

Integrity Development Review

Philippine Veterans Affairs Office

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A project of the Office of the Ombudsman in collaboration with the Department of Budget and Management, Civil Service Commission, Commission on Audit and the Development Academy of the Philippines



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Philippine Veterans Affairs Office

18 June 1960 - Republic Act No. 2664 consolidated the Philippine Veterans Board, Veterans Claims Commission and the Veterans Back Pay Commission

24 September 1972 – Presidential Decree No. 1 phased out the Philippine Veterans Administration and created the Philippine Veterans Affairs Office under the Department of National Defense

MANDATE

Administration of veterans' benefits; hospitalization, medical care and treatment of veterans and their dependents; administration, development and maintenance of national military shrines.

PVAO is divided into three sub-units to carry-out its three-fold mandate:

PVAO Proper – administers and adjudicates veterans benefits

Veterans Memorial Medical Center (VMMC) – administers free medical care for the veterans

Military Shrines Services (MSS) – maintains and develops military shrines honoring the heroism of our veterans



Philippine Veterans Affairs Office

PVAO Proper administers the following benefits:

- × Old Age Pension
- × Disability Pension
- × Death Pension
- × Total Administrative Disability Benefit
- × Educational Benefits
- × Hospitalization Benefits
- × Burial Assistance

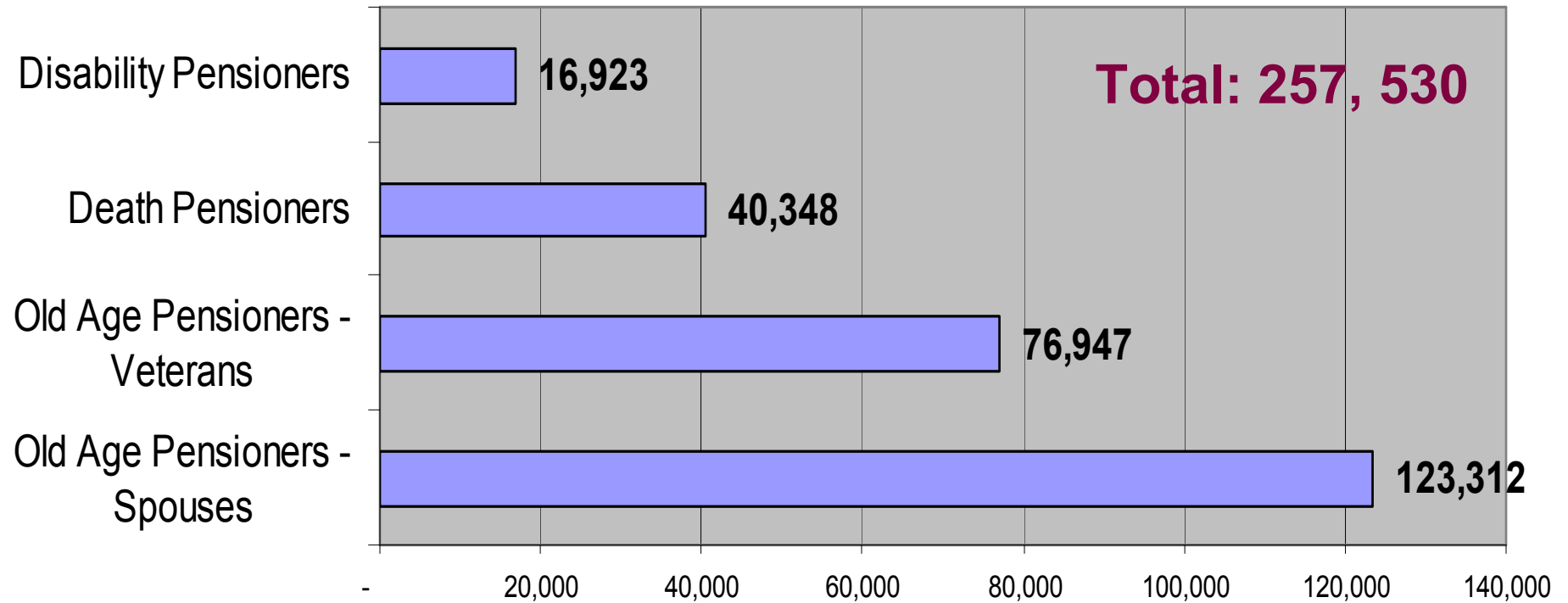
2006 Appropriations – P15.553B, of which P15.394B (99%) are allotted for pension payments

Manpower Strength – 333 permanent employees, 170 casual positions

Presence – there are 11 Field Teams and 10 Extension/Contact Offices manned by 84 personnel nationwide



Pensioner Profile: June 2006



- 23% of pensioners (57,751) receive their checks thru mail, the rest are thru direct bank remittances

Corruption Resistance Review (1st Stage)



	IDA	Survey & Document Review
Central Office	24 Jan	26/29-30 Feb - 8 Mar
Field Team 1 (La Union)	13 Feb	13 Feb
Field Team CAR (Baguio)	15 Feb	15 Feb
Field Team 10 (CDO)	12 Feb	11/13 Feb 2007
Field Team 11 (Davao)	14 Feb	15-16 Feb 207

1. Leadership:

1 (10-30%)

Strengths

- × Mission and vision statements are posted at CO and Field Offices setting organizational values, short and long-term directions
- × Series of lectures, seminars provided to key staff on corruption prevention and integrity development
- × Existence of an Operations Manual though not widely read; Clear Book at the field levels defining duties and accountabilities
- × Reorganization opportunities under the Govt Rationalization Program

Weaknesses/Areas for Improvement

- × Limited awareness of the Strategic Plan
- × Undocumented management decisions, most are not translated to policies, rampant use of post-its
- × There is a need for the formulation, dissemination and integration of major policies; identification of accountable units

Survey

- × Moderate + net ratings on questions about Leadership; leadership by example, strict adherence to policies
- × Slightly - net rating when asked if employees are consulted on decision-making; improvement in pay and performance monitoring are suggested to improve performance and employee dedication



2. Code of Conduct:

1 (50-60%)

Strengths

- × Existence of a Customized Code of Conduct based on RA 6713 and AFP code since 2002
- × SALNs are collected and submitted to CSC (2004, 2005); survey indicated 96% actually submitted in 2005
- × An Office of Inspectorate was tasked to oversee the drafting and dissemination of the Code, however, it was not institutionalized

Weaknesses/Areas for Improvement

- × Only one copy of the Code exists and there is an indication that the Code was not disseminated even at the CO
- × There is no initiative to orient staff on the Code

Survey

- × Despite the non-dissemination of the Code, employees reveal in the survey that they are aware of its existence and that there is orientation on the Code



3. Gifts and Benefits:

0 (0%)

Strengths

- × Short provisions on gifts and gratuities are set forth in the Code of Conduct, however, the Code is not widely disseminated.

Weaknesses/Areas for Improvement

- × There is a need to define nominal value of an acceptable gift, coverage, accountable units and disposition
- × Units vary as to the observance of acceptance of gifts; some manifest their position thru postings that say “services rendered are free”

Survey

- × Despite absence of a policy, a number of employees thinks there is a policy (20%) and that external parties are informed about it
- × 79% of respondents say they should not accept gifts



4. HR: Recruitment, Selection and Promotion: 1 (50-60%)

Strengths

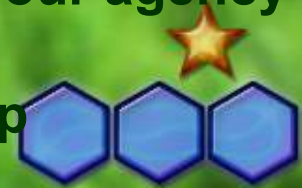
- × Selection procedures adhere to CSC rules, Agency Merit Selection Plan (2002)
- × Posting and publication of vacancies
- × PSB is functional with employees association representative, conduct of background investigation by the DND-Defense Intelligence Security Group (DISG)

Weaknesses/Areas for Improvement

- × Knowledge of the recruitment and promotion process is limited, esp at the field levels
- × Palakasan or patronage politics showed up on survey/interviews as a major concern

Survey

- × Slightly – net ratings on the statement: promotions in our agency is free from external influences
- × Remove palakasan system, stick to procedures are top suggestions to improve the process



5. Performance Management:

1 (10-20%)

Strengths

- × Defined targets at the oversight level

Weaknesses/Areas for Improvement

- × Organizational targets are only known to those who were involved in its preparation
- × Performance evaluation is done for compliance only; reduced to cursory review at oversight level
- × PVAO has very clear performance indicators, unfortunately, these are not translated to unit/individual levels; there is no objective basis to evaluate performance
- × No feedback on performance evaluation

Survey

- × Majority says their performance targets are clear (96%) and they are satisfied with their job (87%)
- × 80% said performance bonuses are given regardless of how they perform



6. Procurement Management:

3 (10-20%)

Strengths

- × Adoption of RA 9184; APP is annually submitted to the DND for approval.
- × BAC members are trained on the procurement process; 3rd party observers are invited to attend proceedings.
- × There is conscious effort to document proceedings.

Weaknesses/Areas for Improvement

- × The process is highly centralized, information is limited to the process owners.
- × The APP reflects the overall requirements of the agency but units/FTs are not required to submit their annual requirements; no clear parameters for estimates or assumptions.
- × Procurement staff/secretariat are not adequately trained to undertake their functions

Survey

- × Only 30% said they are aware of the procurement law
- × Transparency and adherence to the law are top suggestions



7. Financial Management:

0 (0%)

Strengths

- × NGAS compliant, key personnel are trained on e-NGAs, however, budget system component is not effectively installed
- × There is delineation of authority with respect to the approval of disbursement vouchers and signing of checks as embodied in various letter orders

Weaknesses/Areas for Improvement

- × Financial Mgt is highly centralized, no single activity is conducted at field levels
- × Prevalent practice of system of reimbursement regarding operating expenses of the field offices
- × Access to IVDMS is limited to ensure security of system but there is no full audit trail
- × Bank reconciliation is limited to bank remittances only
- × Refunds are neither recorded in the IVDMS or posted to the JEV
- × No policy on the use of recovered funds
- × No functioning internal audit unit which could have detected problems on RTS, bank reconciliation and other irregularities on the routine transactions of the agency.

Survey

- × Only 33% are aware of the financial management system



12/14/2007

8. Whistleblowing, Internal Reporting and Investigation: 0 (0%)

Strengths

- × Internal reporting and investigation functions are performed by the Legal and Investigation Division (LID) as provided in the Operations Manual

Weaknesses/Areas for Improvement

- × LID do not have clear procedures on internal reporting
- × Organic RO also entertains internal reporting, which is redundant and prone to abuse
- × There were 4 cases ever reported, 3 were dismissed due to insufficient evidence, 1 was suspended (resolved in 5 years)

Survey

- × Protection to and incentives for whistleblowers; due process and impartiality in investigations are top suggestions



9. Corruption Risk Management:

1 (10-20%)

Strengths

- × Existence of a PVAO Operations Manual and an oversight Internal Audit Service at DND
- × Identification of high risk areas in an SGV Audit Report in 2004
- × Conduct of a Systems Audit of the PVAO Pension Information System (May 2005)

Weaknesses/Areas for Improvement

- × There are no sustained and proactive efforts to undergo regular assessment of its corruption risk areas identified at least in the audit reports
- × Relevant agency personnel are not trained on corruption risk assessment and corruption prevention planning

Survey

- × Slightly – net ratings on the statements: the agency is successful in fighting corruption, employees are trained to prevent and detect fraud
- × Nepotism/Favoritism, Tolerance of Fixers are perceived to be top two types of corruption that may occur in the agency
- × 12 reported corruption incidence and slightly satisfied with agency mech; 80% said they will report if ever they witness an incident
- × Increase in salaries, dedication to work, honesty are top suggestions



10. Interface with the External Environment: 2 (50-60%)

Strengths

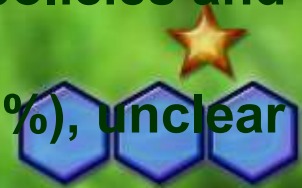
- × Several information dissemination mechanisms in Public Assistance Information Center (PAIC), Field Teams, Office of Public Affairs (OPA), Call Center, website; however mechanisms are either underutilized, undermanned or inadequately equipped

Weaknesses/Areas for Improvement

- × No service standards, no monitoring, no adequate feedback mechanisms
- × Flowcharts are not reader friendly
- × Process of paying pensions and benefits not adequately explained; long response time to queries

Survey

- × + net agreements on clarity of operations
- × Respondents recommend clearer and more concise policies and procedures
- × Top complaints include slow processing of claims (57%), unclear procedures (17%)



Summary of IDA Ratings

	Central Office	FT 1 (La Union)	FT CAR (Baguio)	FT 10 (CDO)	FT 11 (Davao)	Assessors' Rating
1 Leadership	1	0	0	0	0	
Validated Rating	1	0	0	0	0	1
2 Code of Conduct	3	0	1	0	0	
Validated Rating	1	0	1	0	0	1
3 Gifts & Benefits	0	0	0	0	0	
Validated Rating	0	0	0	0	0	0
4 HR	3	1	0	1	2	
Validated Rating	1	1	0	1	1	1
5 Performance Mgt	1	1	1	0	0	
Validated Rating	1	0	0	0	0	1
6 Procurement Mgt	3	0	0	0	0	
Validated Rating	3	0	0	0	0	3
7 Financial Mgt	1	1	0	0	0	
Validated Rating	0	0	0	0	0	0
8 Whistleblowing & Internal Reporting	0	0	0	0	0	
Validated Rating	0	0	0	0	0	0
9 Corruption Risk Mgt	1	0	0	0	0	
Validated Rating	1	0	0	0	0	1
10 Interface with the External Environment	3	1	4	0	2	
Validated Rating	2	1	1	0	1	2

12/14/2007

*Corruption Vulnerability Assessment
(2nd Stage)*



Schedule of CVA Assessment

Site	Areas	Date of Assessment
Central Office	<ul style="list-style-type: none">• Processing of Applications (OAP)• Performance Mgt• Financial Mgt (Payment of Pension)	Apr 19 - June 22
FT Dagupan		May 28
FT La Union		May 28-30
FT CAR		May 30 - June 1



RISK MAP: Old Age Pension Processing

High



Likelihood of Occurrence

Low

- Delay in verification of the authenticity of documents

- Abuse of discretion by ignoring documents' authenticity; Error in judgment
- Abuse of authority by administrator in conferring entitlement

- Misinformation; Applicants may be given inaccurate or insufficient info.
- Sale of application forms; misrepresentation
- Abuse of discretion in receiving AFs
- Delay (transmission of 201 files; taking of action; unnecessary referrals to LID or FTs)
- Neglect of Duty (review of application by Section Chief, ADC)
- Manipulation of Priority List during masterlisting

- Loss, misplacement, tampering or damage of 201 files
- Wrong encoding of application info by PAIC
- Alteration of information by Masterlisting Section
- Neglect of duty in checking for double filing
- Abuse of discretion by ignoring/overlooking insufficiency and inconsistency of docs, or by unnecessarily requiring additional documents
- Neglect of duty in the review of masterlist, checking of double filing

Significance of Impact



High

Old Age Pension Processing

Findings/Risks Identified

The Processing of OAP involves at least 16 Steps

- × Checklist or requirements is provided at the back of the form but in some cases, additional requirements are asked.
- × Front liners are given orientation and have actual relevant experience but have no formal training on the job, esp on the appreciation of documents (authenticity, sufficiency of docs)
- × There is some incidence that application forms are sold despite a “Not For Sale” reminder on the face of the application form.
- × Possible loss, misplacement or tampering of application forms; Damage of files due to mishandling/force majeure (transmission from FTs)
- × Delays in the processing of applications due to neglect of duty. Performance monitoring is inexistent. Takes 3-6 mos for an application to be processed.
- × Since information on payments of pension is limited, it has become a very valuable commodity. It provided an opportunity for fixing. (30-50% cut)
- × Data is in IVDMS but verification is still done manually and the system lacks the necessary red flags to indicate double filing
- × Alteration of information in the final stages of masterlisting and check printing is possible
- × Layers of review (4) may be reduced to cursory check of numbers and total payment owing to the volume of applications
- × Possible manipulation of priority list during master listing (batch)



Old Age Pension Processing

Recommendations

- × Conduct of adequate training for frontliners, field team personnel
- × Formulation of service standards to guide staff responses to queries and monitor their performances
- × Implement a document tracking system to prevent loss or misplacement
- × Make application forms widely accessible and allow their reproduction
- × Posting of easy to follow step guide for all frontline processes
- × Installation of feedback mechanism to give clientele a venue to air their complaints or dissatisfaction
- × Enhancement or replacement of the IVDMS, inclusion of a full systems audit trail



RISK MAP: Performance Management

High



Likelihood of Occurrence



Low

	<ol style="list-style-type: none">1. Unnecessary delays2. Neglect of Duty3. Abuse of Discretion4. Intervention of Fixers5. Mis-delivery of Pensions

Significance of Impact



Performance Management

Findings/Risks Identified

- × Neglect of duty and/or unnecessary delay due to lack of time standards in the execution of duty/task, eg. Unit Accomplishment Reports are limited to the recording of acted upon/processed claims/activities/duties
- × Misevaluation due to the lack of a scheme to ensure the accuracy of the data contained in the accomplishment report, e.g. random checking
- × Varying interpretation and administration of the Performance Evaluation System (PES), or even non-compliance due to lack of orientation on the system. This oftentimes results to unreliable individual performance ratings.
- × Unnecessary delays in the processing of pension/benefit applications due to incompetence, neglect of duty or fixing. Absent monitoring system is compounded by the fact that non-compliance to procedures is not sanctioned.



Performance Management

Recommendations

- × Prepare an inventory of pending and expected transactions before the start of period covered by report, then supervisors and employees set targets for the period. Strictly and regularly measure disposition rates of transactions both at the individual and unit levels
- × Set time and motion guidelines. Add a column for received/pending claims/obligations in the Accomplishment Reports.
- × Set sanctions for non-adherence to guidelines; Develop system of incentives and disincentives
- × Establish mechanisms to countercheck data submitted, e.g. filing of unit performance records and regular random checking of data.
- × Relate individual performance with unit performance
- × Translate or at least consider, findings/evaluations on made on performance reports, into policies/programs, targets, training designs



RISK MAP

Financial Management – Payment of Pension

High



Likelihood of Occurrence

Low

	<ol style="list-style-type: none">1. Unauthorized release of information2. Alteration of data (posting in the payment module and application module)3. Wastage/spoilage of checks4. Wrong entries in the DVs5. Pilferage/loss of checks for postal delivery6. Fraud/misappropriation of funds7. Error in encoding8. Omission of data9. Delay
<ol style="list-style-type: none">1. Pilferage of perforated RTS2. Neglect of duty with regards to the transmittal of RTS3. Delay on the segregation of CFCs and abstract4. Delay in the delivery (pick up) of checks to the Central Post Office	<ol style="list-style-type: none">1. Error in sorting CFCs2. Neglect of duty in the cross checking of enveloped CFCs vs abstract3. Misdelivery of pension checks4. Negligence/Omission in the issuance of letter of refund

Significance of Impact



Payment of Pension

Findings/Risks Identified

- × Alteration of data (or errors, omission) during the posting of application to claimant module, preparation of checks. Errors are carried forward till payments are made. No mechanism to check, unless a complaint is posted.
- × Unauthorized release of information regarding payment of claims (an opportunity for fixing)
- × Pilferage/loss of checks during delivery to pensioners
- × Fraudulent encashment of RTS checks
- × No regular and systematic way of monitoring of pensioner deaths resulting to overpayments, e.g. overpayments in one FT amounted to P2.653M for one quarter alone. Some dates as far back as 2003
- × Delays in fund transfers, use of PVAO funds by the Bank
- × Possible non-encoding of refunded overpayments
- × Funds recovered from overpayments are recredited to PVAO's account but there is no clear policy on use thereof. This might result to misappropriation
- × Bank reconciliation is not regularly made resulting from neglect of duty (intentional or not). Thus, late or non-detection of fraud or misappropriation of funds
- × Disruption in the queuing process due to abuse of discretion, political influence or collusion between personnel



Payment of Pension

Recommendations

- × Enhance IVDMS to include complete audit trail; define access to information
- × Need to establish mechanisms to countercheck checks issued
- × Implement next level review to countercheck encoding info on claimant modules
- × Formulate policy against premature disclosure of information regarding payment of claims with corresponding sanctions
- × Formulate policy on recovery of overpayments and devise a mechanism to regularly monitor status of pensioners, e.g. report on non-moving bank accounts, 2 RTS checks, etc
- × A provision on the MOA with banks should reflect immediate transfer of funds and corresponding penalties (interests earned) for the delay
- × Formulate policy on the use of recovered funds; integrate overpayment tab.page into the IVDMS, and posting to JEV of recovered amount
- × Formulate and implement written bank reconciliation procedure; use of IT to facilitate bank reconciliation
- × Formulate policies on payment of arrears, specifically on prioritization and fund sourcing
- × Include automatic computation of arrears in the IVDMS



Recommendations

- × **Improve management of information**
 - × Database cleansing thru periodic revalidation, spot checks
 - × Fast track establishment of the “one-veteran file” system
 - × Define security measures and access by levels of authority because current system provides opportunities for syndicated fixing
 - × Institutionalize system audit trail in the IVDMS, current system does not provide what kinds of information were altered/modified, should include posting of arrears and recovered overpayments
 - × Need to formulate a specific policy on disclosure
 - × Make application forms available to all to afford greater access and negate undue value accorded to these as accountable forms; serializing it is ineffective since issuance is not strictly logged
 - × Provide processing standards (easy to follow step guides, checklist of requirements, processing times, fees, if applicable)
 - × Provide training for frontline staff on all aspects of pension administration, customer relations, handling of complaints
 - × Maximize use of available statistics to guide budget programming (pension payment projections) and resource management (operating expenses)



Recommendations

- × **Formulate policies or procedural guidelines including detailed steps on the following:**
 - × **Recovery of overpayment and RTS, reporting and use thereof**
 - × **Conduct of bank reconciliation, identification and recording of completed transactions**
 - × **Payment of arrears, specifically on prioritization and fund sourcing**
 - × **Posting of masterlist to the claimant module**
- × **Put emphasis on check and balance among offices and/or units having shared responsibility or accountability**
- ×



Recommendations

× Rationalize Field Offices

- × Professionalize field staff thru training or skills upgrading and install appropriate position levels commensurate to job requirements (most are below SG 15), determine number of staff based on volume of transactions
- × Define resource support, e.g. set-up imprest system, formulate FT annual procurement plan, provide adequate office equipment, etc.
- × Limit establishment of Contact Offices if they cannot be given full logistical and administrative support
- × Strengthen accountability and performance monitoring mechanisms (spot/regular audits)
- × Provide access to the database system, if not online, then provide monthly e-files of veteran information within their area of jurisdiction to decongest queries at CO and shorten response periods
- × Explore incentives for recovery of overpayments and sanctions for non-action on information acquired regarding status of pensioners



Recommendations

- × **Streamline/improve the processing of pension applications**
 - × Consider the assignment of staff to process application by geography and specialization (Muslim, indigenous vets) to clearly define accountability and provide a mechanism by which individual performances can be measured
 - × Remove the redundant examination of applications from Field Offices by providing skills upgrading workshop, if necessary, to minimize erroneous appreciation of documents/information
 - × Cut down review layers to facilitate processing but install appropriate measures to ensure compliance with the procedures
 - × Establish a feedback mechanism, e.g. query sheet, FAQs
- × **Institutionalize an effective performance monitoring system**
 - × Use of document tracking system, where time and motion standards can be determined
 - × Establish mechanism to countercheck data submitted in individual/unit accomplishment reports
 - × Link system of incentives/sanctions with performances



Recommendations

- × Institutionalize an Effective Information Campaign on the services of PVAO
- × Formulation of a Service Charter
- × Program on dissemination of the Customized Code of Conduct and conduct values formation workshops to officials and employees.
- × Issue policy on acceptance and solicitation of gifts and benefits



Thank you!

