

Findings of the Corruption
Vulnerability Assessment (CVA)
CVA Matrix for the ff:
HR – Recruitment and Promotion
Financial Management
Procurement System

High



Likelihood of Occurrence

1. **Fake applicant credentials**
2. **Biased Promotion Board Members**
3. **Connivance, leakage, cheating in recruitment process**
4. **Indifference of CO to morale and welfare of other soldiers**
5. **Biased After Battle /Operations Reports**
6. **Intervention by higher authorities**
7. **Nepotism, “utang na loob”, “Palakasan” system**

1. **Bata-bata system**
2. **Excessive CO discretion**

Significance of Impact

High



Process 2: HR Management

Process

- Recruitment of NOCC & Candidate Soldiers (White Caps)
- Step 4: Written examination

Purpose

- Measure mental ability

Safeguards/Controls

- Procedures for proper safekeeping of test materials

Possible Risks

- Leakage of examination questions
- Switching of test results

Recommendations

- Review and enhance the integrity measures for the examination process.
- Install an effective reporting system for threats and actual violations of the integrity of the examination process.
- Document and take prompt disciplinary action on all infractions of the rules and procedures.
- Conduct periodic review of test administration performance and improve process.
- Increase transparency in examination process and release of results to examinees.
- Periodically revise or renew test instruments.
- Recruit wider pool of examiners and frequently rotate membership.



Process 2: HR Management

Process

- Recruitment of NOCC and Candidate Soldiers (White Caps) and PMC soldiers
- Step 3: Screening of applicants

Background

- This process ensures that only qualified applicants are screened for recruitment based on standard criteria set by the AFP

Safeguards/Controls

- Standard criteria set for selection

Possible Risks

- Those not qualified may seek intervention

Recommendations

- Strict adherence to the policy



Process 2: HR Management

Process

- Recruitment of NOCC & Candidate Soldiers (White Caps) and PMC Soldiers
- Step 5: Panel Interview and Deliberation (for NOCC applicants)

Purpose

- Measure communication ability, alertness, enthusiasm to enter the service
- Evaluate overall personality

Safeguards/Controls

- Prescribed rating system
- Members of the board are selected based on criteria

Possible Risks

- Subjectivity of Board Members

Recommendations

- Review and enhance the integrity measures for the panel interview process.
- Install an effective reporting system for threats and actual violations of the integrity of the panel interview process.
- Document and take prompt disciplinary action on all infractions of the rules and procedures.
- Widen pool of Board Members
- Periodically rotate Board membership
- Provide an interview guide and inter-subjective rating template and process
- Documentation and prompt action on all infractions of rules and procedures



Process 1: HR Management

Process

- Promotion of Enlisted Personnel
- Step 1: Conduct of Promotional Examination

Purpose

- Evaluate candidates' ability & proficiency in their rating as Seaman, Storekeeper, etc

Safeguards/Controls

- Prescribed examination safeguards
- Integrity criterion in selection of Examiners

Possible Risks

- Connivance between examiners and examinees
- Leakage of test questions
- Cheating during examinations

Recommendations

- Review and enhance the integrity measures for the examination process
- Document and take prompt disciplinary action on infractions of the rules and procedures covering examination
- Install an effective reporting system for threats and actual violations of the integrity of the examination process.



Process 2: HR Management

Process

- Promotion of Enlisted Personnel
- Step 2. Submission of recommendations for promotion after deliberation

Purpose

- Recommend qualified EP for promotion

Safeguards/Controls

- Monitoring of personnel profile/status

Possible Risks

- Neglect of Commanding Officer to the career advancement of soldiers and sailors under his command

Recommendations

- Full computerization of personnel profiles/ status
- Review of process for documentation of new information or updating of personnel records of soldiers and sailors
- Periodic HR reports to COs of the career status of soldiers and sailors under their command, with appropriate benchmarks indicating timing and ripeness for promotion
- Documentation of and periodic review of HR management performance of COs.



Process 2: HR Management

Process

- Promotion of Officers (02-03-selection Board “B”) (04-05 – Selection Board “A”)
- Step 1. Submit recommendation for Board Composition

Background

- Identify the recommendees

Safeguards/Controls

- Without the knowledge of recommendees, recommendations are done covertly
- Set qualifications for board membership

Possible Risks

- Intervention by higher authorities

Recommendations

- Continued adherence to policy

Process 2: HR Management

Process

- Promotion of Officers (02-03-selection Board “B”) (04-05 –Selection Board “A”)
- Step 7. Records check of promotables

Background

- Ensure that the promotables have no impediments like pending case, accountabilities, etc

Safeguards/Controls

- Strict implementation of policies

Possible Risks:

- Connivance with issuing units/offices

Recommendations

Recommendations

- Continued adherence to the policy

Process

- Promotion of Officers (02-03-selection Board “B”) (04-05 –Selection Board “A”)
- Step 10. Interview

Background

- Determine their mental alertness, total personality

Safeguards/Controls

- Rating system

Possible Risks

- Personal bias/subjectivity of the Board members to the candidates for promotion

Recommendations

- Continued adherence to the policy



Process 2: HR Management

Process:

- Promotion of Officers (06-07)
- Step 1. Deliberation

Background:

- Determine the most qualified candidates for promotion

Safeguards/Controls:

- Rating system
- Revision of SOP Nr 10 as regards the equivalent rating for the Deliberation conducted by the BOSO

Possible Risks:

- Bata-bata system. endorsement, intervention, subjective rating

Recommendations:

- Continued adherence to policy
- Regular study on the responsiveness of the promotion policy

Process:

- Promotion of Civilian Personnel
- Step 3. Paper Screening

Background:

- Evaluate qualifications of candidates for promotion

Safeguards/Controls:

- Verification of eligibility at CSC & scholastic records at concerned school

Possible Risks:

- Fake credentials

Recommendations

- Regular updating and monitoring of 201 files



Process 2: HR Management

Process:

- Step 4. Conduct of aptitude test

Background:

- Measure mental capability

Safeguards/Controls:

- Revision of test questions

Possible Risks:

- Leakage
- Connivance

Recommendations:

- Review of test exam as to responsiveness to the objective of the exam

Process

- Promotion of Civilian Personnel
- Conduct of interview/interaction

Background:

- Determine mental alertness/capability/total personality and proper placement

Safeguards/Controls:

- Strict deliberation process

Possible Risks:

- Nepotism, “utang na loob”, etc

Recommendations:

- Continue strict adherence to promotion policy



Process 2: HR Management

Process:

- Promotion of civilian personnel
- Step 7. Deliberation

Background:

- Determine the most qualified candidates

Safeguards/Controls:

- Strict implementation of policies

Possible Risks:

- “Palakasan” system, indorsement

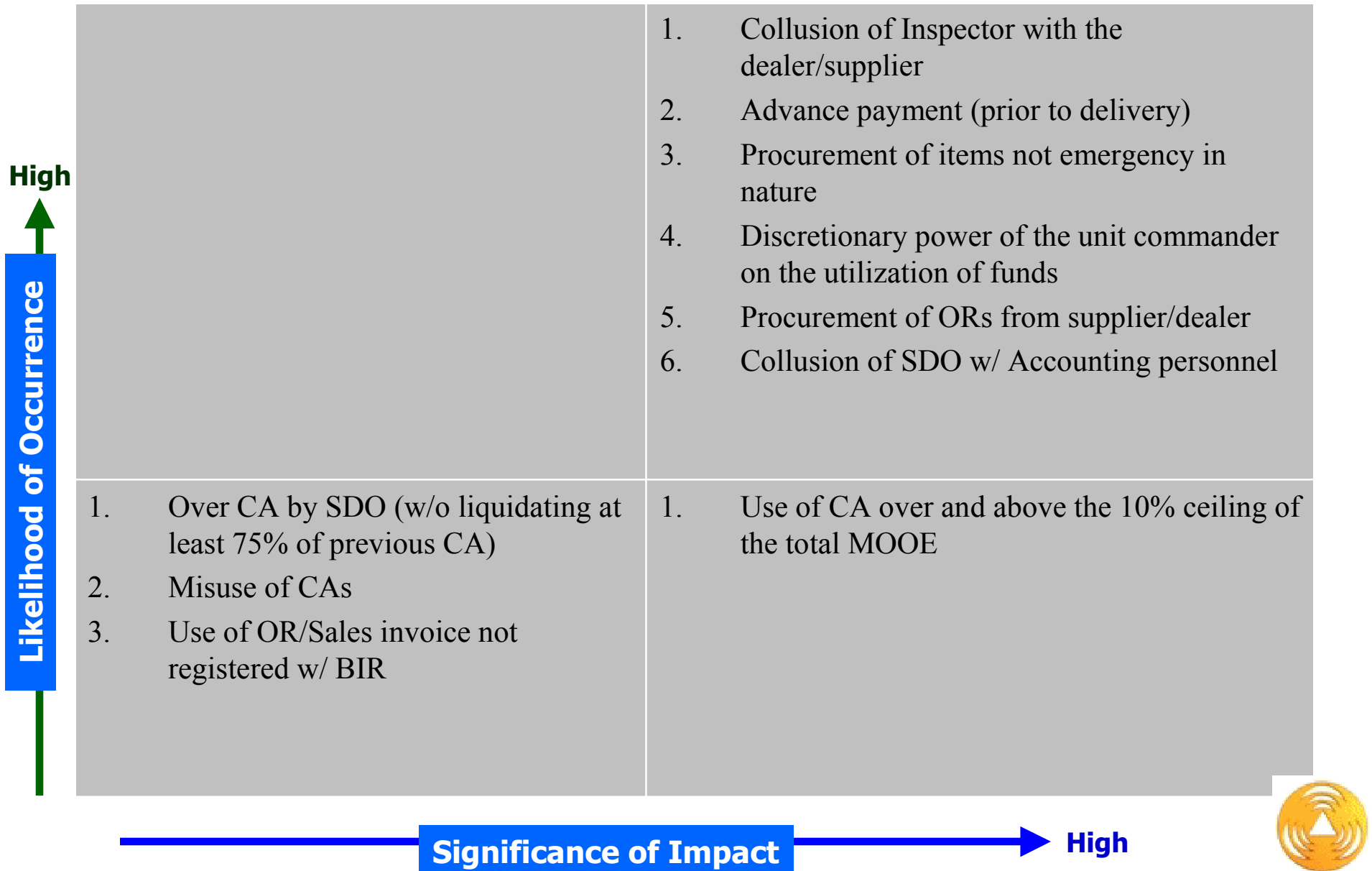
Recommendations:

- Continue strict adherence to promotion policy



Risk Map: Financial Management

Processing and payment of financial transaction and SDO/Cash Advance System



A. Financial Management in processing and payment of financial transaction

Process:

Step 2, MFO conduct inspection of deliveris

Background:

- To ensure that delivered items are in accordance with specifications and quantity in the purchase order

Safeguards/Controls:

- Buddy and rotation systems for inspectors
- Rendering of inspection report

Possible Risks:

- Possible collusion of the inspector with the dealer/supplier

Recommendations:

- TIAC should be hands on in the inspection of the procured items

Process:

Step 3, Prepare documents by mode of procurement and payment of financial transaction

Background:

- To prepare document for processing/ financial transaction

Safeguards/Controls:

- Documents have gone through different levels of review and inspection

Possible Risks:

- Possible collusion with the dealer/supplier

Recommendations:

- Develop/build mechanism for the check and balance of PS / CO/PS function
- Strengthened role of MFO in conducting pre-audit



A. Financial Management in processing and payment of financial transaction

Process:

- Step 6, Prepare and sign cheque and ACIC

Background:

- To pay the supplier/ dealer

Safeguards/Controls:

- Role of SAO in accepting the delivered items

Possible Risks:

- Possibility of advance payment (prior to delivery)

Recommendations:

- Close monitoring and coordination between MFO, Accounting and regular audit
- Strengthen the role of SAO in the acceptance of the delivered items
- Close monitoring of all signed RIS by the SAO



B. Financial Management in Cash Advance System

Process:

Step 4.1, for obligation

Background:

- To issue approval/granting of cash advance to designated SDO

Safeguards/Controls:

- Regular audit of COA and internal auditors, MFO inspection
- Approved APB and APP

Possible Risks:

- Procurement of items which are no longer emergency in nature
- Discretionary power of the unit commander on the utilization of funds

Recommendations:

- Strict implementation of cash advance system per COA ruling
- Transparency in all financial transactions

Process

Step 4.2: For Notice of Allocation (NTA)

Background:

- Issue NTA within the 10% prescribed ceiling of the total MOOE

Safeguards/Controls:

- Conduct of AGI, regular audit and PBPR
- Processing of the designation of the SDO by the Accounting

Possible Risks:

- Use of cash advance over and above the 10% ceiling of the total MOOE

Recommendations:

- Amendment of RA 9184 through legislation by inclusion of additional provisions for AFP transactions
- Revision of policy/implementation of a “antiquated” COA rules and regulations
- Regular review and analysis of existing DN AFP policies and procedures



B. Financial Management in Liquidation of cash advance

Process:

- Step 2, Certificate of acceptance and report of supplies and materials issued by responsible supply officer (RSO)

Background:

- Crucial in the preparation of liquidating instrument

Safeguards/Controls:

- RA9184
- Annual Procurement Plan
- Program of Expenditure

Identified Risks:

- Procurement of official receipts from supplier/dealer (for items procured with ORs or no ORs and not in accordance with account code*)

Recommendations:

- Need to strengthen pre-audit and audit operation at the unit level

Process

- Step 4, proof of inspection of procured

Background:

- To prepare documents of procured items for inspection

Safeguards/Controls:

- SAO's Acceptance Report
- Pre-audit of MFO
- TIAC's Inspection report
- APB and APP

Possible Risks:

- Possible collusion of SDO with the Accounting personnel

Recommendations:

- Close monitoring in the liquidation processing by the Chief of Accountant



RISK MAP: Procurement Management

Regular Procurement and other Forms of Bidding

<p style="text-align: center;">High</p> <p style="text-align: center;">↑</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood of Occurrence</p>	<ol style="list-style-type: none"> 1. Collusion between evaluators and LCB/HRB • Connection/Influence of the winning supplier/dealer with DBM or other agencies in the funding of the contract • Connection/Influence of the winning supplier/dealer with DBM or other agencies in the funding of the contract 	<ol style="list-style-type: none"> 1. Bloated or arbitray estimates 2. Failure to capture actual requirements 3. Unresponsive procurement program (plan) 4. Abuse of discretion, SAO may be subjected to pressure y higher authority 5. Collusion between SAO and higher authority 6. Splitting of purchase requests 7. Collusion by bidders 8. Collusion between BAC and bidders 9. Tailor fitting of specs to favor specific suppliers 10. Pre-arranged bid quotation among suppliers/dealers 11.
	<ol style="list-style-type: none"> 1. Overpricing 2. Terms and conditions not explicitly defined 3. Competence of the BAC to perform the activity 4. Short and defective deliveries; replacement of defective deliveries 5. Delays in the delivery of items 6. Direct deliveries to end-users without passing inspection by TIAC/MFO and acceptance by SAO 	<ol style="list-style-type: none"> 1. Non-posting of invitation 2. Items critical to operation not included in the scope of <ol style="list-style-type: none"> 1. Work of the floating assets 2. TOR not comprehensive 3. Pilferage
	<p style="text-align: center;">→ Significance of Impact → High</p>	



Procurement Management

Step 3: Preparation of Project Procurement Management Plans (PPMPs)

Background:

- The PPMP contains all the requirements for a particular project within its proposed or approved budget. This includes the type of contract to be employed; the extent/size of the contract scope/packages; the procurement method, the time schedule for each activity; and estimated budget. PPMPs are prepared by the end-users

Safeguards/Controls:

- APB defines what activities are programmed and budgeted
- Conduct of market analysis at the end-user level based on historical data of process and consumption levels; review of the TWG at PN level
- Conduct of requirement analysis by the end user thru BAC

Possible Risks:

- Bloated or arbitrary estimates
- Failure to capture the actual requirements

Recommendations:

- N4 to evaluate the submitted requirement of the end-user to come up with a realistic procurement program
- Requirement determination and analysis should be conducted regularly to come up with realistic demand requirements



Procurement Management

Step 4: Preparation of the Annual Procurement Plan (APP)

Background:

- The APP contains all logistics requirements of units or offices within their proposed or approved budget. These logistics requirements include but are not limited to supplies and materials, services, equipment and construction projects.

Safeguards/Controls:

- RA 9184, AFP Procurement System (AFP Letter Directive No. PC 06-12, July 2006), DND Dept Order No. 12 (Creation of the BACs and the PS in the AFP)

Possible Risks:

- Unresponsive Procurement program (plan) (that result to series of amendments and request for supplemental APP)

Recommendations:

- To prepare a more responsive APP, there is a need to clarify/check the formulation of Defense Planning Guidance (DPG) and the Annual Procurement Plan (APP) as to its top-down or bottom-up formulation of processes for guidance of all concerned



Procurement Management

Step 6: Certification of the Non-Availability of Stocks

Background:

- SAO certifies that stocks are either available or not available before end-user prepares purchase request

Safeguards/Controls:

- Auditing and accounting rules; periodic audit
- Maintenance of updated stock cards by the SAO (but not regularly done)
- Submission of report of Supplies and Materials Issues (RSMI) issued to accounting
- Supply availability inquiry by accounting

Possible Risks:

- Abuse of discretion, SAO may be subjected to pressure by higher authority
- Collusion between SAO and higher authority

Recommendations:

- Regular maintenance of updated stock cards to determine actual stock level inventory
- Data base of updated stock inventory for the information of all who may need to check available stocks



Procurement Management

Step 7: Preparation of Purchase Requests

Background:

- To ensure consideration of the purchase request

Safeguards/Controls:

- Check if requests are within the approved APP
- RA 9184, AFP directives, COA policies

Possible Risks:

- Overpricing
- Splitting of purchase requests

Recommendations:

- Regular monitoring of existing inventories to determine stock level



Procurement Management

Step 11: Preparation of Purchase Orders (Shopping)

Background:

- Contracting Office prepares purchase order based on end-user's request. Ceiling of P250K per purchase order.

Safeguards/Controls:

- Processing and pre-audit of documents to determine legality, propriety and completeness of docs by MFO and Accounting

Possible Risks:

- Splitting of purchase orders

Recommendations

- Strengthen pre-audit and audit operation at the unit level



Procurement Management

Step 12: Conduct of Bidding/Issuance of Resolution

Background:

- To bid out goods, infra projects and services
- To allow the use of alternative modes of procurement

Safeguards/Controls:

- Bidding directive prepared by the BAC Secretariat, BAC resolution approved by CSAFP; Supplier's accreditation; COA post-audit
- COA and OTIA/MFO representatives are witness/observers during bidding

Possible Risks:

- Collusion by bidders (possibility that bidding companies are owned by the same individuals)
- Collusion between BAC and bidders

Recommendations:

- Need for an objective accreditation process (suppliers/dealers)
- Conduct of objective COA post audit



Procurement Management

Step 14: Preparation/Finalization of TOR, specs and other requests for bidding

Background:

- Concerned TWG finalizes the tech plans, specs, bid docs and ITAEB.
- Technical specifications and all other related documents are formalized.

Safeguards/Controls:

- TIAC Report, Inspection Report by pre-audit/MFO COA post audit

Possible Risks:

- Tailor-fitting of specs to favor specific suppliers

Recommendations:

- Rigorous test and evaluation of procured item
- Objective assessment if TIAC in rendering report pertaining to technical specifications



Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 15: Posting of Invitation to Apply for Eligibility and to Bid (ITAEB/ITB)

Background:

- Concerned BAC issues ITAEB/ITB to inform prospective bidders on the proposed procurement

Safeguards/Controls:

- RA 9184 defines procedures for posting

Possible Risks:

- Non-posting of invitation
- Pre-arranged bid quotation among suppliers/dealers

Recommendations:

- Objective accreditation of suppliers/dealers



Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 16: Conduct of Pre-Bid Conference

Background:

- Concerned BAC clarifies or explain the requirements, terms and conditions and specs provided in the bid docs

Safeguards/Controls:

- RA 9184, Legal opinion of Naval Judge Advocate

Possible Risks:

- Terms and conditions not explicitly defined

Recommendations:

- Terms and conditions re procurement should be agreeable to both parties and favorable to the PN and reviewed accordingly by the Logistics Officer in consultation with the Legal Officer prior to the approval of the Head
- NJA needs to develop the technical competence to evaluate the draft contracts referred to his office for legal opinion. This may require both training and transaction reengineering of the NJA Office. Immediate step is the conduct of a competency needs assessment of NJA.



Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ) Step 18: Evaluation of Bids (LCB/HRB)

Background:

- Evaluation of the eligibility, technical and financial docs of bidders

Safeguards/Controls:

- RA 9184

Possible Risks:

- Incompetence of the BAC to perform the activity (most are just designated without proper training)

Recommendations:

- Fill-up of concerned offices of competent and efficient personnel.
- Full support (funds, personnel and logistical requirements) to the Contracting Office



Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ) Step 19: Post Qualification

Background:

- Concerned BAC verifies, validates and ascertain all statements made and docs submitted by the bidder with the LCB/HRB

Safeguards/Controls:

- Documentation of proceedings and declaration of evaluation thru BAC resolution

Possible Risks:

- Collusion between evaluators and LCB/HRB

Recommendations:

- Establish and monitor credibility and capitalization standing of the winning supplier/dealer



Procurement Management: Findings for AFP
Procurement Service / Contracting Office
(directly under AFP, GHQ)
Step 20: Declaration of Winning Bidders

Background:

- Concerned BAC declares the Lowest Calculated Responsive Bid/Highest Rated Responsive Bid

Safeguards/Controls:

- BAC resolution

Identified Risks:

- Collusion between evaluators and LCB/HRB

Recommendations:

- Establish and monitor credibility and capitalization standing of the winning supplier/dealer



Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 22: Contract Preparation/Purchase Order/Work Order

(Bidding)

Background:

- TWG/Procurement Center/Contracting Office

Safeguards/Controls:

- Review of the contract and related documents by end user
- Certification of unit Commanders on the PO/WO/JO

Possible Risks:

- Terms and conditions not comprehensive in all aspects (e.g. funding, sanctions in case of delay and defective deliverables). Items/services that are critical/vital to the repairable floating assets not included in the scope of work of the bidding contract.
- Due to the long and tedious bidding process, timeliness of project/activity implementation per contract is affected. This critically affects the operational tempo and facility readiness of PN units.

Recommendations:

- Need for model contracts for different types of transactions that will ensure that all the legal and technical aspects of the contractual relationships substantially protect the government's interest
- Formulation of the contract preparation checklist and templates and make it available to concerned naval personnel. Provide training if necessary.



Procurement Management

Step 24: Funding of Contract/PO/WO

Background:

- Ensure that funds are available

Safeguards/Controls:

- Annual Audit; Annual General Inspection

Possible Risks:

- Connection/influence of the winning supplier/dealer with DBM or other agencies in the funding of the contract

Recommendations:

- Monthly monitoring and evaluation of financial transactions



Procurement Management

Step 27: Delivery, Inspection and Acceptance of Items

Background:

- Ensure timely delivery of items within prescribed specifications

Safeguards/Controls:

- TIAC, SAO, COA
- Imposition of penalty charges for the delay in the delivery of items

Identified Risks:

- Short and defective deliveries; replacement of defective deliveries
- Delays in the delivery of items
- Direct deliveries to end-users without passing inspection by TIAC/MFO and acceptance by SAO

Recommendations:

- Ensure that TIAC members have the proper training on technical classification of items



Procurement Management

Warehousing/Storage of Items

Background:

- Naval Logistics Center serves as the Inventory Control Point.

Safeguards/Controls:

- Monitoring of the supplies per inventory per stock card and ocular inspection of the facility

Possible Risks:

- Pilferage

Recommendations:

- Daily monitoring of stocks inventory to determine demand level



General Recommendation

- Financial management must be included as a mandatory generic managerial tool for all commissioned officers of the AFP integrated in all levels of training beginning with the PMA. Part of the responsibility of the officers is to ensure that all financial transactions in their units are transparent and above board even if they are not serving directly as finance/logistics officers.
- All financial documents of the units should routinely be made available to all unit officers.



General Recommendation

■ The role of AFP PS as a central unit in the procurement system was a response to specific corruption cases and may need to be reexamined over the long term to ensure its overall effectiveness. Specific issues to be examined are:

➤ Should the office be organized at the GHQ level therefore maybe too highly centralized for effective response to field unit requirements

➤ Staffing and logistical requirements so far have not been met and may prove to be an unnecessary long-term problem`



General Recommendation

- The Defense Planning Guidance (DPG) and the Annual Procurement Plan (APP) as central crucial outputs need clarification as to their top-down or bottom-up formulation processes for the guidance of all concerned. This is a long-term doctrinal concern, which has implications on the immediate procurement process.



General Recommendation

- As a long-term mechanism for monitoring and systems improvement, the quest for an ISO 9001:2000 QMS Certification for the PN Procurement system should be seriously considered. Alternatively, the PN Procurement System can be enrolled in the PQA process to obtain free organizational and consultancy services.



General Recommendation

- Systematically document the procurement difficulties under RA9184 for policy response at three levels: 1) coming up with customized IRR for AFP; 2) another parallel law that takes into consideration the special logistical requirements and circumstances of the AFP, and 3) training of personnel only.

