as of February 2002. PVAO Major Programs were apparently last updated in 2002. Claims tracking, quite a useful tool, which could have been made more conspicuous, was last updated in 2005. Statistics are as June 2006.



10.2 Assessment

The following table shows the IDA self-rating by senior management and field office staff.

Managing Interaction with External Environment	CO	La Union	Baguio	CDO	Davao	Final
Agency IDA Rating	3	1	4	0	2	
Deployment Rating	70-80%	50-60%	90-100% (for FT only)	--	50-60%	50-60%
Validated Rating	2	1	1	0	1	2

Central Office. As discussed above, PVAO has several information systems (OPA, Call Center, Field Teams, website) to inform its clientele of its services policies but there is no single document or policy prescribing how and what information can be disclosed to the public. There are however several documents which guide the disclosure of information such as the Operations Manual (policies and procedures covering the Office of Public Affairs) and sec 55 of DO A-049 which explicitly states the classified nature of records, whether pending or adjudicated.

Flowcharts explaining how benefits are processed are also posted in key areas to include smaller and less conspicuous flowcharts, which are posted in the Kagitingan Hall. PVAO has also made an effort to explain the process and the ideal processing time both in English and in the vernacular. However, the same is not true when it comes to flowcharts explaining how benefits are paid. While such flowcharts are posted in the FMD, these are rather inconspicuous and are clouded by difficult to understand fiscal terms and acronyms. Making an easy to understand explanation of how benefits are paid would go along way in helping clients consider that certain limitations such as the availability of funds affect how soon they will receive their benefits.

To prevent long queues at the Kagitingan Hall, PVAO simply provides additional personnel to man windows where there are an unusually high number of clients.

Identified facilitators or fixers are denied entry into PVAO premises, and application forms are provided only to the beneficiary, to a relative or to a duly authorized representative.

With such systems in place, PVAO CO has clearly more than met the minimum standards and has begun to proactively address how it communicates with its stakeholders.

The enforcement of these proactive policies however is still lacking. For instance, most of the personnel manning the frontlines have not received formal training on the handling and resolution of complaints. Last training on customer service was held in four (4) years ago in 2003, and those who underwent training were already assigned to different divisions.

While senior leaders claimed that managers monitor compliance to service standards, there is no documented evidence that PVAO has a commonly agreed standard processing time. The Operations Manual and flowcharts do indicate how much time each step of the process takes, but these assumptions apply only when conditions are ideal (e.g. all documents are readily available, only 35 claims are filed daily) and do not reflect what happens most of the time. For example, based on the time and motion matrix posted at the OAPD, processing an application for Old Age pension would take less than three (3) days. Examiners at the OAPD would say that while this is possible, the whole process normally takes three (3) months considering that they also have to attend to previously submitted applications which lack documentary requirements, and that there are other delays brought about by retrieving 201 files, among others.



Also there is no longer a system in place, which would facilitate the monitoring whether service standards are being met. In 2003, PVAO implemented the Document Tracking System (DTS) to ensure, among others, that applications are processed on a first-come-first-served basis and allow managers to monitor how long an application stays with at each office. Unfortunately, PVAO found it difficult to sustain the DTS due to its high bandwidth demand on the Agency's limited local area network, expensive supplies, and hardware requirements.

In terms of feedback mechanisms to ensure that rules, procedures and standards are being met, attempts to conduct a survey of pensioner satisfaction and the short lived suggestion box in 2003 were stymied by lack of respondents, limited funds, as well as the absence of a unit capable and trained in measuring service quality. In the absence of these mechanisms, complaints are normally referred to the Office of the Resident Ombudsman.

Field Team No. 1 (La Union). FT 1 serves more than 9,000 pensioners in the province of La Union, Ilocos Norte and Ilocos Sur. It is located along the National Highway and is accessible by public transport.

Like in the Central Office, FT 1 also agreed that PVAO has an established information system as well as policies on the disclosure of information.

Despite the presence of flowcharts explaining the processing of claims and the FT's initiative to emphasize that all forms and services are not for sale, they believe that these do not qualify as proactive information dissemination. Neither are they aware of an agency-wide system to avoid facilitators.

Field Team CAR (Baguio). FT CAR covers the Cordillera Autonomous Region, which has 4,800. It is conveniently located at Camp Allen and shares the compound with the VFP, with whom they have established a solid working relationship.

Because of this relationship with the VFP, which is mandated by law to represent the interests of all veterans, FT CAR felt that this provides them with a feedback mechanism. It is important to note here that in evaluating this dimension FT CAR limited its rating to itself and not of the whole agency.

Members of FT CAR believed that they have successfully integrated communication with their clients and stakeholders to their overall operations. They were able to provide a complete record of complaints and feedback from clients, to include attendance in veterans' fora and local radio programs.

After a review of the indicators, FT CAR realized that while their relationship with their client is more robust compared to other FT's they were not able to meet some of the requirements such as training of relevant personnel, a defined standard processing time, and non-awareness as to the systems employed by the Agency to avoid facilitators. Because of this the validated rating of FT CAR was downgraded to one (1).

Field Team No. 10 (CDO). FT 10 covers Northern Mindanao, CARAGA and the Lanao Provinces which has a total of 14,000 pensioners. It is hosted by the 4th Infantry Division (4ID), Philippine Army in Camp Evangelista, Cagayan de Oro City.

FT 10's zero (0) rating does not mean that there are no policies, systems on disclosure of information, but rather, the employees were not aware, nor did they have copies of the same. This indicates a deployment problem since it seems that policies are not effectively disseminated to the FTs.

An inspection of the FT 10 Office, shows that requirements in applying for benefits, as well as new policies affecting veterans are posted at the bulletin board. However, there are no flowcharts explaining how applications are processed.

Like in other FTs, clients are required to log their names to ensure that they attended to on a first-come-first served basis.



Being located inside Camp Evangelista has provided FT 10 a level of security which allows them to be steadfast in dealing with fixers and applicants with dubious claims who sometime resort to threats and name dropping.

On the downside, personnel of the 4ID sometimes unnecessarily accompany or endorse applicants to the FT 10 Office, apparently thinking that their presence or endorsement may help facilitate the applicant's request. FT 10 clarified that such forms of endorsement does not influence the service they provide to their clients, specially since applications and requests are all processed in the Central Office.

Field Team No. 11 (Davao). FT Davao City serves more than 11,000 PVAO pensioners in Eastern and Central Mindanao. It holds office in a residential area along the periphery of Davao City proper. Location is not accessible to public transport and it may be difficult to find even for residents of the City.

FT 11 had an consensus rating of 2 and a validated rating of 1. Although they do not have a copy of the policies and systems regarding information dissemination, they are aware of what these are, since new policies are cascaded to them by the FT 11 Head, especially after the latter reports to the Central Office for reorientation.

They also post only the requirements for the filing of applications and not how benefits are processed at the Central Office. Although new policies are also posted on the bulletin board, some of information available to pensioners is not updated, such as the number of pensioners in their area. They are also not aware of the systems being employed by the Central Office to avoid facilitators.

Relations between the VFP and the FT 11 Head are strained, with the former perennially issuing both written and verbal complaints against the latter. While, FT 11 head has been cleared of any wrong doing, the friction with the local VFP has necessarily affected how PVAO communicates with the largest veteran group in the area.

For this dimension, the validated rating for the whole Agency is two (2) or at level of adaptation. As discussed, the Central Office already has the policies and mechanisms to communicate with its clients and has begun to customize and adapt these to suit its operations.

It however needs to be more proactive and ensure that information (especially in payment of benefits) is not only made available but also understandable.

The FTs had lower validating ratings, primarily because they are not aware of policies and systems being adopted at the Central Office. Although it is true that FTs are not involved in the actual processing of applications, such information still needs to be communicated to the public.

The problem therefore lies not in the absence of policies and systems, but rather the deployment these policies and existence of these systems to the FTs. Moreover levels of awareness also vary per FT. For instance, FT 1 and FT CAR has complete flowcharts on the processing of applications, while FT 10 and FT 11 post only the requirements for application. Thus, while these systems and policies may be well deployed in the Central Office, deployment is not consistent in the FTs translating to a deployment score of 50%-60%.



10.3 Survey Results

Statements	Central	LU/ Baguio	CDO/DVO	Agency Rating
Overall, operations in our agency are clear and easily understood.	2.03	2.00	2.00	2.03
Actual practices in our agency are consistent with written procedures and policies.	2.26	2.00	2.17	2.23
Complaints and feedbacks of clients are acted upon in our agency.	2.00	2.22	2.60	2.05
Complaints and feedbacks of employees are acted upon in our agency.	2.30	2.71	2.00	2.31

Generally, there was a moderate to slightly positive net agreement. Highest net agreement ratings were for statement 1, indicating that respondents believe that PVAO's operations are easily understood.

Statement 4 on action on employees' complaints had lowest net agreement ratings, reflecting respondents' sentiments that employees' complaints are not being adequately addressed. This is especially true in FT 1 and FT CAR, which posted a slightly negative net assessment rating for this statement.

Compared with FTs, Central Office respondents posted lower net agreement ratings for statements 1 and 2 on operations, since PVAO's operations are highly centralized, this indicate Central Office respondents who are more exposed to PVAO's processes are less satisfied with how policies are understood and implemented.

The next two (2) tables summarize the respondents' common observations of clients' complaints and their suggestions as to how the service of PVAO could be improved.

What are the common complaints of your agency's clients?	Frequency	Percentage
Slow processing of claims/payment and arrears, delayed release of pensions, laging sa claims ang problems, mabagal na approval ng claims	76	56.72%
Insufficient fund, additional fund to finance veterans' arrearages	10	7.46%
Backpay ng mga beterano, additional pension, about arrears	6	4.48%
Arrogance ng mga tao, manner of dealing with clients regarding arrears, communication are not answered, inefficient public affairs office, unsatisfactory response of employees	10	7.46%
Unclear process for claiming pension/arrearages, unclear requirements, inconsistencies in the policy implementation (sumasabay sa changes in management), sobrang habang mga proseso sa claims, lack of information dissemination, tinuturo kung saan saan yung mga beterano	22	16.42%
Fixing, some personnel asking for a proportion in the claims of veterans, red tape, palakasan system	8	5.97%
Incongruent - makulit na veterans, complaints on opportunities for promotion, communication among rank and file	2	1.49%
	134	100.00%



What can you suggest to improve the services of your agency?	Frequency	Percentage
Eliminate "palakasan" system, eliminate favoritism, eliminate nepotism, stop rationalization	5	4.03%
Sana may person concerned per day, dedication to work, discipline and commitment to work, laging pumasok, be sensitive to needs of clients, cooperation of all employees	14	11.29%
Develop more clear and concise policies on processes, strict implementation of rules and policies, follow FIFO method for processing papers, standardization of requirements and processes, transparency, give priority to "sobrang matatanda" esp those coming from provinces	29	23.39%
Seminars and trainings on communicating with clients and on processes implemented and policies and regulations, better information dissemination system RE processes, values orientation, public service, install/implement motoring systems, open dialogues between management and employees, padalhan agad ng notice yung mga may approved claims	25	20.16%
Pay all debts of the agency, additional benefits and compensation, increase salary	4	3.23%
Additional budget, faster release of money, serialize payment of arrears, availability of funds, revolving funds	12	9.68%
Implement regionalized transactions, online queries, computerization of PVAO, real-time updating of payments/accounts, implement rationalization plan, additional office equipment like computers, additional facilities	9	7.26%
Faster processing of papers and release of pensions/arrears/backpays	4	3.23%
Reorganization, improve division of labor, prevent fixers from entering PVAO premises, continuity sa pamamahala at pamamaraan sa trabaho, protect employees, remove DAs and political appointies because politics is changing and we are the one suffering, decentralization of functions and operations	10	8.06%
Additional employees, hire highly qualified employees	7	5.65%
No answer, walang masagot, no comment	5	4.03%
	124	100.00%

10.4 Next Steps

With its DTS and attempts at soliciting feedback from pensioners, PVAO was able to make some headway in consistently enforcing its policies on how it deals with its clients. There are five areas concern which PVAO could already address immediately:

- Provide written policies and procedures which should be disseminated to frontliners (to include telephone operators), FTs and if possible to stakeholders.
- Adopt and disseminate a commonly agreed standard processing time for each transaction, which frontliners can confidently relay to clients. This will also lessen follow-up or inquiries from clients.
- Display flowcharts explaining how benefits are paid and how long this process will take.
- Maximize existing information dissemination mechanisms such as its website and OPA/Call Center.
- Establish feedback mechanisms such as suggestion/complaint boxes, feedback link at its website, or even a number and office to call if they have complaints.

In the medium to long term, PVAO needs develop systems to monitor compliance (such as the DTS); establish an office which has the authority, capability and resources to address, resolve, monitor, and keep a records of all complaints; improve its forms to make it easier to understand; and provide FTs with a secure access to the IVDMS.



For easy reference, the summary of IDA validated ratings and deployment scores is presented in the table below

Summary of IDA Ratings

	Central Office	Field Team 1 (La Union)	Field Team CAR (Baguio)	Field Team 10 (CDO)	Field Team 11 (Davao)	Assessors' Rating
Leadership	1	0	0	0	0	
Validated Rating	1	0	0	0	0	1 10-20%
Code of Conduct	3	0	1	0	0	
Validated Rating	1	0	1	0	0	1 50-60%
Gifts and Benefits	0	0	0	0	0	
Validated Rating	0	0	0	0	0	0 -
HR	3	1	0	1	0	
Validated Rating	1	1	0	1	2	1 50-60%
Performance Mgt	1	1	1	0	1	
Validated Rating	1	0	0	0	0	1 10-20%
Procurement Mgt	3	0	0	0	0	
Validated Rating	3	0	0	0	0	3 10-20%
Financial Mgt	1	1	0	0	0	
Validated Rating	0	0	0	0	0	0 -
Whistleblowing & Internal Reporting	0	0	0	0	0	
Validated Rating	0	0	0	0	0	0 -
Corruption Risk Mgt	1	0	0	0	0	
Validated Rating	1	0	0	0	2	1 10-20%
Interface with the External Environment	3	1	4	0	1	
Validated Rating	2	1	1	0	1	2 50-60%