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 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.

External parties can do diagnosis objectively. But self-assessment would be ideal especially for reform-oriented agencies. This is the idea behind the Integrity Development Review Project. This aims to support the leadership and management of the Office of the Ombudsman in improving governance in the public sector by providing tools for objective assessment of corruption vulnerability and resistance of agencies. The project is implemented by the Development Academy of the Philippines.

Under the European Commission – Office of the Ombudsman Corruption Prevention Project, eleven (11) public sector agencies are scheduled to undergo the IDR. These are the Department of Agrarian Reform, Department of Health, Bureau of Corrections, Bureau of Fire Protection Land Registration Authority, Light Rail Transit Authority, Philippine Veterans Assistance Office, Procurement Service Board and the Philippine Navy.

The integrity development framework builds on the Corruption Resistance Review (CRR) approach developed by the Independent Commission Against Corruption of New South Wales and the Corruption Vulnerability Assessment (CVA) tool adapted by DAP from the Office of Management and Budget. The CRR helps agencies assess their level of corruption resistance and progressively develop and implement corruption prevention measures to meet certain standards of organizational integrity. CVA determines the susceptibility of agency systems to corruption and examines the adequacy of safeguards to forestall wrongdoings.

The IDR process that evolved in this project consists of two stages: Stage 1 involves corruption resistance review via guided self-assessment, indicators research and a survey of employees. Stage 2 demands a detailed corruption vulnerability analysis.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 1

II.   Overview of the Agency: Light Rail Transit Authority

History

The LRTA is a wholly-owned government corporation created on July 12, 1980 by former President Ferdinand E. Marcos pursuant to Executive Order (EO) No. 603, as amended by EO No. 830 dated September 1982, and EO No. 210 dated July 1987 by the then President Corazon C. Aquino.

Today, the LRTA is the agency of government primarily responsible for the construction, operation, maintenance and/or lease of light rail transit systems in the Philippines in order to provide reliable, efficient, dependable, and environment-friendly mass rail services to residents of Metro Manila. LRTA currently operates and manages two rail transit lines: LRT Line 1 or Metrorail which commenced operations in December 1984 and LRT Line 2 or Megatren which commenced operations in 2003.

The LRTA is an attached agency of the Department of Transportation and Communications (DOTC). It is one of the 14 government-owned and controlled corporations being monitored by the Department of Finance (DOF). The Office of the President, through the Department of Budget and Management (DBM) approves the operating budget of the LRTA. The House of Representatives and the Senate, likewise, review and deliberate on the budget proposals of the LRTA. All on-going and proposed infrastructure projects are submitted to the DBM for funding, to DOF for financial evaluation and endorsement to the National Economic and Development Authority (NEDA) for monitoring and/or approval.

The Light Rail Transit (LRT) system is a component of the Strong Republic Transit System (SRTS), a project of the Office of the President aimed at providing a reliable, seamless and integrated mass transit system that would be at par with international standards. SRTS involves the construction of seven interconnection facilities or links to physically integrate the different railway systems in the Philippines, including LRT, Metro Rail Transit (LRT) and Philippine National Railways (PNR) and provide convenience to the riding public.

Today, of the total fleet of 91 LRVs, 78 have been fully rehabilitated LRVs for Line 1 and LRT Line 2 System.

<u>LRT Line 1</u>

LRT Line 1 consists of a 15.4-km elevated railway system extending from Baclaran in Pasay City to Monumento in Caloocan City. Initial financial assistance for the LRT project came from the Government of the Kingdom of Belgium, which granted an interest-free loan in 1980 in an aggregate amount of 900 million Belgian francs, payable over 30 years until year 2012 inclusive of a ten-year grace period. A Belgian consortium consisting of Ateliers de Constructions Electriques de Charleroi, BN, Constructions Ferroviaires et Metalliques (formerly Brugeoise et Nivelles), Tractionnel Engineering International and Transurb Consult provided the cars, signaling, power control, telecommunications, training and technical assistance.
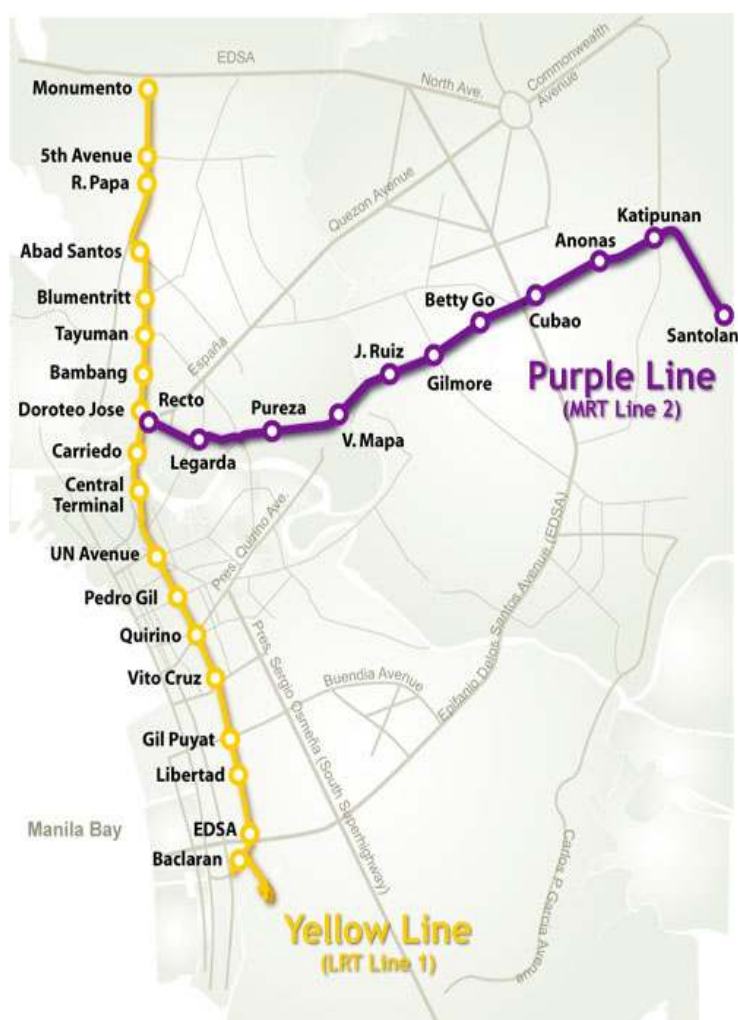
Construction of the first LRT system started in October 1981 under the responsibility of the Construction and Development Corporation of the Philippines, with assistance from the Swiss firm of Losinger and the American company Dravo (through its Philippine subsidiary, Filipinas-Dravo). The government appointed Electrowatt Engineering Services of Zurich (Switzerland Electrowatt) to manage and supervise the project. Electrowatt set up offices in Manila and later became responsible for studies relating to the capacity expansion of Line 1 as well as the construction of Line 2, among others.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 2

In 1996, the LRTA undertook the LRT Line 1 Capacity Expansion (Phase I) Project, which involved the transformation of the old two-car train sets to a three-car train configuration in conjunction with the acquisition of new generation trains which are longer and wider than the original fleet. Thus, the fleet now consists of 21 three-car trains transformed from the old fleet and seven new-generation and air-conditioned four-car trains, resulting to an increase in passenger capacity from 18,000 passengers per hour per direction (PPHPD) to 27,000 PPHPD.

In May 2003, responsibility over the maintenance of Line 1 was bestowed to a Maintenance Transition Team created in view of the termination by LRTA of its contractual agreement with its private maintenance contractor, Transurb Technirail. The maintenance of Line 1 system is handled by in-house personnel until June 2007 when the maintenance of the system including procurement of consumable spare parts was outsourced through competitive bidding.

Figure 1.
THE LIGHT RAIL TRANSIT SYSTEM — LRT LINE 1 AND LRT LINE 2

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 3

MRT Line 2

The MRT Line 2, also called the Megatren, is composed of a 13.8-km. mass rail transit line that passes through four cities and one municipality in the metropolis, namely Pasig, Marikina, Quezon City, San Juan and Manila. Construction for the MRT Line 2 System started in 1997 and completed in 2004. It was built at a cost of P29.973 billion mainly financed by concessional loans secured from the Japan Bank for International Cooperation (JBIC) in three loan tranches.

Compared to Line 1, MRT Line 2 was more difficult to build because the technology adopted was comparatively advanced both in civil and mechanical aspects. A special method called the pre-casting segmental method (PSM) was used in building the viaduct or the long stretch of suspension bridges resting on the concrete towers. The method is of European technology and is widely-used worldwide.

The MRT Line 2 is a fully-automatic, driver-less system at par in terms of facilities and technology with those in other parts of the world. It is equipped with a closed-circuit television system that enables the railway operator to monitor activities of passengers and employees at the stations and inside the trains.

Moreover, the MRT Line 2 is commuter friendly and has facilities especially designed for the elderly and the differently-abled. It has Braille or path finding tactiles along the lanes and elevators which enable blind passengers to be guided on their way to the trains. The coaches are also more spacious than those of LRT Line 1 or LRT 3, which cruise along Metro Manila's main thoroughfare, Epifanio de los Santos Avenue (EDSA). These enable passengers with disabilities and those onboard wheelchairs to be able to board and alight from Megatren without any problem. Elevators are installed in the stations for the use of the elderly and disabled passengers. The Purple Line is the first in the country to use two innovations in the mass rail system. These are the ticket vending machines (TVM) and the highly-sensitized operations control center (OCC).

The TVMs accept coins or PHP10, PHP20, PHP50 bills, and dispense single journey tickets per person. TVMs enable passengers to buy their tickets without queuing at the ticket booths and allow for faster mobility of people and added convenience to commuters.

The OCC network is comprised of necessary internal and external linkages for an efficient, safe and secured service to commuters. Aside from TV monitors, the OCC consists of modern communication gadgets and technology systems from Spain, Singapore, Germany, Japan, South Korea and France. These allow the on-the-spot recording and confirmation of all goings-on in all the stations. The Supervisory Control and Data Acquisition is responsible for the remote control management of the power supply to the depot and the entire 13.8 km stretch. The Building Management System takes care of the Katipunan underground air-conditioned station. The Centralized Paging Information System is the public address system that connects the management to their frontliners and passengers. The schematic diagram aids the OCC engineers know the problem track areas of the computerized trains which have their own black boxes similar to those of aircraft carriers.

Last June 2007, the maintenance of the MRT Line 2 System as well as the procurement for consumable spare parts was outsourced through a competitive bidding process. LRTA will continue to be responsible for the procurement of capital spares.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 4

Vision and Mission

The LRTA's vision is to be the institution in the field of mass rail transit system and be the continuous pursuit of excellence in the provision of safe, reliable, efficient and effective mass rail transit services for optimum customer's satisfaction. Its mission is to pursue excellence in the provision of mass quality transport and related services in the metropolitan areas of the country in a safe, reliable, cost-effective, caring, integrated, and ecologically responsible manner.

The LRTA management came up with the following revised vision, mission and goals statements for 2007-2012 which will be presented for approval to the Board of Directors.

Vision: A source of pride for the Philippines as its premier mass transit provider.

Mission: To provide commuters with a safe, reliable, and efficient mass transport system that improves the environment, reduces congestion, and makes the city viable and livable.

Goals: To achieve financial stability, to improve access and mobility, to enhance customer focus by delivering quality service and increasing passenger comfort, and to create a high-performance and caring organization.

Powers and Functions

The LRTA is a wholly-owned government corporation primarily responsible for the construction, operation, maintenance and/or lease of light rail transit systems in the Philippines. To carry out this purpose, the LRTA is authorized to incur loans with domestic financial institutions or to issue bonds. In addition, it is authorized to contract loans, credits or indebtedness in any convertible foreign currency for capital goods/services, from foreign governments or any international financial institutions of fund sources.

The LRTA's corporate powers and functions are vested in and exercised by the Board of Directors headed by the Secretary of the Department of Transportation and Communications as chairperson. The principal powers of the LRTA Board include the determination of policies relating to the development, operation, and promotion of an LRT/LRT system, the regulation and fixing of fares, and the planning of extensions to the system, among others as specified under Article 2 Section 4 and 5 of E.O. 603.
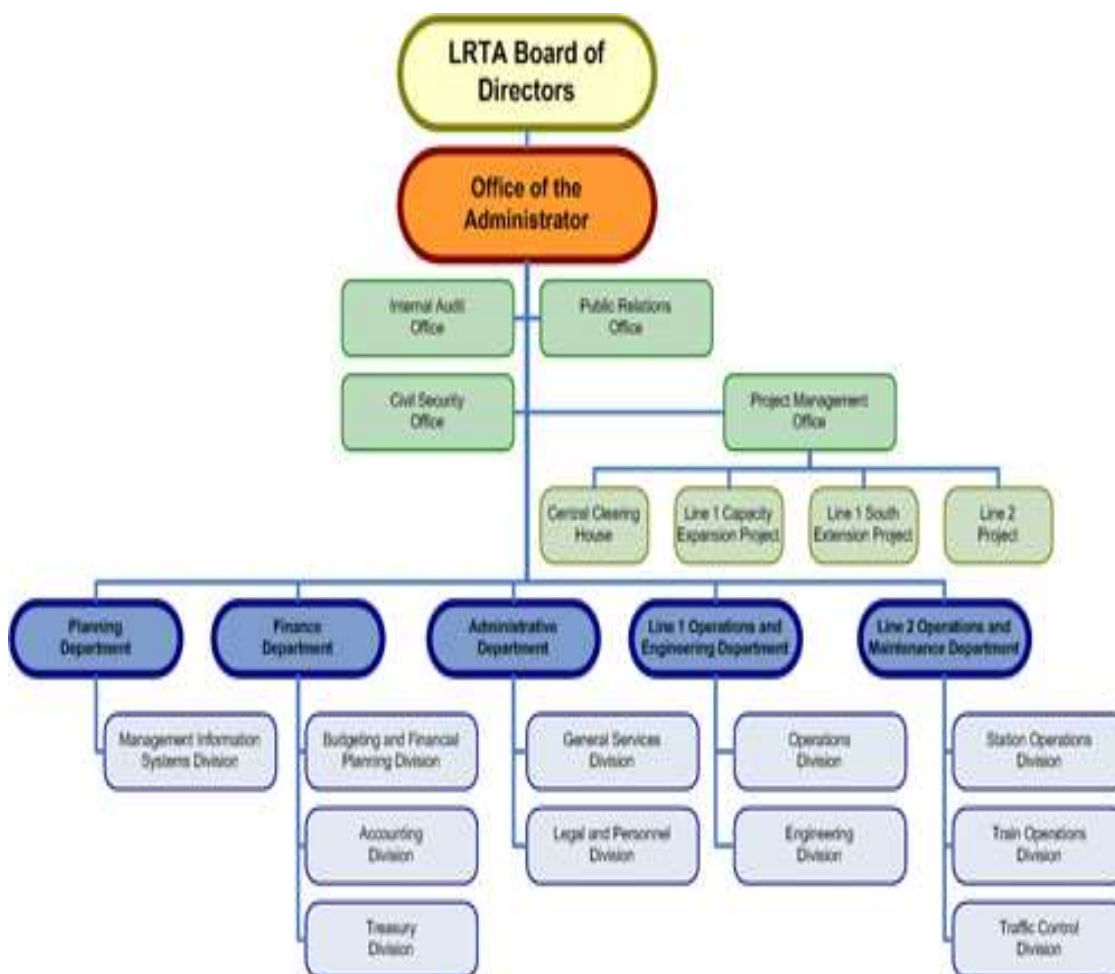
Organizational Structure

The organizational structure of LRTA is shown in **Table 1**. The LRTA is governed by a Board of Directors. It is headed by an Administrator. Directly under the Office of the Administrator are four offices: Internal Audit, Public Relations Office, Civil Security Office, and Project Management Office.

LRTA has five major departments: Planning, Finance, Administrative, Line 1 Operations and Engineering, and Line 2 Operations and Engineering.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 5

Table 1. LRTA ORGANIZATIONAL STRUCTURE

LRTA Board of Directors

The LRTA Board is composed of eight ex-officio cabinet members, namely, the DOTC Secretary, the DOF Secretary, the Secretary of Economic Planning / NEDA Director General, the DPWH Secretary, the DBM Secretary, the Chairman of the Land Transportation Franchising and Regulatory Board (LTFRB), the Chairman of the Metro Manila Development Authority (MMDA), the Administrator of the LRTA, and one (1) representative from the private sector. The Board is tasked to issue, prescribe, and adopt policies, programs, plans, standards, guidelines, procedures, rules and regulations for implementation, enforcement, and application by LRTA management. It also convenes to resolve operations-related issues and concerns and other matters requiring immediate attention and resolution.

The Executive Committee, composed of majority of the members of the Board of Directors, assists the Board of Directors in the performance of its policy/decision-making functions. It is chaired by the MMDA Chairman whose members are composed of the LRTA Administrator, the Board members from the DOF, DBM, DPWH, NEDA, and the representative from the private sector.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 6

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD

Hon. Leandro R. Mendoza
Secretary
DOTC

BOARD MEMBERS

Hon. Melquiades A. Robles Administrator LRTA	**Hon. Margarito B. Teves** Secretary DOF
Hon. Romulo L. Neri Director General NEDA	**Hon. Rolando Andaya, Jr.** Secretary DBM
Hon. Thompson C. Lantion Chairman LTFRB	**Hon. Hermogenes E. Ebdane** Secretary DPWH
Hon. Bayani S. Fernando Chairman MMDA	**Hon. Justino G. Bernas** Private Sector Representative
Atty. Hernando T. Cabrera **Corporate Secretary**	

Office of the Administrator

The current head of agency, Administrator Melquiades A. Robles, was appointed to office in September 2004. Two deputy administrators are provided for in the LRTA Corporate Charter, but only one deputy administrator is presently appointed.

The Office of the Administrator is responsible for implementing, enforcing, and applying the policies, programs, plans, standards, guidelines, procedures, decisions, rules and regulations issued, prescribed, or adopted by the LRTA Board, the DOTC and the Office of the President. The office undertakes studies, investigations, and other activities related to the operations and present and future requirements of project expansion and development; and submits comprehensive reports and appropriate recommendations to the LRTA Board for its information and action. The Administrator manages the affairs of LRTA and with the approval of the Board, determines the staffing pattern and the number of personnel of the LRTA and defines their functions and duties. He inspects the light rail transit facilities and operations and recommends measures to maintain a high standard of safe, fast and reliable service; and establishes and maintains, in coordination with the appropriate government offices and agencies a regular and prompt information system regarding traffic flows, light rail transit operations, finance and other related data.

The Planning Department has the following functions:

- Conduct feasibility and other related studies relative to the identification of projects, evaluating economic, financial, technical, and operational acceptability of project proposals, and funding, and approving proposed projects by relevant government authorities

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 7

- Formulate corporate goals and objectives, policies, short-, medium- and long-term corporate plans and programs of LRTA
- Direct all the information technology activities of LRTA including the application of computer-based information systems and related principles and techniques in all aspects of railway management and operation; and
- Prepare periodic reports on operations and provides data, statistics and other relevant information on light rail transit system operation to the public and other concerned entities/agencies.

The Finance Department has the following functions:

- Prepare and recommend financial policies, short- and long-term financial plans and programs, systems and procedures and implements the same upon approval by the LRTA Board
- Responsible for all financial transactions and advise the Administrator and the LRTA Board on all matters pertaining thereto
- Undertake studies on and evaluates the financial impact of the light rail transit system projects (Lines 1 & 2 and future extension and expansion projects) in relation to the over-all financial condition of the LRTA in coordination with the Planning Department and other appropriate agencies
- Responsible for the approval of funding or sourcing of funds of all LRTA programs, projects and activities
- Prepare and submit all financial reports required by various fiscal authorities and other government agencies requiring such reports
- Purchase and prepare magnetic tickets for operational use
- Supply magnetic tickets to the Treasury Division
- Responsible for accounting of fare revenue and ticket production
- Performs collection of data on passenger traffic and station sales
- Responsible for the standardization & development of the Automated Fare Collection System; and,
- Responsible for fare revenue allocation among various rail operators.

The Administrative Department has the following functions:

- Formulate and implement guidelines regarding personnel management and development, and general services for the LRTA
- Maintain economic, efficient, and effective services relating to personnel, records, supplies, equipment, custodial works and related services
- Handle and develop real estate properties, buildings and other ancillary structures and the efficient use of the same for income generation purposes
- Formulate and implement long- and short-term administrative plans and programs in line with the objectives and policies of LRTA and the Republic
- Maintain an efficient procurement and property management system; and
- Take charge of comprehensive insurance coverage for all LRTA assets, personal or real.

The Operations and Engineering Department has the following functions:

- Take charge of the day-to-day operation of the existing light rail transit lines
- Oversee the construction, expansion/extension of new light rail transit lines and/or new projects
- Conduct rehabilitation and maintenance of the existing and new light rail transit lines
- Evaluate the operational feasibility of proposed projects in accordance with prescribed standards
- Utilize and control equipment, spare parts, and other machineries essential for the efficient operation of the system
- Provide operational inputs in the planning for new projects; and
- Participate in detailed engineering and design of the various infrastructure projects of LRTA
.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 8

Below are the names and positions of key LRTA officials.

LRTA MANAGEMENT	
Hon. Melquiades A. Robles Administrator	**Lt. Col. Cesar B. Chavez** Deputy Administrator
Att. Elmo Stephen P. Triste Manager, Administrative Department	**Atty. Gregory C. Perez** Manager, Legal and Personnel Division
Annabelle C. Ganancial OIC, Operations and Engineering Department	**Marilou B. Liscano** Department Manager B, Finance Department
Mr. Wilfredo P. Alday OIC, Management Information System Division	**Engr. Evangeline M. Razon** Project Manager, Line 1 Capacity Expansion Project
Prima M. Tapia OIC, Budgeting and Financial Planning Division	**Eleanore T. Domingo** OIC, Planning Department
Eduardo A. Abiva OIC, General Services Division	**Evelyn L. Macalino** Division Manager B, Accounting Division
Engr. Rodrigo P. Bulario Project Manager, Line 1 Rehabilitation Project Phase II	**Engr. Danilo S. Tolentino** Project Manager, Line 1 South Expansion Project / Line 2 Project
Engr. Edgardo R. San Juan OIC, Operations and Maintenance Department, Line 2	

Proposed Reorganization Plans

The LRTA is currently pursuing plans to restructure its corporate organization to respond more efficiently and timely to the changing needs of the times. Under the proposed new organizational structure, new units will be created for efficiency.

The proposed organizational structure will consist of the Asset Management Division, the Business Development and Public Relations Department, the Office of the Legal Counsel, the Corporate Planning, Development and Performance Monitoring Division, the Automated Fare Collection System Services Department, the Offices of the two deputy administrators, and the Office of the Corporate Board Secretary. The proposed Asset Management Division will be composed of the System Equipment Administration and the Fixed Asset Administration Sections.

The proposed restructuring will result in the reduction of positions from 1,730 to about 1,513. An estimated 373 contractual positions will be transformed into regular positions thus increasing regular positions to 422 from the existing 49 regular positions. Personal services costs are expected to correspondingly decrease from about PHP350 million to about PHP300 million annually.

The LRTA has already submitted the proposed organizational restructuring/modification to the DOTC for endorsement to the DBM.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 9

Operations

The LRTA's day-to-day operations are anchored on four interconnected and equally important business goals: 1) to achieve financial stability, 2) to improve access and mobility, 3) to enhance customer focus by delivering quality service and increasing passenger comfort, and 4) to create a high performance and caring organization .

This section of the report describes selected performance areas relevant to the purpose of the IDR: ridership, revenue collection, corporate budget, project accomplishment, and financial performance.

Ridership

Monthly ridership figures for Lines 1 and 2 in 2006 exhibited an increasing trend compared to monthly ridership figures reported for comparable periods in 2005. Total ridership for 2006 increased by 8.22%, or 158.65 million from 146.6 million in 2005. Of this total, 6.02% came from Line 1, while 13.72% came from Line 2. (Refer to Figure 2).

In 2006, a total of 158.66 Million passengers were ferried at a daily average of 440,000, an increase of 8.17% from the past year. Daily ridership could reach as high as 599,883.

Figure 2. Comparative Ridership for Lines 1 and 2 (2005-2006)
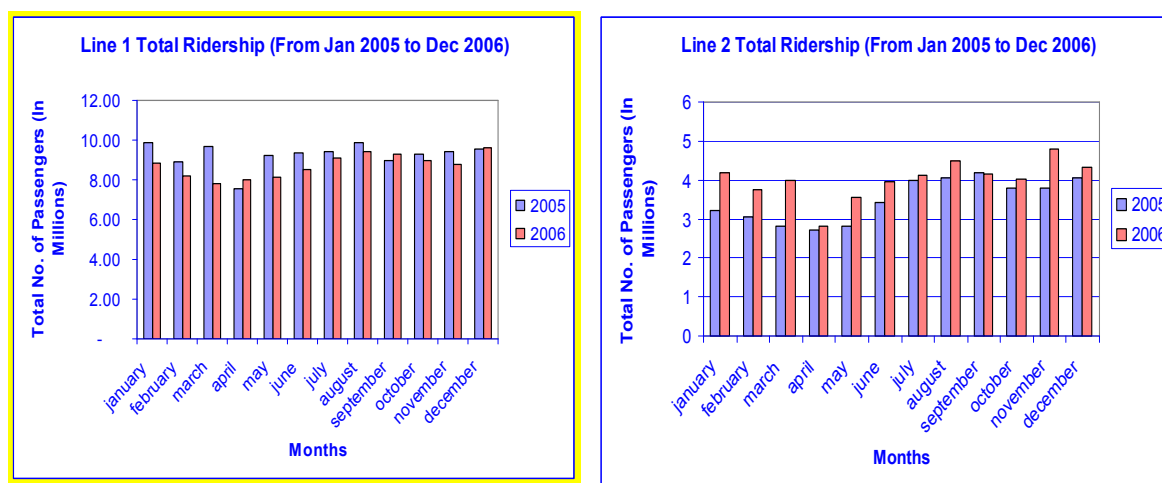
Revenue Collection

The increase in ridership figures also translated to increase in gross revenue collection. Starting 2004, a significant increase in ridership in Line 2 was registered with the opening of key stations in April and October. Passenger ridership of 2 million in 2003 rose dramatically to 20 million by year end of 2004.

During this period, gross revenues from rail operations increased from P273.2 million to P642.77 million. Despite the decrease in ridership of Line 1 by P10 million in 2004, revenues did not decrease compared to the 2003 recorded revenue. LRTA reported a net income of P115M in 2005 and P400.4M in 2006, the second time after 22 years of revenue operation that the LRTA was able to raise its net income even without a fare increase.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 10

Table 2							
RIDERSHIP and REVENUE COLLECTION – LINE 1							
PASSENGER TRAFFIC / RIDERSHIP (in millions of passengers)				**GROSS REVENUE COLLECTION** (in millions of PHP)			
2006	**2005**	**2004**	**2003**	**2006**	**2005**	**2004**	**2003**
January	9.84	8.85	8.50	9.62	141.56	126.76	123.40	109.69
February	8.88	8.18	7.98	8.85	126.92	116.45	114.57	100.44
March	9.71	7.82	8.24	9.27	138.56	110.81	118.10	104.67
April	7.56	8.00	6.32	7.08	108.54	115.08	91.02	79.78
May	9.20	8.16	7.38	7.68	132.77	117.62	106.10	88.62
June	9.38	8.54	7.82	8.55	135.27	122.15	112.45	98.12
July	9.44	9.12	8.51	9.36	135.35	130.23	121.56	106.10
August	9.84	9.43	8.37	9.30	140.27	134.98	119.64	105.10
September	8.95	9.28	8.52	9.39	128.94	132.33	121.39	106.42
October	9.31	8.99	8.40	9.49	133.58	128.68	119.91	106.89
November	9.43	8.77	8.25	9.32	135.94	126.66	118.30	105.80
December	9.53	9.63	8.57	9.33	136.89	137.80	122.76	119.93
TOTALS	**111.07**	**104.77**	**96.86**	**107.24**	**1594.59**	**1499.55**	**1389.2**	**1231.56**

Note for first row: January is the row label with 9.84, 8.85, 8.50, 9.62 | 141.56 | 126.76 | 123.40 | 109.69

Source: LRTA, as of January 2007.

Table 3							
RIDERSHIP and REVENUE COLLECTION – LINE 2							
PASSENGER TRAFFIC / RIDERSHIP (in millions of passengers)				**GROSS REVENUE COLLECTION** (in millions of PHP)			
2006	**2005**	**2004**	**2003**	**2006**	**2005**	**2004**	**2003**
January	4.19	3.21	0.399	—	55.98	43.73	4.86	—
February	3.75	3.04	0.391	—	50.15	40.55	4.73	—
March	3.99	2.83	0.377	—	53.78	37.44	4.50	—
April	2.82	2.73	0.702	0.026	38.34	36.72	9.75	0.37
May	3.54	2.82	1.159	0.042	47.53	38.30	15.35	0.52
June	3.94	3.42	1.760	0.122	53.50	46.29	23.84	1.85
July	4.11	3.99	2.508	0.323	57.83	53.12	33.13	3.91
August	4.48	4.05	2.485	0.330	59.93	55.25	32.71	4.02
September	4.14	4.19	2.706	0.400	55.31	55.55	35.15	4.85
October	4.01	3.79	2.406	0.373	54.47	50.36	31.60	4.47
November	4.28	3.79	2.808	0.361	58.25	51.51	38.15	4.42
December	4.32	4.04	2.967	0.384	57.71	53.85	39.47	4.62
TOTALS	**47.57**	**41.9**	**20.668**	**2.361**	**642.78**	**562.67**	**273.24**	**29.03**

*Interim data

Source: LRTA, as at January 2007.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 11

LRTA Projects

LRTA has been undertaking projects to improve frontline services and expand the business capacity of its revenue line through infrastructure projects. While some projects have been completed in the last two years, other projects have been delayed due to setbacks in negotiations at the project development stage.

- ***Construction of pedestrian linkages or footbridges existing between light rail systems***. The linkages are located strategically at areas where rail lines intersect (e.g., LRT 1 EDSA Station and MRT 2 Taft Avenue Station, MRT 2 Recto Station and LRT 1 Doroteo Jose Station, LRT 3 Cubao Station and MRT 2 Araneta Center Cubao Station) and are provided for the convenience and safety of the commuters.

- ***The Flash-Pass Ticketing System.*** The FPTS was implemented by the LRTA in April 12, 2004 is an alternative means of providing passengers of the LRT Line 1, the MRT Line 2 and the LRT Line 3 with a single ticket to facilitate their transfers between and among these existing LRT and LRT lines. The system allows passengers to purchase a single ticket at the cost of PHP250.00 at any of the specified LRT or LRT stations. This ticket allows its bearer to avail of an unlimited number of rides per day on any of the three existing LRT or MRT lines for the period of one week. As of December 31, 2005, a total of 10,898 flash pass tickets were sold, translating to total revenues of P2.7 million.

- ***LRT Line 1 Expansion Project Phase 2 .***This project aims to further expand the capacity of LRT Line 1 from 27,000 passengers PPHPD to 40,000 PPHPD to cope with present and expected increase in volume of passengers using LRT Line 1 and additional passengers under the integrated LRT Line 1, MRT Line 2 and LRT Line 3 Systems. Under Package A, delivery of all 12 additional air-conditioned four-car trains, otherwise known as third generation LRVs) was completed by end 2006. Related systems and civil works to make the 12 trains operational are finished. All 12 trains are operational as of March 2007.

- ***LRT Line 1 South Extension Project.*** As one of the SONA Projects of President Gloria Macapagal-Arroyo, the project aims to decongest Metro Manila by expanding the existing LRT Line 1 service southward to the cities of Parañaque and Las Piñas in Metro Manila and the adjoining municipalities of Bacoor, Imus and Dasmariñas, in the Cavite Province. On November 16, 1997, LRTA and SNC-Lavalin International Inc. / Manila Bay Area Rapid Transit Corp. (SLII / MBART) signed a Memorandum of Understanding establishing a cooperative working relationship to develop and implement the LRT Line 1 Extension. The Joint Venture Agreement and the Implementation Agreement were signed on September 4, 2000 and December 20, 2001 respectively. The Joint Venture was however terminated on September 16, 2005 due to failure of both parties to agree on the Amendment to the Joint Venture and Implementation Agreement.

  In December 2006, the project was revived given the approval by the Cabinet Committee of the Investment Coordination Committee (ICC) of the NEDA. LRTA is currently in discussions with the DBM on budgetary requirements for the periods 2007 to 2011. To date, 16 foreign and local investors have formally responded to LRTA's invitation for Expressions of interest. Competitive tender for the project was targeted in the 1st week of March 2007.

  The Project secured ICC Cabinet Committee approval last December 13, 2006 with recommendations that have been adopted and incorporated in the draft Concession Agreement and in the bid documents. In addition, PhilExim's Credit Committee has pre-cleared LRTA's request for PhilExim's extension of a guarantee to cover the winning private proponent's debt, estimated to be around US $70M. A draft letter of interest from PhilExim will be provided as part of the bid documents.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 12

All documents that would be required for the competitive tender are currently being finalized by IFC, in coordination with the LRTA Management, for approval by the Board. These include the Final Concession Agreement, Invitation to Pre-qualify and Bid, Request for Proposals, Instructions to Bidders and the Information Memorandum.

The President, during the NEDA Cabinet meeting held on 21 November 2006 directed the Department of Public Works and Highways (DPWH) and Philippine Reclamation Authority (PRA) to sign, respectively, the Memorandum of Agreement (MOA) with LRTA that will allow the use of public land for the LRT Line 1 South Extension. Drafts of these MOA are now circulating with the concerned agencies for final clearance.

- *LRT Line 1 Rehabilitation Project 2 – Modernization Phase 2.* In 1996, LRTA commenced a series of rehabilitation projects which include the repair, refurbishment and modernization of its 63 light rail vehicles (LRV), the maintenance of the railway tracks, upgrading of ballast structures, and procurement and supply of additional spare parts to ensure that the rolling stock is guaranteed for another 15 years. Rehabilitation Project 1 was completed in 1999, and Phase 1 of Rehabilitation Project 2 was completed in 2000.

  The last phase of the Rehabilitation Project 2 is the full upgrade and modernization of the LRVs. It is financed by the Government of Belgium at the cost of 14,697,989 EURO inclusive of the interest during construction and customs duties/taxes. As of 31 January 2007, 92 of 100 units Traction Motor Armatures were delivered. Thirty-two (32) LRVs were completed and fully modernized as of October 26, 2006 and 4 of the 32 LRVs are for high-speed testing. Actual project accomplishment exceeds the target accomplishment by 5.17% ahead of schedule.

- *MRT Line 2 Eastern Extension.* This project, which was identified in the Metro Manila Urban Transport Integration Study as one of the priority components of the long-term master plan for transport development, involves the construction of a 4-km eastern extension of LRT Line 2 from the Santolan Station in Marikina City to Masinag Junction in Antipolo, Rizal. When constructed, it is expected to be utilized by the fast-growing communities of Marikina, Cainta and Antipolo, the latter being the fastest growing city in the entire Philippines, according to studies conducted by the National Statistics Office.

  The NEDA-ICC Technical Board approved the Implementation Program for the project for possible JBIC financing, subject to review of the Corporate Affairs Group (CAG) of the Department of Finance. The same has been tabled for NEDA Board approval during the first quarter of 2007.

- *Railway Management and Technology Institute.* The development of the rail industry, which is a vital part of the country's transport infrastructure, would depend much on the availability of skilled technicians, managers, operators, and support staff that are trained professionally.

  To address these needs, LRTA and the Technological University of the Philippines (TUP) agreed in principle to jointly create the Railway Management and Technology Institute, at the TUP Campus in Manila. A Memorandum of Understanding was signed last August 15, 2006 by Dr. Godofredo E. Gallega, TUP President and LRTA Administrator Melquiades A. Robles.

  The program will include regular diploma courses that are railway specific to significantly increase the supply of technically skilled manpower and meet the demands of the railway industry.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 13

Corporate Budget

In the 2006 corporate budget, funding sources amounted to P11.7 billion and P20 billion in 2007. These consist of operating revenues from rail and non-rail lines, national government subsidy, foreign borrowings, and domestic borrowings.

For 2006, the amount of funding sources is almost the same as the budget for the operating expenditures, capital expenditures and debt service. The budget for personal services amounted to P352 million and P2.3 billion for MOOE. Debt service payments including interest amounted to P2.5 billion in 2006.

Financial Performance

Table 4 shows comparative data on the budget and financial performance of LRTA. In summary, the Agency's revenue growth has increased dramatically from 3.7% in 2004 to 32% in 2005, but decreased slightly in 2006 at 24%.

While growth has been very positive, net income/revenue has not been steady for the same period. Preliminary report for 2006 indicated a net income of P63 million, but down from a net income of P1.1 billion in 2005. LRTA had a net loss of P1.4 million in 2004.

Based on 2006 preliminary report, revenues from rail operations grossed P2.2 billion, of which P1.595 billion came from Line 1, and PHP642.77 million from Line 2. Non-rail revenues, on the other hand, have decreased from a high P55M in 2003 to P40-43 million in the years 2004 to 2006.

Subsidies from the National Government for projects and tax subsidy have ranged from a low P35 million in 2004 to the highest of P7.5 billion in 2003. In 2006, subsidy became significantly higher again based on the preliminary report of P824 million subsidy.

Cases Filed Against LRTA Employees

Based on the OMB case report as of June 7, 2007, a total of 36 criminal cases have been filed against LRTA officials and employees. The report covers the period January 1992 to January 2007.

Of this total, 20 cases have been dismissed, 2 cases have been closed or terminated, 7 cases remain active and 6 cases are for filing. Of the 5 cases filed in 2006, 4 remain active cases. However, one case filed in January 2007 has been dismissed within a 5-month period. No data is available on the actual date of resolution of the cases. It may be gleaned from the report, however, that the speed in which cases are resolved would depend on the nature of the case and actions of respondents, among others.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 14

Table 4
COMPARATIVE FINANCIAL STATEMENT 2002-2006

(in Millions Pesos, as of)	Dec 2006 Preliminary	Dec 2005 Audited	Dec 2004 Audited	Dec 2003 Audited	Dec 2002 Audited
REVENUES					
Rail Revenues	2,230	2,058	1,660	1,257	1,212
Non-Rail Revenues	42	40	43	55	44
Total Revenues	**2,272**	**2,098**	**1,703**	**1,312**	**1,256**
EXPENSES					
Direct Operating Expenses	1,044	965	732	536	383
Personal Services	365	354	290	243	170
Maintenance & Other Operating Expenses	273	202	259	371	444
Depreciation and Amortization	375	655	436	374	371
Interest Expense	1,463	1,099	1,020	873	659
Total Expenses	**3,520**	**3,275**	**2,736**	**2,396**	**2,027**
OTHERS					
Subsidies from the National Government	825	17	35	7,570	836
Gain (Loss) on Foreign Exchange	486	1,271	(465)	(2,754)	(1,595)
Others	—	4	—	49	1
TOTAL OTHERS	**1,311**	**1,291**	**(431)**	**4,865**	**(758)**
NET INCOME (LOSS)	**63**	**115**	**(1,464)**	**3,781**	**(1,529)**
Current Assets	4,427	3,283	3,322	990	1,034
Investments, net	37	36	43	36	36
Fixed Assets, net	38,023	39,387	40,312	36,495	24,477
Other Assets	291	287	895	1,112	939
Contingent Assets				36	36
TOTAL ASSETS	**42,778**	**42,993**	**44,572**	**38,670**	**26,522**
Current Liabilities	5,415	3,816	3,743	2,088	1,050
Long-term debt	39,731	42,100	43,754	38,200	32,349
Capital Deficiency	(2,368)	(2,923)	(2,925)	(1,617)	(6,877)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**42,778**	**42,993**	**44,572**	**38,670**	**26,522**
Revenue Growth		24.0%	32.1%	3.7%	5.7%
Growth in Total Assets		-3.67%	15.26%	45.8%	141.9%
Net Income / Revenues	-50**%**	5.5%	-86.0%	288.2%	-121.7%
Return on Assets		0.16%	-3.28%	13.8%	-5.8%
Current Ratio (x)	1.33	0.86	0.89	0.47	1.0

Source: LRTA Planning Office

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 15

III. Assessment Methodology

The Site

The IDR activities involved only one (1) site, the central office called the LRTA Compound in Pasay City. The compound houses the Office of the Administrator and all the line and staff units, except for the satellite offices in the revenue lines.

LRTA has no regional offices, but data gathering included visits to satellite offices and depots under line departments (i.e. Finance and Line Operations and Engineering) located in Recto and Central Stations in Manila (Line 1) and Santolan Station in Pasig City (Line 2).

LRTA has a total of 1,784 approved positions in its table of organization. Of this count, 49 are permanent or regular positions, 1,666 are contractual or interim positions, and 69 are co-terminus with the projects of the Project Management Office (PMO).

As of 31 December 2006, LRTA employs 1,715 people. This count excludes the staff assigned in handling projects such as those in the project management offices handling expansion, rehabilitation and modernization projects.

Those in regular positions are engaged in management, administration, and finance while contractual or interim employees are mostly in charge of Light Rail System operations. The contractual positions serve for an average of 3 to 6 months. Renewal or non-renewal of contract depends on the evaluated performance of each employee. LRTA employees receive the same pay structure as those in the national government. LRTA still receives subsidy from the government.

Timetable of Activities

Activity	Date	Venue
Integrity Development Assessment	March 19, 2007	LRTA Compound, Pasay City
Survey of Employees	March 1, 2007 March 2, 2007	Line 2: Santolan Station, Marikina Line 1: Recto Station, Manila
CVA	May 1-June 30, 2007	LRTA Compound, Pasay Line 1: Central Station, Manila Line 2: Santolan Station, Marikina

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 16

Corruption Resistance Review Methodology

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

Stage 1. Integrity Development Assessment (IDA)

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 measure 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

The IDA adopts a five-point scale to gauge the agency's level of achievement in each dimension, with level 1 as the lowest, and level 5, the highest. In each dimension, the evaluation is based on two items: approach and deployment. An approach is generally considered good if it is systematic and documented. Deployment is generally good if the application of the approach covers all concerned units and offices within the agency. The levels are structured to bring the agency's integrity systems to maturity:

- Measures under *level 1* represent the basic standards of having a written policy or procedure for a particular dimension. There are legal bases for some dimensions such as Code of Conduct, Procurement Management, and Financial Management, which are indispensable for the respective operational procedures.
- Measures under *level 2* represent the deployment of the written policies or procedures to the employees. Deployment here includes providing access to information and training to deepen understanding of relevant personnel. Information asymmetry or lack of information provides opportunities for rent seeking, often leading to corruption.
- Measures under *level 3* denote the enforcement of the integrity building policies and procedures. Enforcement means that the system with designated personnel is in place, the employees use the system, and the results of which are considered in decision-making.
- Measures under *level 4* signify employment of incentives and disincentives/sanctions. Integrating a system of incentives and disincentives reinforces good practices in agency operations, slowly enriching the environment and building a culture of integrity.
- Measures under *level 5* correspond to best practices, especially in the monitoring and evaluation of the system. Impact of a particular system changes as factors such as environment in the agency changes. Thus, it is important to review the systems on a regular basis.

By no means is the IDA a grading system for the agency. However, an average rate on the IDA provides a sense of the agency position in its employment of measures against corruption. For example, an average rate of 1 means that the agency, more often than not, merely adheres to legal requirements or written policies and

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 17

procedures. The agency recognizes the need for the identified operations but has put little effort in developing them. On the other hand, an average rate of 2 means that the agency has taken steps in imparting the set guidelines to its employees. Policies are communicated and employees are provided basic training.

An average rating of 3 suggests that the agency has advanced in enforcing policies and procedures that build integrity on operations, while an average rate of 4 connotes that the agency integrates a system of incentives and disincentives. This indicates a more developed system, with a set or procedures that attempts to alter behaviour and deepen ethical culture. An average rating of 5 means that the agency has reached a level of maturity in its systems integrity. The agency regularly undertakes monitoring and evaluation, with the aim of improving its policies and procedures.

The scaling is cumulative, i.e., to achieve level 3 an agency should also meet the standards set for levels one and two. For ratings that do not match the scaling system, the assessors can discuss among themselves and decide on the appropriate rating for the agency. For example, it is possible for an agency not to qualify for level 1 because it has not met all the requirements of level 1. The team may decide to place the agency in level zero even though the agency may have in place some of the measures in higher levels. In this case, the agency should list as its strengths those measures listed in higher levels (provided the claim is validated). This suggests that the agency takes steps in incorporating good practices but may not be systematic in employing them.

IDA Highlights

Several weeks prior to the IDA, an orientation session on the IDR was conducted by Director Magdalena Mendoza of the DAP PMO. This was attended by the Deputy Administrator and the rest of the Management Team of the LRTA.

The IDA for LRTA is a result of a guided self-assessment of key management and employee representatives. Through a focus group discussion (FGD), management representatives of the various operating and support departments of the Agency rated the Agency's level of achievement and deployment in each dimensions. FGD participants include 18 senior and middle managers and process owners of the 10 dimensions covered in the IDA. (Refer to Annex A for the list of participants).

Following the IDA scales, the participants initially rated each dimension individually. Discussion ensued until a consensus rating was arrived at for each dimension. Individual ratings for a number of dimensions varied considerably indicating the differences in evaluation of the agency's approach or application or deployment of identified corruption prevention measure. While not all conditions have been met in each of the levels, some practices that correspond to the higher levels of achievement were recognized as strengths of the Agency. Although the main intention of the IDA is to spot the possible areas of vulnerability and recommend ways to improve deployment of safeguards, the Assessment Team deemed it proper to document and acknowledge the existing efforts and initiatives of the Agency to prevent corruption. (Refer to Annex B for the summary of IDA ratings for each dimension for the different sites).

The LRTA Assessment Team is composed of six (6) assessors: three (3) from the participating agencies, and two (2) from the LRTA. In addition, the Internal Auditor of the LRTA served as Agency Counterpart who facilitated the data collection and coordinated the key informant interviews and site visits. The team was assisted by two (2)

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 18

staff, one from LRTA and another from the Office of the Ombudsman, who participated in the Assessors Training, in the indicators research and documentation activities.

The responsibility for documenting the IDA discussions and writing the dimension report was divided among the assessors. The assignments for each dimension were as follows:

Dimension	Assessor
1. Leadership	Sheila
2. Code of Conduct	Ver
3. Gifts and Benefits	Edna
4. Human Resource	Vina
5. Performance Management	Ely
6. Procurement Management	Ver
7. Financial Management	Edna
8. Whistleblowing & Internal Reporting	Ver
9. Corruption Risk Management	Ely
10. Interface with External Environment	Sheila

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 team decided to start the CRR with the Employee Survey since it could not get majority of the target participants together for the IDA session.

The survey of employees was initiated by the sampling of 100 employees (proportionate, stratified random) from the list provided by the agency. The survey used the sealed envelope technique.

Since majority of the respondents report to the Line stations, the Assessment Team decided to administer the survey instruments in two centrally located stations. This way there was minimal disruption in the work of respondents. It took two (2) days to complete the survey with 100% completion rates, and no substitution in the original list.

Profile of Respondents.

A total of 100 respondents were interviewed from the Light Rail Transit Authority (LRTA) coming from the Central Office site.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 19

1.1 Education

Respondents of the survey were highly educated. Eighty-eight (88) of the respondents have at least a college degree, with 3 of the employees with post-graduate degrees (MA/MS). Six (6) of the employees attained vocational education while the remaining three (3) attained up to high school education.

Table 1.1 Education Profile
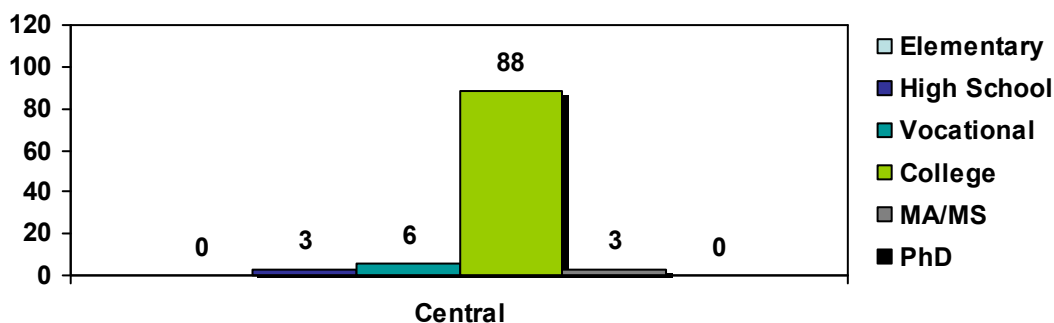
1.2 Work Profile

Most of the respondents occupy non-supervisory positions (82% of total). Only two percent (2%) are of permanent status while the rest of the respondents were of contractual status (98%).
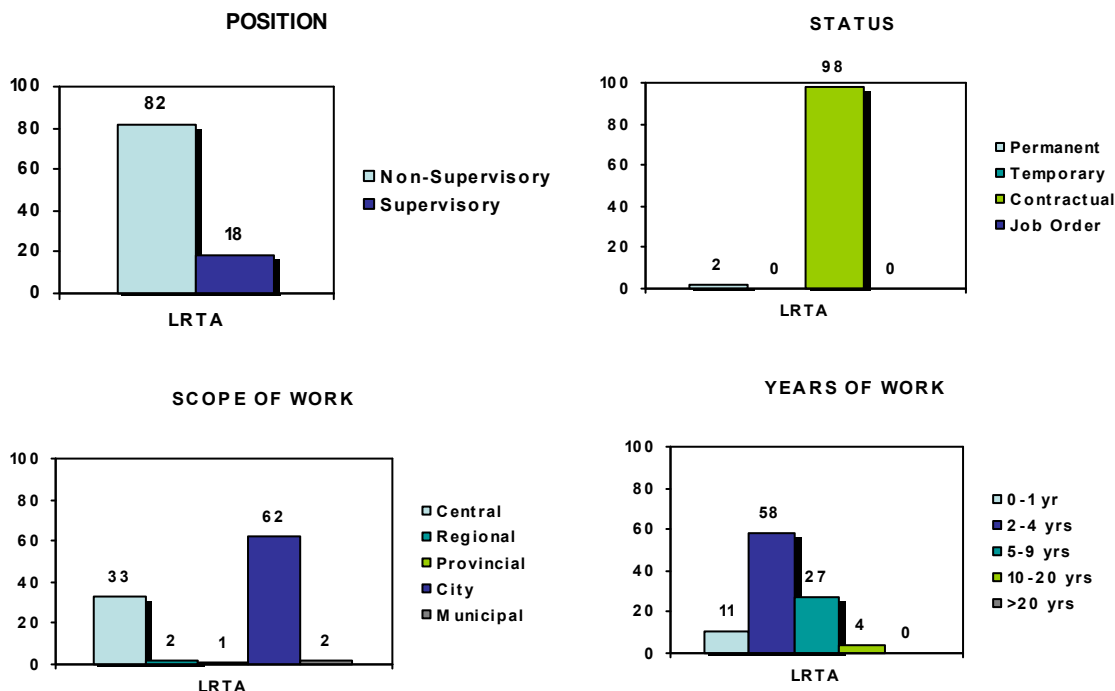
In terms of scope of work, 62% of respondents from LRTA Central Office were involved in city activities while the 33% were of the central scope. Two were involved in regional operations. The remaining was involved in provincial (1.00%) and municipal (2.00%) operations.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 20

More than fifty percent the respondents (58.00%) have been in active service for 2-4 years, twenty-seven percent (27.00%) have been working in LRTA for 5-9 years, 11.00% have been in service for less than a year and 4.00% of the respondents have been in service for 10-20 years.

Table 1.2 presents the number of respondents distributed by work description.

Table 1.2 Work Profile Distribution by Description

Description of Work		Number of Respondents Central
POSITION	Supervisory	18
	Non-Supervisory	82
STATUS	Permanent	2
	Temporary	0
	Contractual	98
	Job Order	0
SCOPE	Central	33
	Regional	2
	Provincial	1
	City	62
	Municipal	2
YEARS	0-1 yr	11
	2-4 yrs	58
	5-9 yrs	27
	10-20 yrs	4
	>20 yrs	0
TOTAL RESPONDENTS		**100**

The survey instrument focuses on twelve (12) areas of inquiry, namely:
1. Leadership and Organizational Culture
2. Code of Conduct
3. Gifts and Benefits
4. Human Resource Management
5. Performance Management
6. Procurement Management
7. Financial Management
8. Whistleblowing, Internal Reporting and Investigation
9. Corruption Risk Management
10. Interface with External Environment:
11. Types of Corruption
12. Attitudes regarding corruption reporting

A 6-point Likert scale was utilized in order to assess the level of agreement or disagreement of the respondents to specific terms relevant to corruption prevention. Levels of agreement range from Strongly Disagree (SD) to Strongly Agree (SA) and include Don't Know and Refuse to Answer.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 21

Using a 4-pt weighted scale system, net ratings were computed for statements in each of the 12 areas of inquiry. Zero weight is given to "Don't Know" and "Refuse to Answer" responses. The weighted rating is computed using the following formula:

Response Scale	Weight	Frequency	Scale x Frequency
Strongly Agree	1	A	1 x A
Agree	2	B	2 x B
Disagree	3	C	3 x C
Strongly Disagree	4	D	4 x D

NET RATING = [(1 x A) + (2 x B) + (3 x C) + (4 x D)] / Total no. of respondents

To interpret net ratings, the following guideline can be used:

- 1.00 - 1.79   = Highly positive net agreement
- 1.80 - 2.21   = Moderately positive net agreement
- 2.20 - 2.49   = Slightly positive net agreement and % undecided is substantial
- 2.50   = Split opinion
- 2.51 – 2.80   = Slightly negative net agreement and % undecided is substantial
- 2.81 – 3.20   = Moderately negative net agreement
- 3.21 – 4.00   = Highly negative net agreement.

A split opinion is obtained with a net weighted rating of 2.5. A positive net agreement occurs if the net rating is less than 2.5 and a negative net agreement is reached if the net rating is greater than 2.5. The lower the net rating, the positive net agreement to the statement increases. Conversely, the higher the net rating, the negative net agreement to the statement increases.

Comparison of means were also conducted using a One-way ANOVA statistic comparing each statement against five (5) work descriptions of Position, Status, Nature of Work, Scope of Work and Years of Service. This was performed separately for each site. Significant differences in responses were noted for significance values of 0.05 or less. The One-way ANOVA Tables are provided in the Appendix for reference. Results with significant differences are highlighted in bold numbers in these ANOVA tables.

Stage 3: Research Indicators

Documents were collected and analyzed to support the ratings made during the IDA process. Validation of the ratings was done through observations, document review and collection of background and other pertinent organizational information. Additional information was requested after ratings were calibrated. Team meetings were held to come up with validated ratings for each site a final team rating for each dimension.

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.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 22

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 were carried out. The assessment involved process mapping, identification and classification of risks, checking of existing controls, and evaluation of adequacy of safeguards. Data and information were culled from document review, key informant interviews, and process observation to the extent possible.

CVA Areas and Assessment Sites

The areas identified for the CVA were: 1) Procurement of Spare Parts and Maintenance Services, 2) Ticket Production, Selling and Remittance of Sales, and 3) Acquisition of Right of Way or Real Estate Property. These areas are considered mission critical functions necessary "to provide commuters with a safe, reliable, and efficient mass transport system that improves the environment, reduces congestion, and makes the city viable and livable."

Data gathering for the CVA areas were done in the following sites: LRTA Compound in Pasay City, Line 1: Central Station in Manila, and Line 2 Depot and Santolan Station in Marikina City. These sites were chosen for the scope and size of operations relevant to the CVA areas. For instance, the Central Station is a busy station which provides the full range of operations relevant to the assessment: treasury, station operations, and clearing house operations, which can be compared with those of Santolan Station. These sites were also chosen as they are places were actual processes and activities covered by the CVA areas take place, e.g. meetings of the Bids and Awards Committee take place in Line 2 Depot in Marikina.

Difficulties Encountered

During the CRR, the team had some difficulty in getting documents for the indicators research due in large part to the lack of a systematic list or database of agency policies and guidelines. Often there was difficulty distinguishing between an office order and memorandum circular in terms of content and style, e.g. no statement of policy or reference to an older policy when one is required.

The team experienced difficulty in getting documents and availability of key informants for the CVA. Many of the knowledgeable staff of the LTRA Project Management Office concerned with acquisition of lands already left the organization. While PMO records are intact, these are not sufficient to allow for deep analysis of the concerns regarding huge tax payments and transfer of land titles to LRTA.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 23

Another difficulty was getting a common available time for all assessors to engage in team discussion and data gathering and writing activities. Internal assessors tapped for the project are key members of ManCom who simply had too many regular day to day tasks and little time to do other tasks, i.e. signing authority and meetings outside of the agency that could not be delegated.

In addition, the CVA process coincided with bidding process and awarding of the maintenance contract for Line 2 system and turnover of the warehouse to the winning contractor. Two of the internal assessors were occupied by inventory, audit and other tasks necessary for the turnover through most part of June.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 24

IV. Corruption Resistance Review

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.

The table below shows the criteria used by the participants of the focus group discussion (FGD) in coming up with their self-rating of the agency.

Rating	Levels of Achievement
1	▪ 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	▪ 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	▪ Senior leaders have specific responsibilities for prevention and detection of corruption. ▪ Senior leaders are trained on corruption prevention and detection.
4	▪ 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	▪ 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.

Leadership at the LRTA

An Administrator is in charge of overall management of the LRTA. He is responsible for implementing, enforcing, and applying the policies, programs, plans, standards, guidelines, procedures, decisions, rules and regulations issued, prescribed, or adopted by the LRTA Board of Directors, the DOTC and the Office of the President.

Assisting the Administrator is a Deputy Administrator, and the Management Committee. A second Deputy Administrator position is provided for in the LRTA Corporate Charter, but is currently vacant.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 25

Assessment

Leadership	CO	Assessor Rating
Agency IDA Rating	2	2
Deployment Rating	50-60%	70-80%

The Agency's consensus rating in this dimension is at level 2 with 50-60% deployment rating. The validated rating given by the assessors is at level 2 with 70-80% deployment. This means that LRTA's senior leaders deploy organizational values, short and longer-term directions, and performance expectations. They also take proactive steps to discourage staff from engaging in corrupt practices.

A consensus rating was reached easily for this dimension and pieces of evidence were gathered to support the rating. According to FGD participants who were mostly ManCom members, the regular Monday ManCom meeting has made them fully aware of performance expectations vis-à-vis priorities and thrusts of the leadership of the agency.

The rating is validated by the existence of the 2005-2010 LRTA Medium Term Plan and its updated version, the 2007-2012 Corporate Plan which was recently approved by the LRTA Board. The formulation of the plan was initiated by the current administrator who came into office in September 2004, and ushered a new phase in the life of LRTA with the completion of the last phase of the LRT 2 or Megatren construction and rehabilitation of down trains in LRT 1 were completed allowing for increase availability of trains. By December 2004, ridership went up to 20 Million from 2 Million in 2003 in huge part due to the full operation of the LRT Line 2 System.

The documents cited above describe the vision, mission, and goals of the LRTA as well as two key result areas, namely the normalization of down or non-functioning trains, and improvement of procurement procedures and systems. These are expected to result in generate maximum revenues and improved organizational responsiveness and efficiency by eliminating functional duplications and personnel excesses to reduce operating costs while promoting efficiency and economy of operations.

The vision and mission statement of LRTA is prominently displayed at the reception area of the Administration Building, Line 2 Depot and selected stations. It is also contained in the LRTA Employee Orientation Kit prepared by the Personnel Unit.

In addition to a revised Vision and Mission Statement described in an earlier section, senior management has articulated the following major thrusts and policy directions for 2007:
- Provide safe, fast, reliable and efficient LRT/LRT services through continued operation of Lines 1 and 2 with appropriate returns to sustain operation;
- Outsource maintenance of both Lines 1 and 2 including the procurement of consumables and semi-expendable materials, spare parts, tools and equipment, as well as laboratory instruments for the scheduled maintenance works;
- Continue to innovate, rehabilitate and modernize the system especially the Line 1 first generation trains;
- Restructure the organization to attend to the welfare of its employees and to strengthen personnel skills and capabilities on LRT/LRT system operation;
- Expand the capacity of the Line 1 system by 100%;
- Complete its plan to extend Line 2 to Masinag in the east and to North Harbor in the west;
- Extend Line 1 System southward from Baclaran to Cavite with the participation of and investment from the private sector, as well as northward from LRT Line 1's Monumento station to LRT-3's EDSA station to close the loop between railway networks;
- Continue to collaborate with the DOTC for the implementation of a unified ticketing system to all Metro Manila Mass transit lines using the contactless smart card technology;

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 26

- Pursue institutional restructuring, and improve and sustain financial position through the enactment of an amended LRTA Charter; and
- Intensify efforts to maximize both rail and non-rail revenues.

Implementation of these thrusts and policy directions are religiously monitored in ManCom meetings held every Monday as evidenced by minutes of meetings. A regular agenda of ManCom are the progress reports on the Management Improvement Study which is produced and updated every six months to track key performance indicators. A two-volume Manual of Operations contains a compilation of office orders issued since 1999 providing policy and guidelines on the various operations of the agency.

Given the sheer size of operations and volume of revenues of LRTA, senior leaders recognize the need to have clearly defined authorities and accountabilities. LRTA has a Manual of Approvals dated AO August 2006 that defines the limits of authority per subject at various levels of management from the Board down to the lowest level of supervisors. For example, on the topic: procurement of consulting services, limits of authority, signatures/approval required are defined based on the amount of services to be procured. For example, consultant fees amounting to more than P50M would require the approval of the LRTA Board and fees less than P50M would require approval of the Administrator.

Senior leaders articulate the importance for everyone in the organization to be ethical in their behavior and in dealing with all stakeholders. A set of Station Policies and Procedures document are disseminated to all stations to guide all station personnel from supervisors and tellers to security guards on cash and ticket administration. New recruits specially station tellers, station supervisors and security guards who comprise the majority of LRTA front-liners are required to undergo training on the Automated Fare Collection System (AFCS) and Customer Service as part of their employee orientation program.

Reminders on observing ethical behavior, though general, are found in English and Filipino versions of the Customer Service Handbook:
- Frontline service slogan: *I will make myself better today than yesterday.*
- Frontline result: *No short change, no left change equals good customer service and total customer satisfaction.*
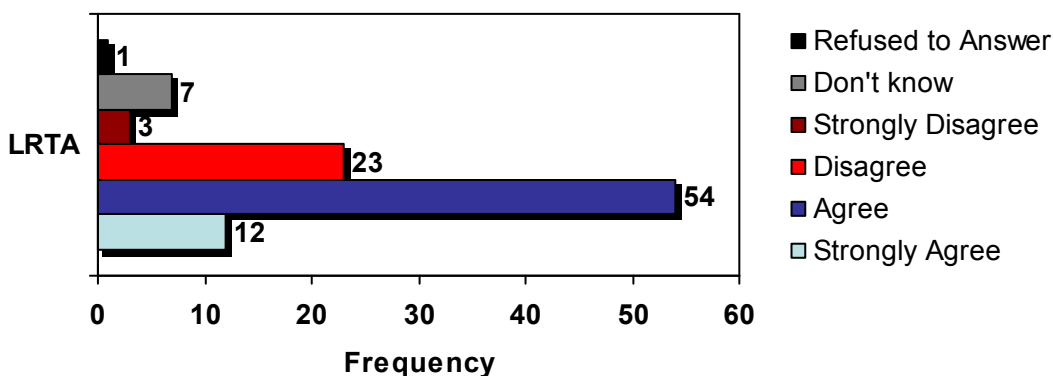
Survey Results

Moderately positive net agreements pertaining to leadership concerns were observed at LRTA. Significant differences in responses were observed for Statement 2 regarding manager's professionalism. Positive ratings were mostly associated with responses coming from employees who have served between 2-4 years.
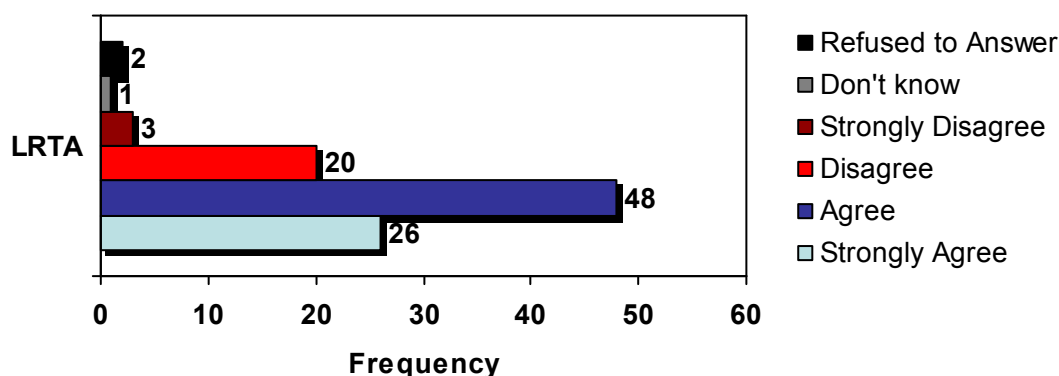
Table 2.1 Net Ratings for Leadership

STATEMENTS	AGENCY TOTAL
1. Managers in our agency do not abuse their authority. *(Hindi umaabuso sa kapangyarihan ang mga namumuno o manager ng aming ahensiya.)*	2.18
2. Managers in our agency inspire employees to be "professional" *(Ako ay nai-inspire ng mga namumuno o manager ng aming ahensya upang maging propesyonal sa aking trabaho.)*	2.00

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 27

Statement 1

Statement 2

Question 3: What can you suggest to improve the leadership's contribution in preventing corruption in your agency?

Table 2.2 Suggestions to improve the leadership's contribution in preventing corruption in your agency include:

Suggestions	Frequency	Percent of Total Respondents
Leadership by example, be honest, show dedication to work, show integrity, report corruption, show professionalism, strictly follow rules and regulations, avoid favoritism, boost employees' morale, good service	37	36.63%
Seminars, trainings, dialogues with employees, interact with employees, open communication, values formation, performance evaluation, audit of transactions, provide suggestion box	31	30.69%
Proper salary, compensation and benefits, increase in salary	11	10.89%
Transparency, open bidding, open to public transactions	8	7.92%
No comment, no suggestion, no answer	8	7.92%
Hiring highly competent and dedicated professionals	4	3.96%
Provide recreational activities	2	1.98%

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 28

Moderately positive net agreements bordering on slightly positive net agreements were recorded for all statements regarding organizational culture. Among the statements, lowest net agreement was recorded for the employees being involved in making decisions. Significant differences in responses were observed for Statements 4 and 5 in terms of years of service. Negative ratings are likely to come from those who have been with the agency for more than 4 years but less than 10 years of service.
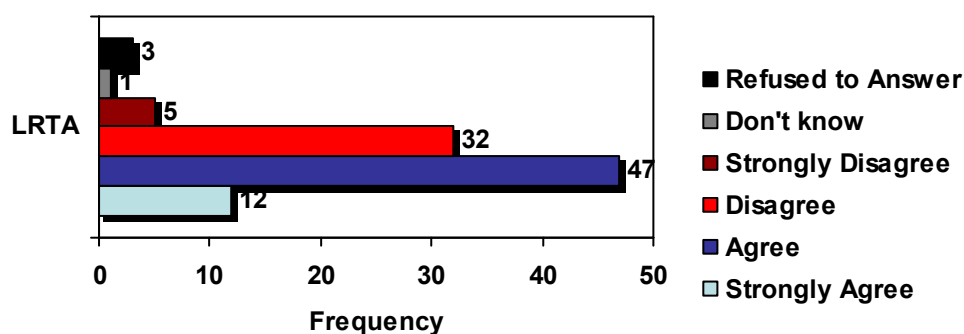
Table 2.3 Net Ratings for Organizational Culture

STATEMENTS	AGENCY TOTAL
4. Employees are consulted on policies that concern them. *(Ang mga empleyado ay kinukunsulta sa mga patakarang may kinalaman sa kanila.)*	2.07
5. Employees are involved in making decisions. *(Ang mga empleyado ay kasali sa mga pagdedesisyon.)*	2.31
6. Lines of communication are open. *(Bukas ang mga linya ng komunikasyon.)*	2.04

Statement 4

Statement 5

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 29
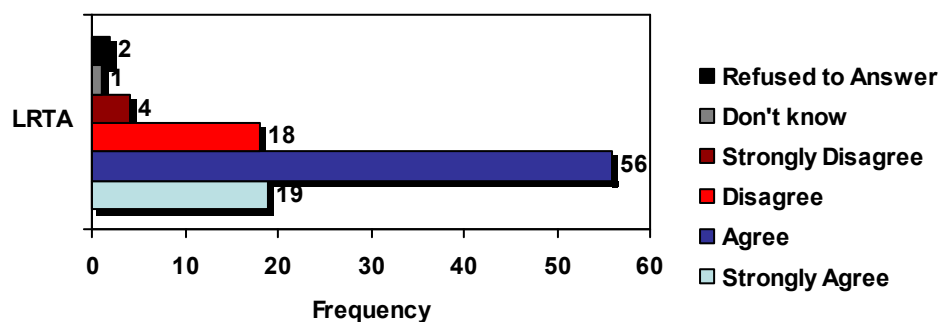
Statement 6
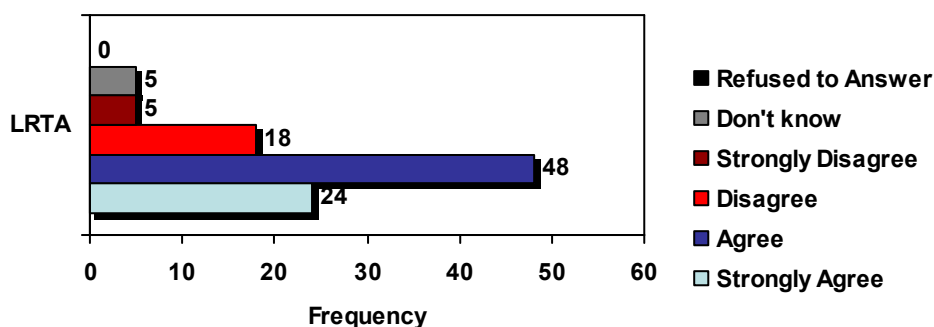
Question 7: What can you suggest to improve the responsibility of your employees?

Table 2.4 Suggestions to improve the responsibility of employees were:

Suggestions	Frequency	Percent of Responses (%)
Appropriate benefits and compensation, increase salary, regularization of employees, give due credits and commendation (monetary and/or non-monetary), security of tenure	39	39.00%
Love their work, be honest, be prompt, dedicated to work, be responsible, self-discipline, be faithful	19	19.00%
Follow rules and regulations, strict implementation of rules and regulations, constantly remind employees of their duties and responsibilities	8	8.00%
Fair and equal treatment to all employees, respect employees, implement common policies for all, avoid favoritism, sincerity	8	8.00%
Seminars and trainings, morality check, drug testing, distance learning of RA6713, values formation, work improvement seminars	8	8.00%
Leadership by example, boost morale of employees, motivate employees	7	7.00%
Transparency, be open to suggestions, constant communication between officials and subordinates	6	6.00%
Avoid politicking, "palakasan" system, accepting "suhol"	2	2.00%

Next Steps

In order to raise the level of leadership performance in this dimension, LRTA should consider the following recommendations:

- LRTA should require all managers to undergo orientation or some form of training on corruption prevention and detection. It should consider the formulation and implementation of programs on corruption prevention and detection on a regular basis, e.g. quarterly. Information about the programs should be communicated in advance, i.e. start of the year, to allow managers to plan ahead for attending the program.   This

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 30

recommendation is supported by survey results where 36% of the respondents suggested that leadership improve its contribution to the agency through seminars, trainings, dialogues with employees, interaction with employees, open communication, values formation, performance evaluation, audit of transactions, and provision of suggestion box.

- The employment status of key officers of the agency charged with critical responsibilities for deployment of organizational values, e.g. audit and HR, needs to be regularized. To keep their status co-terminus is inconsistent with the principle of accountability of leaders.

- The Customer Service Handbook and Training could be enhanced to provide more specific examples of acceptable behavior by tellers and guards as well as their role in detecting corruption and procedures in reporting corruption, without fear of reprisal or termination given their contractual status.

- The vision and mission and corporate values statements should be posted in all stations. This would help promote awareness of LRTA among the riding public and all employees of the agency.

- While performance targets of LRTA managers are generally revenue-driven, LRTA should consider giving LRTA managers specific responsibilities in corruption detection and prevention, and make these part of their performance appraisal. As 30% of survey respondents suggested, there is need for leadership by example and for leadership to be honest, dedicated to work, show integrity, report corruption, show professionalism, strictly follow rules and regulations, avoid favoritism, and boost employees' morale.

- LRTA management can be described as forward looking, given its 2007-2012 Corporate Plan that outlines its strategies for expansion and development, among others. Correspondingly, this would mean increased accountabilities and responsibilities for managers. Thus, it would be good to complement the Corporate Plan with a customized Code of Conduct that is function-specific and to mainstream integrity enhancement and corruption prevention functions among LRTA management.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 31

2. Code of Conduct

A code of conduct sets out the standards of behaviour expected of staff. It defines desirable behaviour 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 behaviour 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	▪ 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	▪ 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	▪ 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	▪ 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	▪ 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.

Code of Conduct at LRTA

The Agency does not have a customized Code of Conduct. It has an Operations Department Handbook which prescribes operational guidelines. However, the handbook focuses only on general conduct of personnel in operations as well as and safety codes concerning operations of trains and passengers. The scope of the handbook does not include employees in other departments.

Assessment

Code of Conduct	CO	Assessor Rating
Agency IDA Rating	1	1
Deployment Rating	90-100%	50-60%

The Agency's consensus rating for this dimension is at level 1 with a deployment rating of 90-100%. The assessors' validated rating is at level 1 with a deployment rating of 50-60%. This means that the Agency has a general code of conduct (RA 6713).

Memorandum dated January 26, 2007 sent by Atty. Elmo Stephen P. Triste, Manager of the Administrative Department to All Department Managers/Division Managers and Heads of Office, requires all the superiors to

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 32

provide copies for dissemination to their subordinates or all concerned personnel under their department/division/office. To ensure compliance with the memo, managers attended code of conduct orientation was conducted by HR on February 23, 2007.

Prior to the managers' orientation, HR organized as series of orientation seminars on RA6713 for rank and file employees. Four (4) seminars with a total of 160 employees were conducted in October 2006 by NCR-CSC Field Office Director Eva F. Olmedillo.

Before consensus was reached for this dimension, some managers reasoned that there is no need for a customized code of conduct since there is RA 6713. They also argued that their level of achievement can be at level 3 since violations of the agency Code of Conduct are sanctioned and rewards are given to employees who consistently exhibit behaviours that are consistent with the agency Code of Conduct.

LRTA has a functioning Administrative Fact-Finding Committee (AFFC) created through Office Order No 76 s. 2001. Officer orders on the same subject were issued due to changes in membership of the AFFC. The AFFC is tasked to investigate complaints, violations, offenses and infractions committed by employee, evaluate facts and recommend penalties and sanctions. The Order defines the composition of the AFFC and guidelines and procedures for investigating a complaint/case. Members of the current five-member AFFC consist of the Manager of the Administrative Department, OIC of Personnel Unit, Project Management Officer, Corporate Attorney, Division Manager, and Supervising HRM Officer.

Sanctions given to erring employees are based on the findings and recommendations of the AFFC which uses as the general code of conduct and safety policy handbook of operations as basis for actions, which contains provisions on ethical behaviour, e.g. negligence of duty, conflict of interest, shortchanging, sanctions, etc. Sanctions are based on the Agency's Table of Administrative Offenses and Penalties dated February 20, 2002 to complement the Uniform Rules on Administrative Cases per CSC MC No. 19 s.1999. Offenses are classified into five levels with corresponding penalties ranging from admonition to dismissal.
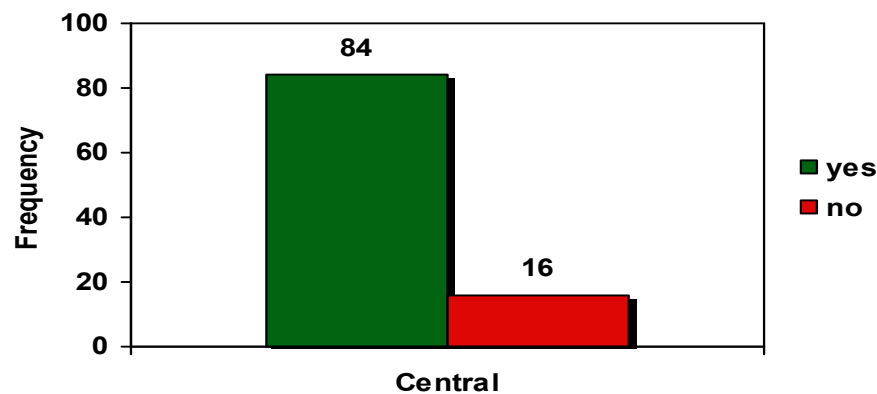
The Agency monitors annual submission of Statement of Assets and Liabilities and Net Worth (SALN) and disclosures of business interests and financial connection. Copies of transmittal letter of submission of Statement of Assets, Liabilities and Net Worth to the Civil Service Commission and Office of the Ombudsman for the past two consecutive years 2004-2005 were presented. A high 98% of survey respondents show that the Agency does monitor the submission of SALN.

Survey Results

Majority of the total respondents (84%) cited that the agency has a written code of conduct.

Table 2.5 Question 8: Does your agency have a written code of conduct?

	Central
YES	84
NO	16

Development Academy of the Philippines
Final Report (draft) as of October 2007
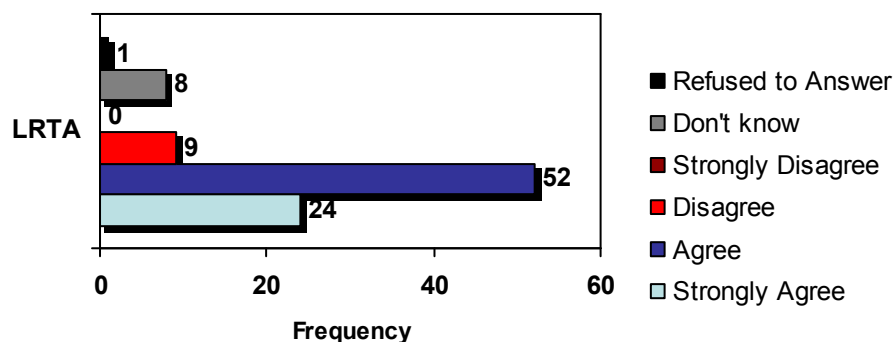For discussion purposes only, not for quotation

Page 33

Moderately positive net agreements were observed across Central office indicating the adherence to a written code of ethical conduct, provision of adequate orientation on the code and other corruption prevention measures, and the punishment of violators of the code. No significant differences in responses were noted.
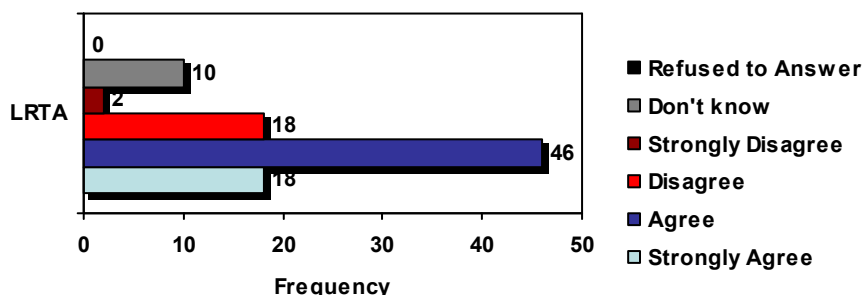
Table 2.6 Net Rating for Code of Conduct

STATEMENTS	AGENCY TOTAL
9. A written code of ethical conduct being followed in our agency. *(May sariling nakasulat na panuntunan ng wastong asal o gawi na sinusunod dito sa aming ahensiya.)*	1.82
10. Adequate orientation on the code of conduct and other corruption prevention measures are provided in our agency. *(May sapat na pagsasanay na ibinibigay sa amin tungkol sa code of conduct at iba pang paraan upang mapigilan ang katiwalain dito sa aming ahensiya.)*	2.05
11. Those who violate the code of conduct are punished. *(Napaparusahan ang mga lumalabag sa mga panuntunan ng wastong asal o gawi.)*	1.83

Statement 9

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 34

Statement 10

Statement 11
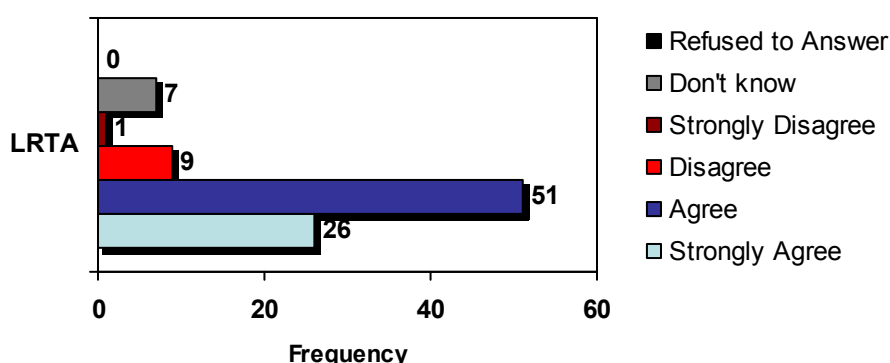
Table 2.7A Collection of SALN and Written Gifts and Benefits Policy

	Response	Central
12. Did your HRD collect your Statement of Assets and Liabilities and Net Worth (SALN) for 2004?	YES	98
	NO	2

Ninety-eight (98) of all respondents reported to have submitted their SALN for 2005. Only 2 cited not having their SALN collected by the HRD.

Next Steps

In order to raise the level of achievement for this dimension, the following actions are recommended:

▪ LRTA should consider formulating a customized Code of Conduct that will cover all types of employees, not only those in operations. A station teller's work responsibilities and accountabilities are very different in both nature and scope from that of a manager or employee in other service or support units. Thus, to facilitate adherence to the code, specific norms of conduct should be formulated for each level in addition to the core standards of behaviour for all employees regardless of rank or position.

▪ Management should also consider taking more proactive steps to have the general Code of Conduct understood by all officers and employees. Until such time that a customized code is being formulated by LRTA, the orientation on the general code should continue for all employees.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 35

▪ LRTA, through the HR unit, should include an orientation on corruption prevention and detection in their induction program for new hires and in the staff development program for all employees.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 36

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	▪ 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	▪ 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	▪ 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	▪ 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	▪ 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.

Gifts and Benefits Policy at LRTA

The Agency has no existing gifts and benefits policy.

Assessment

Gifts & Benefits Policy	CO	Assessor Rating
Agency IDA Rating	0	0
Deployment Rating	0	0

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 37

The Agency's rating for this dimension is at level 0 which was validated by the assessors. The Agency does not have a gifts and benefits policy. During the IDA workshop, managers recalled a memorandum order that prohibits LRTA employees from making solicitation from suppliers, contractors, clients, etc. meets this first indicator. However, the memo does not cover the acceptance of gifts. As well, the copy of the memo could not be found.

It is significant to note that in the survey, almost half or 49 respondents said that "0" amount is the acceptable amount of personal gift that an employee can receive from the transacting public and supplier while 23 respondents gave a 'No Answer' to the question. The amount provided by the rest of the respondents ranged from P50 to P500, 000.

Survey Results

With regards to the knowledge of the agency's written gifts and benefits policy, the Central office showed mostly negative response. More than sixty percent (62) of the respondents indicated that a written gifts and benefits policy was non-existent in their agency.

Table 2.7B Collection of SALN and Written Gifts and Benefits Policy

	Response	Central
13. Does your agency have a written gifts and benefits policy?	YES	38
	NO	62

Question 12

Question 13

Development Academy of the Philippines
Final Report (draft) as of October 2007
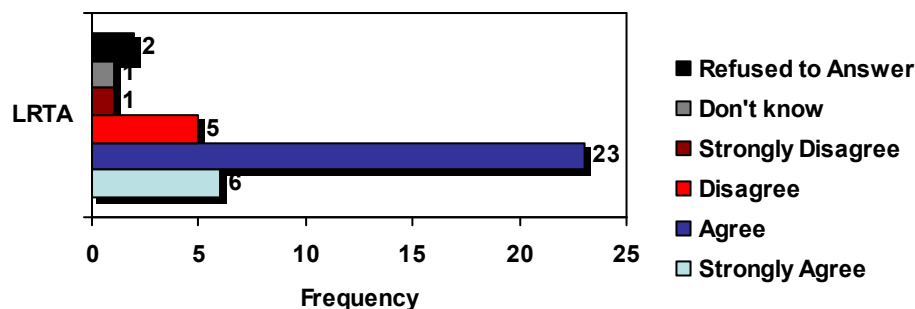For discussion purposes only, not for quotation

Page 38
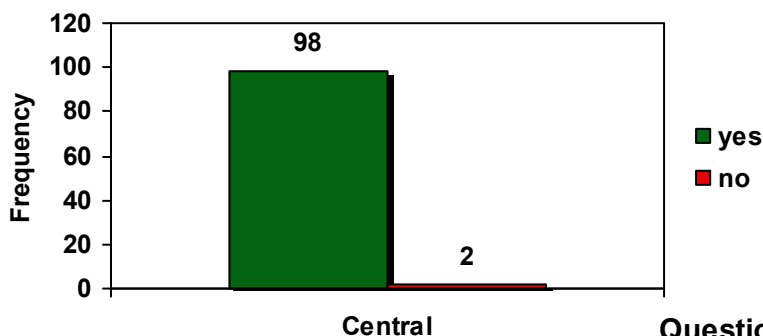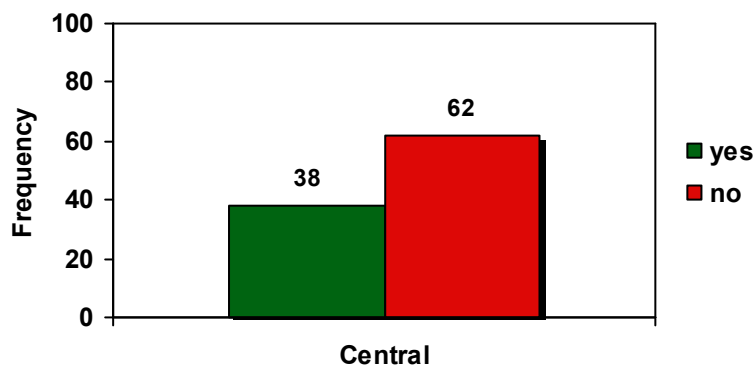
A moderately positive net agreement was recorded for employees, transacting public and suppliers being made aware of the policy on solicitation and receiving gifts in the agency. No significant differences in responses were noted.
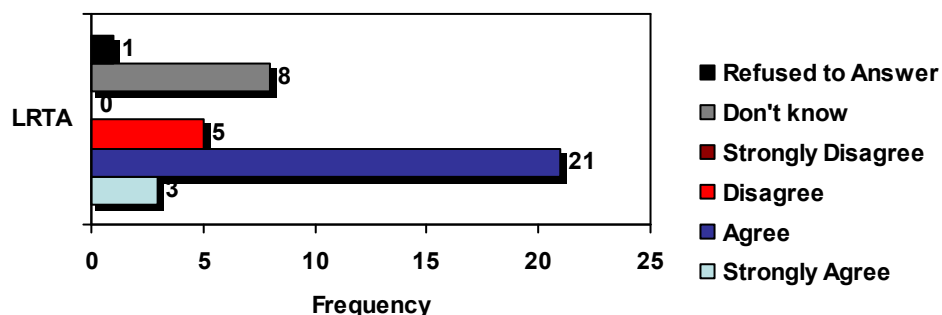
Table 2.8 Net Ratings for Gifts and Benefits

STATEMENTS	AGENCY TOTAL
14. The employees in our agency are made aware of the policy on solicitation and receiving of gifts. *(Ang panuntunan sa wastong asal o gawi ukol sa paghingi o pagtanggap ng mga regalo at benepisyo ay alam ng mga empleyado sa aming ahensiyang.)*	2.03
15. The transacting public and suppliers know the policy of our agency on gifts and benefits. *(Pinapaalam ang panuntunan sa wastong asal o gawi ukol sa pagtanggap ng mga regalo at benepisyo sa mga klieyente at suppliers ng aming ahensiya.)*	2.07

Statement 14

Statement 15

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 39

Question 16. How much do you think is an acceptable personal gift to you?

When asked how much they think is an acceptable personal gift, almost fifty percent (49.00%) responded that no cash gift is necessary for them to render their duties as government servants.   Twenty-three percent (23.00%) had no answer. However, those who did answer to a specific amount, replied with values ranging from a low of P50-500, a mid-value of P1000-P5,000 and a high value of P20,000-P500,000.

Table 2.9 Values for Monetary Personal Gifts

Amount	No. of Responses
0	49
50	2
100	4
200	1
250	1
300	3
500	2
1000	7
2000	2
2500	1
5000	1
20000	1
100000	2
500000	1
No Answer	23
TOTAL	**100**

Next Steps

In order to raise the level of achievement for this dimension, the LRTA should consider following suggestions:

▪ LRTA should establish a policy that sets rules governing solicitation and acceptance of gifts and donations. The guidelines should define in specific terms what is considered acceptable or not acceptable behavior as far as solicitations or receiving of gifts and donations are concerned. Specific limits on monetary amounts or values of gifts must be stated in the policy as well as procedure on handling gifts and donations. The values of gifts "allowed" should not violate the code of conduct and other related laws. The policy should also define the type of offerors or sources of gifts, i.e. relatives, friends, commercial establishments, etc.

▪ The policy may also include the establishment of a registry of gifts and donations in the Agency. This means that all gifts to be received by the agency shall be registered in a centralized system and disposed of according to guidelines in the policy. Some modes of disposal include: to be shared among the staff, to be retained by the recipient, to be donated to the department as a lucky draw prize, to be donated to a charitable institution, or to be displayed in the office. The disposal mechanism should be transparent and provide adequate checks and balances. Proper records on all cases should be maintained.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 40

- Correspondingly, if established, the policy must be widely disseminated to all employees of the Agency and made part of the orientation program for all employees. Sanctions should also be clearly defined for violation of the policy.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 41

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	▪ 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	▪ 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	▪ 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	▪ 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	▪ 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.

HRM System in LRTA

The LRTA Merit Selection Plan (MSP) was approved by CSC in its letter dated 04 March 2003. It is used in the hiring, selection and promotion activities of the Agency. It covers all positions in the career service in the first, second and third levels and also include original appointments and other related personnel actions. The same MSP is adopted for the LRTA-Managed Interim Positions, LRTA Project Management Offices, Project Management Staff, contractual and other non-career positions.

As of December 2006, LRTA currently employs 1,715 people. It has a total of 1,784 approved positions in its corporate organization. Of this total, 49 or 3% are permanent or regular positions. These personnel are engaged in management, administration, and finance while contractual employees are mostly in charge of system

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 42

operations. Presently, there are officers who perform critical managerial and technical responsibilities, e.g. audit, but are not occupying regular positions since there are no more plantilla items available.

1,666 are contractual or interim positions, and 69 are co-terminus with the projects of the Project Management Office (PMO). Personnel occupying interim positions have contracts of three to six months only.

Given this situation, the HR staff conducts active recruitment and selection activities year round, especially for station tellers which make up the bulk of the LRTA contractual employees. Much of the time of the HR staff is spent on paperwork for processing of appointment papers required in the government service.

The LRTA MSP provides a system which follows the guidelines set the by CSC. Applicants responding to published vacancies in the LRTA must go through the following process:

a. *Personal Data Sheet and Application Letter.* All applicants to posted vacancies in the Authority shall accomplish two (2) copies of the Personal Data Sheet (PDS) with passport size pictures for submission to the Personnel Unit. LRTA employees applying for promotion shall also attach their application letter/ letter of intent with their PDS prior to submission to the Personnel Unit for assessment. All applications should be filed on or before the set deadline for submission.

b. *Preliminary Interview, Assessment of Credentials and Qualifying Exam.* Applications shall be assessed by the Personnel Unit Staff and shall schedule the applicant for preliminary interview, submission of required supporting documents (such as copies of Certificates of Employment, Certificates of Training, Diploma or Transcript of Records), and qualifying exam.

Submitted applications that do not fit the requirements of the vacant position, based on the preliminary interview and exam shall be sent notices for such disqualification. Their applications shall be kept on file or on active reference. All qualified applicants who passed the written and/or non-written tests shall be subject to further assessment through Personnel Unit's verification of submitted documents and background checking.

c. *Final Interview by the Department Manager.* The Personnel Unit will then forward the interview sheet together with its attachments to the Office where the vacancy exists (end-user). The concerned Department Manager (or may be delegated to the Division Chief/ Supervisor) will conduct the final interview of the applicant. The result of the final interview shall be returned to the Personnel Unit for consolidation.

d. *Short listing of Qualified Applicants/ Recommendation for Hiring.* The Personnel Unit will prepare a comparative assessment of all qualified applicants per position where the concerned Department Manager selects his/her recommended applicant for the vacancy. The Recommendation for Hiring Form shall be prepared by the Personnel Unit for endorsement by the Administrative Manager and concerned Department Manager to the Deputy Administrator. At this stage, the concerned Department Manager expresses in writing his/her recommended applicant/s for the position, while the Administrative Manager concurs to the recommendation/s made.

e. *Approval of Hiring or Training.* The Deputy Administrator shall then recommend for approval of the Administrator the hiring or training of selected applicants.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 43

f. Processing of Appointment. Upon approval, the Personnel Unit shall request the applicant to submit pre-employment requirements for preparation of documents pertinent to his hiring/training. This shall include the appointment, employment contract, oath of office and other government forms. The appointment will be signed by the Personnel Unit Head to certify to its correctness as to CSC rules and regulations. The Administrative Manager in turn shall affix his/her initial while the Administrator (appointing authority) affixes his signature on the space provided in the appointment.

g. Deployment of Employee. After approval of the appointment by the Administrator, the employee will be issued a Deployment Slip to be signed by the Personnel Unit Head and the concerned Department Manager. The newly-hired employee shall also be required to have his deployment slip signed by the Chief of the Civil Security Office as part of the protocol. The employee shall be scheduled to attend an Employee Orientation within the month of his deployment.

Assessment

Human Resource Management	CO	Assessor Rating
Agency IDA Rating	2	2
Deployment Rating	90-100%	50-60%

The Agency's rating in this dimension is at level 2 with a 90-100% deployment rating. Assessors gave a rating of level 2 with a 50-60% deployment rating.

The Agency has Merit Selection Plan that establishes a selection system that is characterized by strict observance of the merit, fitness and quality principles in the selection of employees for appointment to positions in the career and non-career service in all levels. It also intends to create equal opportunities for employment to all qualified men and women to enter government service and to create equal opportunities for career advancement to all qualified and competent employees in the LRTA by ensuring fairness, uniformity and consistency.

While the MSP is in place, deployment of policies on recruitment and selection needs to be improved. This is validated by the survey where 79% of employees perceive the need to improve the hiring process to ensure it is merit-based and free from external influences. The comments from respondents indicate the lack of common understanding of the different types of employment status, especially among interim position holders who think that their status is not "converted to regular," because of "palakasan."

The Agency has a Personnel Selection Board created through Office Order No. 129 s. 2006 constituting the Personnel Selection Board for 3rd level positions in the regular/permanent plantilla of the LRTA; and Office Order No. 188 s., 2004 creating the Personnel Selection Board for the 1st and 2nd level positions in the regular/permanent plantilla. The composition of PSB includes rank and file representatives particularly members of the Employees Association for the 1st & 2nd level positions. Minutes of meetings including evaluation documents on applicants are kept by the HR unit.

LRTA has a complete set of job descriptions and qualification standards for all positions. All employees are furnished with their job description which is also stated in their Personnel Description Form. A copy of Qualification Standards of vacant positions is posted by the Personnel Unit in the bulletin board in three (3) conspicuous places/areas and published in the newspaper in compliance with RA 7041 particularly for career position.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 44

All employees for hiring/promotion undergo the usual process based on criteria such as Education, Training, Performance, Experience and accomplishments, psycho-social attributes and personality and potential which are stated in the approved Merit Selection Plan. A battery of tests has to be passed by station tellers and train drivers to be hired, e.g. Automated Fare Collection System Training.

Some IDA participants shared that a number of employees of the LRTA are over-qualified for the position they occupy. Some of the Train Drivers are Licensed Engineers, where the minimum required standard is only high school graduate. Likewise, a number of Station Tellers hired by LRTA are graduates of a bachelor's degree where the qualification is a graduate of two year college course.

The Recruitment Section verifies authenticity of documents submitted by the applicants with university or school registrars. It also conducts background investigation and interview of former employers and references. Likewise, the Recruitment Section checks the records of the AFFC if there are cases filed against the concerned employee, and the information is used as one of the basis for the renewal of contractual appointments. Records of cases are filed in individual folders by employee name; there is no summary list of all cases.

All newly hired employees are given orientation on their tasks including the policies of the agency on selection and promotion. After the orientation, an "Employee LRTA Orientation" handout is provided to them. Any changes in the procedure for hiring and promotion of contractual employees are posted on the bulletin boards.

The Agency admits that it receives many letters from politicians recommending a certain person for employment in LRTA. However, these letters do not carry weight in the evaluation process given the merit selection plan that is in place. As a rule, the HR unit receives such letters and sends a reply to the letter sender that explains the person endorsed must undergo the application and evaluation process of the agency.

Survey Results

LRTA Central office recorded moderately positive net agreement regarding the processes for recruitment and promotions following a set of criteria with significant differences in responses in terms of years of service. Employees with less than 10 years of service tend to agree to the statement than those who have been with the agency for a long time.
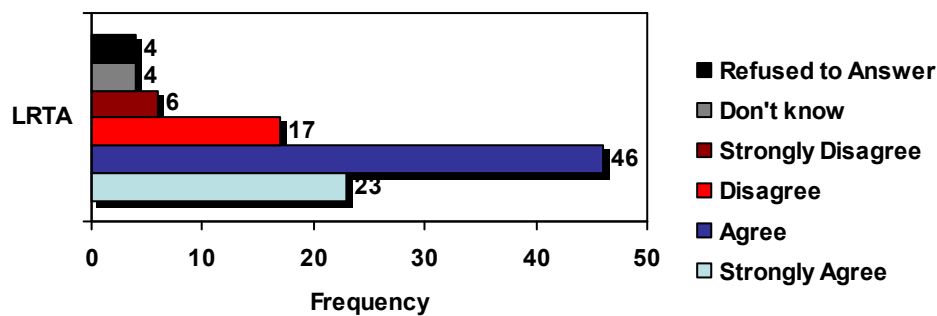
In contrast, a slightly negative response was recorded on the process of recruitment and promotions being free from external influences. No significant differences in responses were noted for this statement.

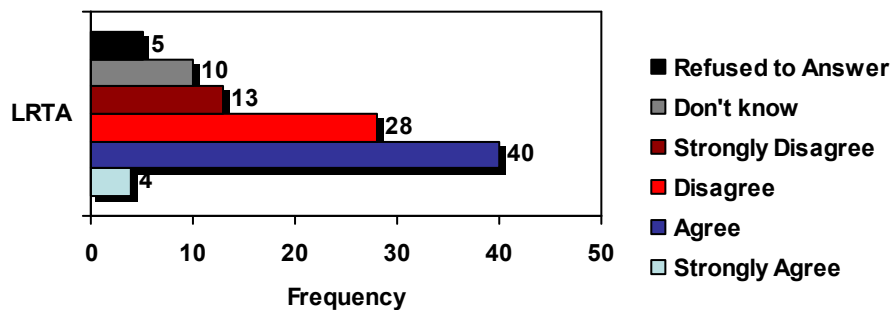Table 2.10 Net Ratings for Human Resource Management

STATEMENTS	AGENCY TOTAL
17. The process for recruitment and promotions in our agency follows a set of criteria. *(Ang proseso sa pag-recruit at pag-promote dito sa aming ahensiya ay alinsunod sa mga tinalagang batayan.)*	2.07
18. The process of recruitment and promotions in our agency is free from external influences. *(Walang nakiki-alam sa proseso ng pag-recruit at pag-promote dito sa aming ahensiya.)*	2.59

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 45

Statement 17

Statement 18

Question 19: What can you suggest to improve the process of recruitment and promotion in your agency?

Table 2.11 Suggestions to improve the process of recruitment and promotion include the following

Suggestions	Frequency	Percent of Responses (%)
Strictly follow criteria for promotion and recruitments, fair qualification requirements, walang palakasan, independent process and selection body (free from external influences)	45	45.00%
Examine qualification/credentials of prospects thoroughly - experience, skills, educational attainment, dedication to work, trainings, attitude	34	34.00%
Faster, more efficient recruitment and promotion process, improve process of recruitment and promotion, more strict promotion process, have written exam only after passing OJT	5	5.00%
Performance monitoring, seminars and trainings	4	4.00%
Job postings for vacant jobs.	4	4.00%
no comment, no suggestion, no answer	4	4.00%
Follow seniority in promotion, length of service in the agency as a criteria	2	2.00%
Transparency	1	1.00%
No cross-department promotions	1	1.00%

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 46

Next Steps

In order to raise the level of achievement for this dimension, the following recommendations are proposed:

▪ To correct perceptions of favoritism in the hiring process, the Agency, through the Personnel unit and managers, should show consistency in the implementation of the Merit Selection Plan. This can be started by enhancing employees' understanding of the nature and types of employment status in the agency. In particular, there is need to explain the nature of contractual or interim status of employment in LRTA. This may be done through the meetings or orientation session for all supervisors to capacitate them to explain the nature of contractual employment to their staff.

▪ The Personnel unit could also enhance the employee orientation program and information materials to explain the types of employment in the agency. The orientation program is also a venue to level off contractual employees' expectations about conversion to regular status, benefits received, and other HR policies of the agency.

▪ Management should also consider providing funds for enhancing the existing employee orientation handouts to become a comprehensive Employee Handbook or Manual. The manual should be printed and widely distributed to all employees to make them aware not only of HR policies but also of the agency vision, structure, rules, regulations including code of conduct and ethical behavior.

▪ Management should make representation with DBM to convert the contractual or co-terminus status of senior staff who perform critical management and technical responsibilities in the agency that are normally done by regular or permanent employees since the job involves major accountabilities, e.g. signing authority, internal control, cash advances, etc.

▪ If the Agency is to keep the function of recruitment and selection of station operations personnel, especially tellers and drivers, the Agency should consider investing in the automation of HR systems. One system that would be particularly useful is a Human Resource Information System (HRIS) which can make storage, access and retrieval of information on employee from histories, data, skills, capabilities, experiences to payroll records, benefits administration and HR management easier and faster and aid in management decision making. This would also considerably reduce the manual administrative workload of the Personnel Unit that needs to keep pace with the fast turnover of contractual and interim staff every 3 to 6 months. In the short term, it would help if databases are prepared, for example, on all cases filed against employees with the AFFC, and list of employees and their employment status to speed up the recruitment process.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 47

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 statement of 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 at 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	▪ 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	▪ 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	▪ 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	▪ 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	▪ 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.

Performance Management at LRTA

The LRTA conducts corporate planning workshops annually to assess the accomplishments of the Authority for the year compared to previous year's performance, analyze its internal and external environments, identify problems, revisit and clarify the LRTA's vision, mission, and goals with the end in view of coming up with strategic solutions. All of these are presented in its corporate plan which provides the broad parameters upon which progress toward goals can be assessed and control decisions made at a later time.

Key officials, namely, the Administrator, the Deputy Administrator, the different department and division managers, project managers and the unit heads participate in this endeavor. The Planning Department spearheads the preparation and conduct of the corporate planning sessions. Corporate annual and medium-term targets, performance indicators and implementation schedules are set during this activity. These would then become the basis for setting up the thematic targets of each unit.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 48

In addition to the Management Committee, the Agency monitors performance through the Operational Clusters: Strategic Planning and Development Cluster, Procurement, Financial, Operations and Engineering, Special Project Management, and Human Resource Development. Created though Officer Order No. 130 s. 2006, these clusters are composed of managers and employees who meet weekly or as many times as needed for "effective coordination, information sharing and management decision-making."

Assessment

Performance Management	CO	Assessor Rating
Agency IDA Rating	3	3
Deployment Rating	90-100%	70-80%

The Agency's rating for this dimension is at level 3 with a 90-100% deployment rating. The assessors validated the rating of 3 but lowered the deployment rating to 70-80%. The Agency has a performance management system in place and makes available annual reports to the public to account for what the agency has accomplished vis-à-vis the performance targets.

The agency has set organization goals, annual targets and performance indicators. These goals serve as the basis for performance targets and work plans at the unit and individual levels. The LRTA's Annual Corporate Plans for 2004, 2005 and 2006 as well as its medium-term plans covering the period 2006-2010 described performance indicators. The key performance indicators identified are farebox ratio, ridership per revenue line, total revenue for generation from the rail operations of its Lines 1 and 2 systems, the load factor and the total number of light rail vehicles running during peak operation hours. The farebox ratio measures the profitability of LRTA's operation as it is the ratio of total revenue over total operating expenses excluding interest expenses and non-cash charges.

In addition, departmental plans are submitted annually and translated into annual corporate operating budget, annual budget estimates and projected medium-term financial plans. These targets are monitored almost on a weekly basis through various reports from station operations, treasury, finance, etc. and discussed in weekly Management Committee Meetings and Management Cluster Meetings.

During the later part of 2004, a JBIC-funded LRTA Management Improvement Study was conducted to review and evaluate the procurement process flow of the Authority, identify the areas where bottlenecks take place and recommend solutions to improve its operation and financial condition. Management monitors the implementation of the recommendations of the study on a quarterly/semi-annual. Financial and operational targets were, likewise, set based on this study.

One of the major accomplishments resulting from the JBIC-funded study was the outsourcing of the procurement of spare parts and maintenance services for the light rail transit vehicles which culminated in the awarding of the contract in the second semester of 2007. This performance indicator took two years due to the procurement, legal and audit requirements that have to be met.

In 2006, prior to holding of the annual corporate planning session, the Agency conducted a Consultative Workshop. Supervisors and rank and file personnel holding salary grade 18 positions from all the units of the agency participated in this workshop. During the workshop, the participants identified the best practices adopted in their workplace, identified problems that they usually encounter in the performance of their duties and functions and came up with proposals and recommendations that were submitted to the Management for its consideration.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 49

One of the key issues raised by the participants was the slow resolution of administrative cases and conversion from contractual to regular employment status. The Planning Department presented the results of the workshop to the Management Committee. The Committee chaired by the LRTA Administrator instructed the Planning Department to identify the doable solutions that could be implemented immediately and those that would need external intervention.

The Agency has a performance evaluation and management system in place. To gauge the performance of the Administrator, the deputy administrator, project managers and department managers, the LRTA adopts the performance evaluation system (PES) prescribed by the Career Executive Service Board. On the other hand, the current performance evaluation system applied for the division managers and personnel below this rank was patterned after the DOTC's PES as approved by the Civil Service Commission.

For the contractual personnel whose appointments require a monthly, quarterly or semi-annual renewal, the LRTA management designed an evaluation system that takes into account the nature of the works performed – whether essential or non-essential. The essential personnel classified under this category are those directly involved in performing core functions of the Authority. These employees are the station tellers, train operators, Treasury field personnel, the Central Clearing House staff and the engineering and maintenance manpower complement. Those under the non-essential category are the employees who are office-based doing the administrative/management support functions.

Managers and supervisors are trained on the use of the performance evaluation and management system. The DOTC's Human Resources Training Unit conducts performance evaluation trainings for all managers and supervisors of LRTA upon the invitation of the LRTA's Training Unit. The latest training conducted for the department/division managers was done during the first quarter of 2006 and towards the end of the same year for its supervisors as part of the leadership training course for supervisors.

The basis of performance evaluation is made known to all employees. The Personnel unit disseminates the guidelines and procedures in the evaluation of performance through Office Orders and Memoranda especially when there are revisions or amendments thereto. These are posted in the bulletin boards in the revenue lines as well as in the LRTA's offices in Pasay City for Line 1 and Santolan, Pasig City for its Line 2. The posting is supplemented by the dissemination of the office order to all the units of LRTA.

The agency regularly prepares reports (e.g., annual report, agency performance report) to assess accomplishment of its goals and targets. These are submitted to oversight agencies such as the DOF, NEDA, and the DBM. Goals and targets set are assessed semi-annually and compared to actual accomplishments. These are reflected in the Management Improvement Study that it annually submits to the JBIC and to NEDA. The Administrator submits LRTA's accomplishment reports vis-à-vis targets to the DOTC during its monthly Rail Cluster and DOTC Plenary Meetings.

The agency evaluates individual performance on a semi-annual basis, usually covering the period January to June for the first semester assessment and July to December for the second semester. At the start of the rating period, individuals are made to submit their work targets specifying the tasks/activities to be done in line with the goals and targets set for accomplishment by their unit, the expected quality of output, timeliness of submission, and/or quantity they could produce, e.g. the number of disbursement vouchers processed within a timeframe.

The Administrative Department through the Personnel Unit issues memoranda/circulars instructing the heads of all units and all concerned about the personnel performance evaluation. In the same memoranda/office circular, schedules for the conduct of the assessment and the submission dates of reports are set out, among others. In addition, there is a half-day orientation for employees on how to accomplish the Personnel Evaluation Form is conducted by the Personnel Unit.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 50

The agency consistently rewards good performance and sanctions poor performance and negligence of duty. The Agency's Program on Awards and Incentives for Service Excellence (PRAISE) was approved by the CSC on March 4, 2003. It is implemented through the committee headed by the head of the Administrative Department. Under the program, monetary awards shall be granted "only when accomplishments result in monetary savings which shall not exceed 20% of the savings generated" and "at least 5% of the HRD funds shall be allocated for PRAISE. " It covers employees in both career and non career positions; whether their appointments are permanent, temporary, contractual, interim and co-terminus.

The LRTA Safety Code Handbook dated November 18, 2002 contains specific provisions on ethical behaviour and penalties, e.g. conflict of interest negligence of duty, shortchanging, solicitation, gambling, theft, false representation, dishonesty, etc. Records of the AFFC were reviewed by the team which contains the documentation on the case from issuance of complaint, response of the accused to decision of AFFC. For instance, a station teller was reported by the security officer to have pre-coded tickets in his bag during a routine end of shift inspection. His case was brought to the AFFC which gave him a suspension pending final investigation of his case.

Another example is the no smoking policy adopted as part of the Safety Code of 2003. The policy was adopted in response to the reports of the security personnel of rampant smoking despite warnings on the presence of fire hazardous materials in the stations and depot. Personnel who violated this policy were suspended from 3 to 15 days. Other sanctions are contained in the Table of Administrative Offenses and Penalties developed by the AFFC.

The agency annual reports are made available to the public to account for what the agency has accomplished vis-à-vis its targets. These are annually submitted to the House of Representatives and the Senate. LRTA also provides copies to the oversight agencies, to students whenever they need materials for their researches/dissertations, to the media, to the lenders for their annual assessment of the operational and financial performance of LRTA and to other stakeholders. Key performance indicators and other annual performance highlights are also disseminated through the LRTA website.

Survey Results

A highly positive rating was recorded with regards to clarity of individual performance targets and job satisfaction. Significant differences in responses were noted for both statements. Negative ratings for clarity of targets were obtained from respondents involved in city operations. Job satisfaction is significantly higher among non-supervisory personnel and among those who have only been with the agency for less than 5 years.
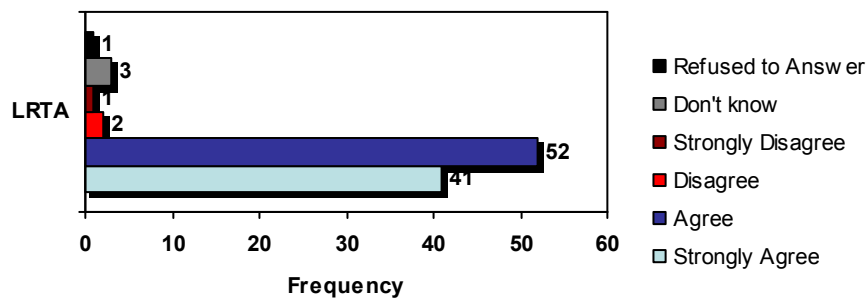
Moderately positive net ratings were observed with regards to the other performance management concerns. No significant differences in responses were noted for these statements.
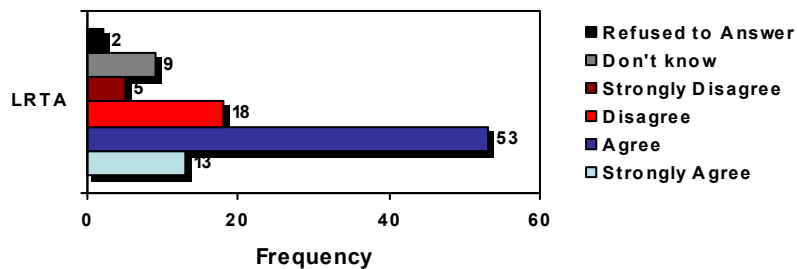
Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 51

Table 2.12 Net Ratings for Performance Management

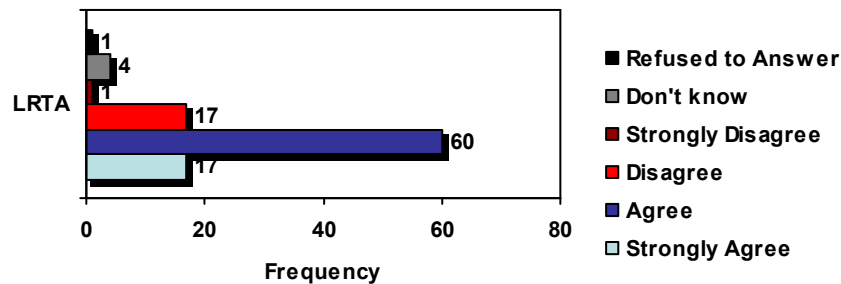| STATEMENTS	AGENCY TOTAL
20. My performance targets are clear to me. *(Malinaw sa akin ang performance targets ko.)*	1.61
21. Outstanding performance is rewarded in our agency. *(Ginagantimpalaan sa aming ahensya ang mga taong may bukod tanging pagganap sa kanyang tungkulin.)*	2.17
22. The employees in our agency are regularly provided feedback regarding their performance. *(Ang mga empleyado sa aming ahensiya ay regular na sinasabihan o nabibigyan ng komentaryo o puna ukol sa pagganap ng kanilang tungkulin.)*	2.02
23. The employees of our agency are given the yearly performance bonus regardless of how they performed. *(Ang mga empleyado sa ahensiya naming ay binibigyan ng performance bonus paano man nila ginampan ang kanilang tungkulin.)*	1.86
27. I am satisfied with my job. *(Ako ay nasisiyahan sa aking trabaho.)*	1.67

Statement 20

Statement 21

Development Academy of the Philippines
Final Report (draft) as of October 2007
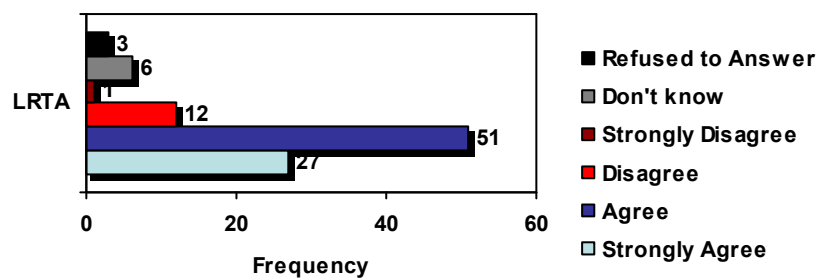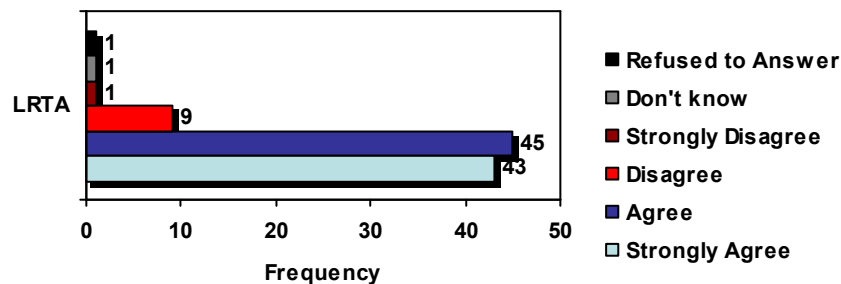For discussion purposes only, not for quotation

Page 52

Statement 22
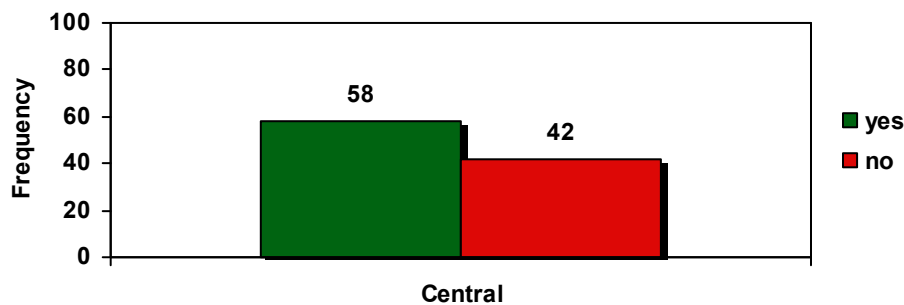

Statement 23

Statement 24

Setting of personal performance targets was practiced by more than fifty percent (58.00%) of the respondents of the survey. Forty-two (42%) replied not having a personal performance target set by their superior.

Table 2.13 (Question 25) Do you have a personal performance target set by your superior for 2005?

	Central
YES	58
NO	42

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 53

Question 25

Next Steps

In order to raise the level of achievement in this dimension, the LRTA should consider the following recommendations:

▪ There is need for LRTA to formulate and install a mechanism to link staff performance ratings with attainment of unit's targets and level of performance. In short, there needs to be a mechanism to answer the question: Does high staff performance ratings result to high or increased unit level performance rating? To make this happen, there is need to emphasize the importance of implementing a performance-based appraisal system, based on merit and not as a "give-away" to the employee to compensate for the low salary in government.

▪ With this mechanism in place, it would also be possible to initiate the move to the next level indicator where the agency is capable of analyzing levels of agency and individual performances in relation with corruption incidence in the Agency. This can be done by adopting integrity, honesty and accountability as measures of performance and developing key performance indicators that can be incorporated into the enhance performance evaluation system and forms of the agency. Analysis can be done systematically with the help of a good information management system.

▪ Given the gains that the Agency has accomplished in utilizing efficiency and quality indicators, the LRTA should sustain these by institutionalizing quality management approach and processes especially in operations, i.e. trains. As it has identified in its Corporate Plan for 2007-2012, LRTA shall work towards ISO 9000 certification of its key operations. ISO 900 is a family of standards for quality management systems. Some of the standards include a set of procedures that cover all key processes in the business, monitoring processes to ensure they are effective, keeping adequate records, checking output for defects with appropriate corrective action where necessary, regularly reviewing individual processes and the quality system, and facilitating continuous improvement.

▪ In preparation for the ISO initiatives, the agency should secure or allocate funds for the conduct of necessary studies, training and change management initiatives to get the support of all stakeholders in the agency. It has to be clear to management and employees that while certification to an ISO standard does not guarantee the compliance of end products and services, it certifies that consistent business processes are being applied.

▪ In relation to quality management systems, LRTA should also continue the assessment of systems for computerization of all functions in operations and key support functions, e.g. finance and operations, towards integration of various existing and/or enhance information systems. This would facilitate management decision-making towards continuous improvement of performance.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 54

- There is need to review for simplication, reduction and/or integration of performance tracking and evaluation forms used by the different departments of the Agency. Based on the experience of the team in collecting, reviewing and analyzing documents from the indicators research, LRTA has many forms or templates used to track and evaluate performance at different levels and units. Operations have at least 10 forms for daily tracking of train operations, etc. as well as graphs and charts analyzing trends of performance. For instance, assessors read a monthly progress report on passenger complaints prepared at the department level that does not tally with the report acquired directly from the Passenger Assistance Office. One possible explanation provided was that complaints resolved at the station level were not anymore reported at the department level. It was also noted that there is a logbook of complaints in each station, but these are not summarized or contained in one database for analysis. With the publication of a cell phone hotline number in the website and in the stations, there also needs to be a mechanism for capturing customer knowledge, i.e. customer inquiry, suggestion, complaint and the response to these in a system, as these information when analyzed can be used to improve the services.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 55

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	- 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	- 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	- 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	- 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	- 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.

Procurement Management at LRTA

Based on its Operational Policies, Processes and Procedures, the General Services Division under the Administrative Department of the LRTA shall be responsible for providing administrative support in the areas of procurement, property management, supply management, records management and office services management.

Specifically, there is a Procurement section in charge of the preparation and implementation of the procurement plans and programs of the LRTA. It is tasked to outsource locally available materials, tools, equipment, rolling stock spare parts, office supplies, office furniture, fixtures, IT equipment, AFCS equipment and supplies, consumables, motor vehicles and spare parts, repairs, maintenance and janitorial services.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 56

Assessment

Procurement Management	CO	Assessor Rating
Agency IDA Rating	1	1
Deployment Rating	90-100%	70-80%

The Agency's rating for this dimension is at level 1 with a 90-100% deployment rating. The assessors validated the rating of 1 but lowered the deployment rating to 70-80%. The Agency has adopted the new procurement management system under RA 9184. It has a well-functioning Bids and Awards Committee (BAC), a BAC Secretariat as well as two (2) Technical Working Groups (TWGs). It created a Special BAC with its own TWG for projects defined as special by the LRTA Board of Directors. In addition, letters of invitations (LOIs), notice of meetings, pre-bid conference announcements, among others are posted on bulletin boards and even published in major dailies.

The BAC membership is reconstituted almost every year due to staff turnovers and changes in assignments of staff. Office Order No. 113 dated 09 May 2006 and Office Order No. 134 dated 04 June 2007 reconstituted the BAC with the Deputy Administrator as the BAC Chairman with two (2) regular members from the Legal Division and Operations and Maintenance Department. There are also provisional members: two (2) for Security and Janitorial Services; two (2) for IT and Equipment, General Office Supplies, Medicines and other allied supplies and equipment; two (2) for LRT System spare parts and other allied supplies: Civil, Mechanical, Electrical and Other Engineering Projects; two (2) for advertising and promotions; and two (2) for consulting services. In the same officer order, Atty. Hernando T. Cabrera, who is also the Corporate Secretary was designated Chairman of the Technical Working Group.

The BAC Secretariat was reconstituted through Office Order No. 120 dated 12 May 2006 with the Procurement Officer as BAC Secretariat Chairman. It has 9 full-time members and 6 part-time members from various units of the Administrative Department of the Agency. Two (2) staffs from other departments were detailed to the BAC Secretariat in January 2007 to address the gap filled by the resignation and transfer of two full-time members.

Office Order 059 dated 21 February 2006, created Special Bids and Awards Committee for the bidding of Contract for Line 2 Maintenance composed of Chairman and four (4) regular members. The SBAC shall evaluate and deliberate on the report of Technical Working Group and recommends the award of the contract for Line 2 Maintenance. Similarly, Memorandum dated 26 June 2007 reconstituted the TWG of the BAC to assist in the conduct of bidding for all procurement projects of LRTA Spare Parts for each Line 1 and Line 2. Each Line BAC TWG has a chair, a vice-chair, 4 members, and 1 designated as records keeper. Each TWG Chair is tasked to submit a written update on each Purchase Request to the BAC Chairman every Friday.

LRTA has an Annual Procurement Plan (APP) prepared by the Administrative Department. The APP contains the procurement needs of each office in the LRTA. The 2006 APP amounted to P30,878,180. A review of the Plan shows that the items planned for procurement are mostly office furniture, equipment, supplies and materials. The Plan does not include major infrastructure and expansion project and service requirements except for the maintenance service fees for Oracle systems in MIS.

Third Party Observers are invited to attend each BAC session. Records show that representatives from COFILCO and the CBCP have participated as observers to several BAC proceedings, particularly in opening and evaluations of bids. The BAC through the Secretariat is responsible for sending out letters of invitation to observers and confirming their attendance. The BAC Secretariat keeps the records of all BAC proceedings such as attendance sheet for each session, minutes of meetings and other documents. It also keeps a Directory of NGOs furnished by Procurement Watch Inc. from which third party observers can be identified and invited. As observed by assessors during a BAC session, the Opening of Bids was done in the presence of the competitor

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 57

bidders who were seated around the table fronting each other. LRTA BAC rules provide that during the opening of bids each bidder can examine or check the contents of the bid documents submitted by a competitor.

While LRTA has attained only level 1 of the dimension, there are notable practices on procurement management that meet all level 2 indicators except disclosure by BAC members of potential conflict of interest in all transactions. Disclosure through the execution of a Joint Statement and Undertaking is done only once upon assumption of duties of a BAC member. However, the BAC strictly implements the rule that bidders disclose potential conflict of interest in each transaction in which they expect to participate.

The Agency has written procedures on the different modes of procurement, specifying checkpoints for receiving and inspection of goods and services procured. However, the manual is undated and policies as well as amending policies annexed to it do not carry specific dates and numbers. The manual contains the written procedures, detailed flow charts and checklists summarizing the activities involved in each procurement process, the responsible person or office, no. of days to process, date and time received and released.

The manual describes the procurement procedure in the following areas:
- local procurement of supplies and equipment
- foreign procurement of spare parts and equipment
- delivery, inspection and transfer and recording of inventories
- repair and maintenance of service vehicles, furniture and fixtures and office equipment
- transfer of delivered materials, supplies, spare parts, tools and equipment
- registration of service vehicles and payment of LRTA real estate property taxes
- transfer of delivered materials, spare parts, tools and equipment for the use of the LRT system
- issuance of supplies
- inspection of fixed assets in the process
- disposal of materials, furniture, fixtures, tools and equipment
- inventory-talking of Light Rail Vehicle spare parts, rehabilitation of materials, tools, equipment, office furniture, fixture and equipment and semi expendables

Members of BAC in other relevant personnel are trained on the new procurement law, and the different modes and processes of procurement. Based on a Memorandum dated 02 March 2007 a total of 23 SBAC, TWG, and BAC Secretariat members participated in a Seminar on the RA 9184 on 08 March 2007. The seminar was organized through the initiative of the Chairman of the BAC and conducted by Atty. Sygrid Promentilla of the Government Procurement Policy Board (GPPB).

The agency has a centralized database of prices and suppliers of frequently procured items. LRTA has installed the Maximo in Line 2, a computerized database of prices and suppliers. It contains the purchase request number, item number, requesting unit, quantity, item description, status of transaction, supplier name, and prices.

The agency keeps records BAC decisions and minutes of the meetings. The BAC Secretariat also maintains a Documents Monitoring Form. Assessors reviewed a report for the period January 2006 to June 2007 which describes the: ITB Number, RIV/PR Number, Date Received by BAC, Buyer, Date Received by Buyer or GSD, Quantity, Approved Budget, Description of item supplied, Recorded Historical (activity and dates), Current Status and Date of Award.

The agency applies sanctions and penalties to non-performing suppliers. However, it is not the suppliers that are directly sanctioned but the bond companies. LRTA contractors or suppliers are required to provide a Performance Bond which is callable on demand on behalf of a winning supplier. In one letter signed by the Administrator to the BAC, Administrative Department and Finance Department, one insurance company was named as blacklisted for ignoring to comply with the call upon the bond it issued on behalf of a supplier that failed to make the delivery of items on a specified date. Per records reviewed, three (3) bond companies have been

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 58

blacklisted as of March 2007. In the case of office supplies, Purchase Orders contain a penalty clause. For late deliveries, amount of penalties are reflected in the disbursement vouchers as deductible amount from total contract price.
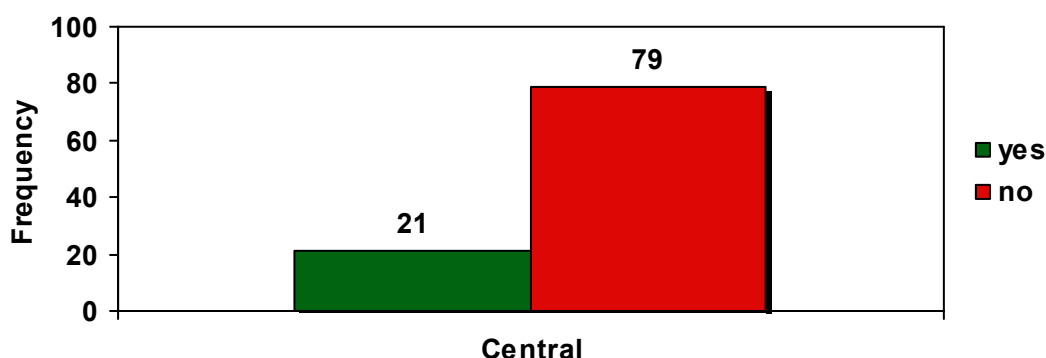
Survey Results

More than twenty percent (21.00%) of the respondents of the survey were aware of the new Procurement Law or RA 9184. The bulk of the respondents, however, were unaware of the said law.

Table 2.14 (Question 26) Are you aware of the new Procurement Law or RA 9184?

	Central
YES	21
NO	79

Question 26

Respondents generally agreed with concerns on Procurement Management.   Highly positive net agreement was recorded for blacklisting of non-performing suppliers and well trained procurement personnel. Moderately positive net ratings were recorded adherence to RA 9184 and for BAC decisions being impartial with significant differences in responses noted.   Employees involved in central operations tend to agree more than those involved in station operations regarding adherence of the agency to RA 9184. Negative ratings were obtained regarding impartiality of BAC decisions from non-supervisory personnel.
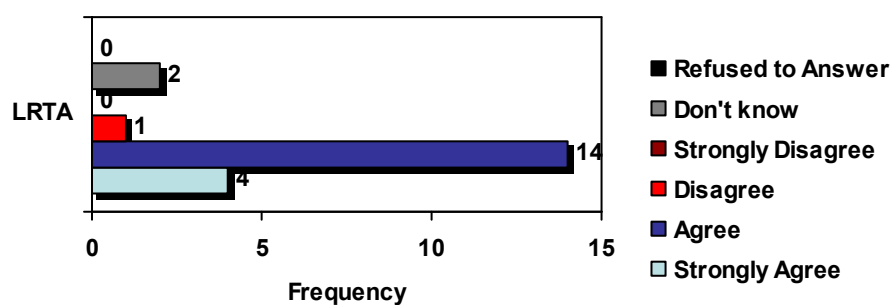
Table 2.15 Net Ratings for Procurement Management

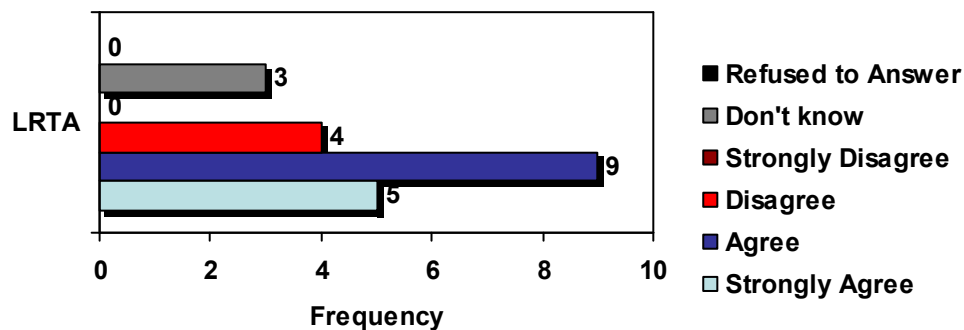| STATEMENTS	AGENCY TOTAL
27. Procurement in our agency follows the procedures as stipulated under the Procurement Law (RA 9184). *(Dito sa aming ahensiya, ang pagbili o procurement ay sang-ayon sa Procurement Act or RA9184).*	1.84
28. BAC decisions are impartial. *(Walang kinikilingan ang BAC sa kanilang mga desisyon.)*	1.94
29. Non-performing suppliers are blacklisted. *(Ang mga umaabuso at di matinong suppliers ay iniaalis sa talaan ng maaring magkaroon ng transaksyon muli.)*	1.76

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 59

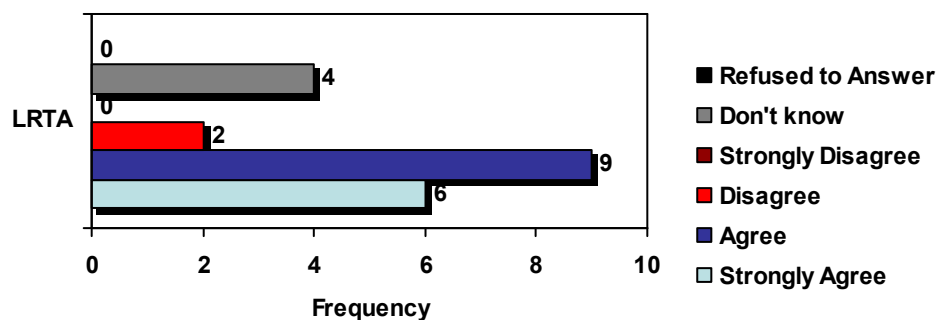| STATEMENTS	AGENCY TOTAL
30. Relevant personnel are well trained on the entire procurement process – from bidding to inspection/utilization. *(May sapat na pagsasanay na ibinibigay sa mga kinauukulang empleyado ukol sa pagbili, inspeksyon, at wastong paggamit ng mga binili.)*	1.76

Statement 27

Statement 28

Statement 29

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 60

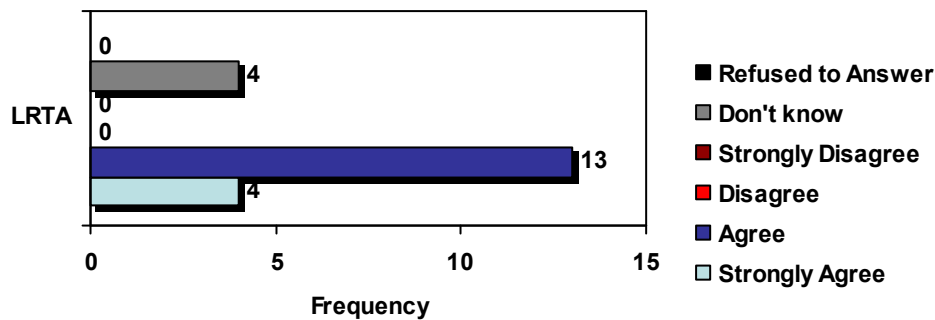**Statement 30**

Question 31: What can you say to improve the procurement process?

Table 2.16 Suggestions to improve the procurement process include:

Suggestions	Frequency	Percent of Responses (%)
Follow procurement laws and procedures, dedication to work, right pricing, strict adherence to RA9184	16	15.53%
Transparency in procurement process - open bidding, impartiality in selecting suppliers/granting bids	13	12.62%
Expedite processing of procurement papers, expedite process of procurement, streamline the procurement process to eliminate redundant process, on-time delivery of procured materials	8	7.77%
Seminars and trainings, educate employees on procurement process/policy, feedback from employees, *maging masipag*	8	7.77%
Prioritize materials that will be procured, procure important supplies/equipment/needs first, do not procure unimportant stuffs	5	4.85%
Gather more suppliers, more bidders for better choices, entertain qualified bidders only	5	4.85%
Inspect procured materials	4	3.88%
Select lowest price at acceptable standard of quality	3	2.91%
Reshuffling of employees, assign personnel with knowledge of procurement process, hiring of highly knowledgeable and skilled personnel	3	2.91%
Update procurement lists, on-time submission of items to be requested for procurement	2	1.94%
Increase budget	1	0.97%

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 61

Next Steps

In order to raise the level of achievement in this dimension, the LRTA should consider the following recommendations:

- The members of the BAC, SBAC, BAC Secretariat and TWGs should be made to disclose potential conflict of interest in <u>all</u> transactions, and not only upon assuming duties as BAC member or staff. New members of BAC and its support units should also be adequately trained on their roles as well as standards of behavior.

- The Agency should consider crafting and adopting a customized Code of Conduct for the BAC including the Special BAC, BAC Secretariat and TWGs. Ethical standards of behavior should be defined clearly and understand by all those involved in BAC activities. The definition of these standards cannot be left to the individual as each one has different perspectives and backgrounds. The standards to be defined must be consistent with those in the proposed customized Code of Conduct for LRTA Officers and Employees.

- The scope and complexity of the BAC activities in LRTA as well as the number of employees and work groups involved in the procurement process have grown overtime. To ensure that the system maintains its integrity and transparency, there should also be a mechanism in the Code of Conduct for the BAC on the monitoring of the full disclosure of potential conflict of interest in all transactions, performance tracking and evaluation of all those involved in the procurement process.

  While the mechanism is not yet in place, the BAC may start with a workshop session to level understanding on procurement laws and agency policies and procedures, as well as ethical standards for those involved in BAC activities.

- The members of the BAC Secretariat should be tapped from the different Technical Offices to enhance the capabilities of the BAC. Presently, all members of the BAC Secretariat come from the General Services Division personnel. With 1 to 2 BAC sessions conducted per week, the work has gotten heavy for other GSD personnel who also have other responsibilities.

- While the procedures on procurement can be found in an undated manual and documents, there is need to review them against actual practices of the BAC. Some modifications and updating consistent with RA 9184 may be timely.

  After the review, the next step would be to institutionalize procurement procedures and practices into policies through proper codification and promulgation by the head of agency.

- While the function of procurement management belongs to the General Services Division, it does not mean that the BAC members and support staff are the only ones that should be aware of the procurement process. After all they are implementers of the law and policies.

  Awareness of the procurement law and its major provisions should also be known to all employees including tellers and train drivers. They should be oriented on what to do in case they see or know of something that violates the procurement policies.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 62

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	▪ 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	▪ 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	▪ 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	▪ 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	▪ 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.

Financial Management at LRTA

The agency maintains a centralized financial management system. As described in the Treasury's Manual of Operations, the Pasay Depot Head office handles all disbursements including those for the Line I and Line II stations. The concerned Division/Department prepares the Disbursement Voucher and Budget Utilization Slip (BUS). The concerned Department Manager signs the BUS, then forwards the DV, signed BUS and all the supporting documents to the Budget Division for budget availability. The Division Manager signs the BUS and coordinates with the Division Manager of the Treasury for fund earmarking/cash programming.

The Accounting Division receives from Budget Division the DV, signed BUS and the supporting documents to check on the adequacy/completeness and legality of the supporting documents, indexes the same and forwards to the designated authorized approving authority/ies. After approval, it returns all documents to the Cashiering Section of the Treasury Division for the preparation of check/and debit authority to the bank, then forwards the check and debit advice together with all the supporting documents to the authorized signatory/ies. The Office of

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation
Page 63

the authorized signatories returns the signed check/ and debit advice and all the documents to the Cashiering Section for release of payments.

The Cashier prepares the Report of Checks Issued for the day and forwards the same to the Accounting Office the following day together with the compiled DVs and all supporting documents for recording and COA for audit and safekeeping. At the end of the month, the Cashier also prepares Report of Checks Issued for the month for submission to Accounting Office. The Accounting Division prepares check disbursement journal and Journal Entry Voucher (JEV) for the month, signs JEV and forwards the same together with the original DV and supporting documents to COA for audit and safekeeping.

For cash advances, the payee must liquidate the amount and submit the necessary official receipts and turnover the undisbursed amount to the Treasury Office for issuance of official receipt. The payee prepares the Liquidation Report/Schedule of Expenses upon replenishment/liquidation of cash advance and forwards the same to Accounting Division. The Accounting Division prepares Journal Entry Voucher (JEV) and Cash Disbursement Journal, signs JEV together with liquidation reports and other documents then forwards to COA for audit and safekeeping.

In case of revenue collection, the following system/procedures, at the line stations, were observed:

1. Allocation/Distribution of tickets, change fund, coupons

▪ The Senior Cashier prepares the station's required allocation for the day and the Ticket Allocation and Monitoring Report. S/he distributes the allocation list/requirement to the Mopping or Sweeping personnel who in turn get the ticket allocation from the CCH office and then delivers the tickets, change funds, refund and discount coupons to all stations. The Treasury Guard ensures the safety of the deliveries.

▪ The Station Cashier receives the tickets, change funds and refund and discount coupons from Mopping personnel, replenishes the (Ticket Vending Machine) TVM ticket magazines and coin cassettes. S/he allocates the change fund and tickets to the Station Teller and the discount coupons to the Station Supervisor.

▪ Refund coupons are issued to Station Supervisors on a case to case basis, especially during train breakdowns. These coupons are kept intact at the vault. The Station Teller and sometimes the Station Supervisor witnesses the opening and replacement of ticket magazines and coin cassettes. The Station Teller receives tickets and change fund from the Station Cashier and fills up the Teller Sales Report (TSR) provided by the Station Cashier.

2. Remittance of Revenue Collection, Unsold Tickets and Unused Coupons

▪ The Station Cashier pulls-out the full TVM cash box and collects the TVM data print-out report. The Station Teller remits the cash collections and unsold tickets with the accomplished Teller Sales Report to the Station Cashier. The Station Supervisor returns the unused discount coupons together with the accomplished Coupons Issuance Report to the Station Cashier to be counter checked by the Senior Cashier.

▪ The Station Cashier receives cash collections and unsold tickets with the TSR from Station Teller and the unused discount coupons from Station Supervisor. S/he prepares the inventory reports for cash, tickets, change fund and coupons and the TSR, turnovers the TVM cash boxes and cash collection from Station Teller to the Bank representative for deposit and prepares the deposit slip.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 64

- The Senior Cashier witnesses the opening of cash boxes to the bank representative while the Treasury Guard witnesses and observes the sorting and counting of cash collections by the bank representative. The Senior Cashier prepares the Shift Collection Report and Summary of Collections, checks and reviews all reports and deposit slips submitted by the Station Cashier. Every morning, the mopping or sweeping personnel collects expired/ loose/ captured/ TCERF tickets from all cash rooms for turnover to CCH.

Assessment

Financial Management	CO	Assessor Rating
Agency IDA Rating	3	3
Deployment Rating	90-100%	70-80%

The Agency's rating for this dimension is at level 3 with a deployment rating of 90-100%. Assessors validated the rating at 3 but decreased the deployment rating to 70-80%. The Agency adopted the New Government Accounting System (NGAS), and the trial balances and financial statements submitted showed that the new chart of accounts prescribed under the NGAS is observed. LRTA Management issued a Memorandum Circular dated 31 August 2005 on the implementation of the NGAS duly disseminated to concerned officials and employees. In addition, LRTA has already purchased the hardware required for the installation of the e-NGAS.

Financial accountabilities of officials and employees of LRTA are defined. There are policies in the form of office memorandum entitled Manual of Approvals. The manual defines the approving authorities for the approval of disbursements and for the signature and counter-signature of checks. For instance, items to be procured amounting to P500,000 and above requires the Administrator as the approving authority. The Agency has adopted an Operations Manual defining the systems and procedures including the flow of functions in the Treasury Department, and the same is accessible to the personnel of the Department. Detailed flowcharts and checklists on financial transactions are followed.

The established Internal Control Unit indicates a positive act on the part of the Agency to instil financial controls such as undertaking cash examination on all tellers and other Accountable Officers. Cash count sheets for years 2005, 2006 and 2007 on station tellers were presented to assessors. Some reports showed findings on cash shortages and prompt restitution of the amount by the Accountable Officers. Sample documents reviewed were the cash count sheet on the cash advance of Mr. Leo Mangapo and a transfer of accountability from Mr. Edgardo San Juan. Office Orders on the grant of cash advance specifying its use and liquidation were issued. For controls over cash collections, a daily and every shift accounting on collecting officers are being done by supervisors in the operation.

Records from the Personnel unit indicate that key management as well as finance personnel attended training on New Government Accounting Systems (NGAS) in 2006. In the same year, 164 officers and employees involved in handling money attended a seminar on Know Your Money and Counterfeit Detection.

The Agency enforces budgeting and accounting policies and guidelines through the conduct of bank reconciliation, physical Inventory of property, immediate liquidation of cash advances, daily remittance of collection, preparation of Mid-year Agency Performance Review and Corporate Operating Budget. Financial Statements are regularly prepared to assist the management in its decision making indicating actual expenditures vs. budget showing explanation of variance, statement of income versus target collection and explanation of variance. Audit trail were provided for key financial transactions. COA undertakes audit of the Agency and issues an Audit Observation Memorandum for every audit findings with corresponding audit recommendation.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 65

Some level 4 indicators are also achieved to some extent. For one, the Agency has enforced or implemented audit recommendations embodied in an audit observation memorandum issued by the COA Audit Team Leader. The recommendations were promptly resolved by the LRTA management as indicated in a review of the AOMs of the past 2 years, with corresponding management action/comments. In addition, the Agency's financial reports including the Annual Audit Report are published in the LRTA and COA websites.
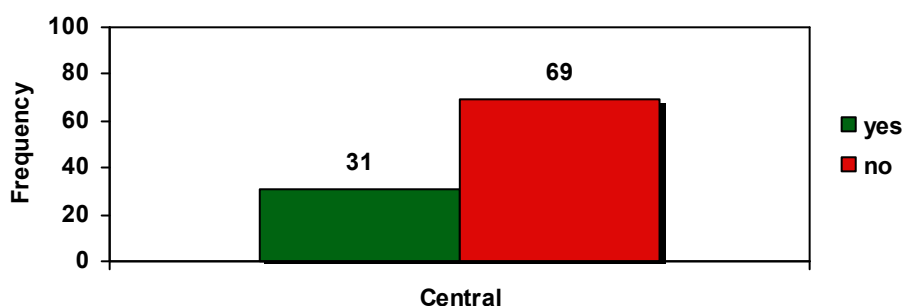
Survey Results

Almost seventy percent (69.00%) were unaware of the Financial Management Systems in their agency.

Table 2.17 (Question 32) Are you aware of the Financial Management Systems in your agency?

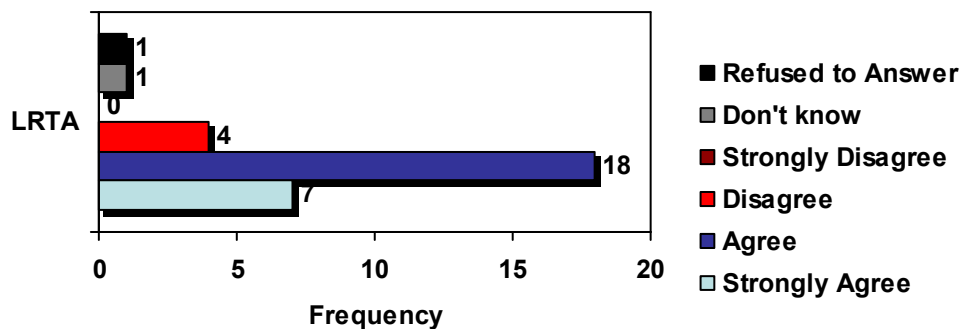|	Central
YES	31
NO	69

Question 32

Moderately positive to slightly positive net agreement were recorded for statements concerning financial management. LRTA central office slightly agreed with the accessibility of the agency's financial statements and audit reports. No significant differences in responses were noted.

Table 2.18. Net Ratings for Financial Management

STATEMENTS	AGENCY TOTAL
33. The management scrutinizes our agency spending. (*Binubusisi ng aming pamunuan ang gastusin sa aming ahensya*).	1.90
34. Financial statements and audit reports of our agency are accessible.(*Madaling makakuha ng mga financial statements at audit reports dito sa aming ahensya.*)	2.28
35. Employees know who and where to report irregularities in financial transactions. (*Alam ng mga kawani kung saan isusumbong ang mga katiwalian sa financial transactions.*)	2.04

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 66

Statement 33

Statement 34
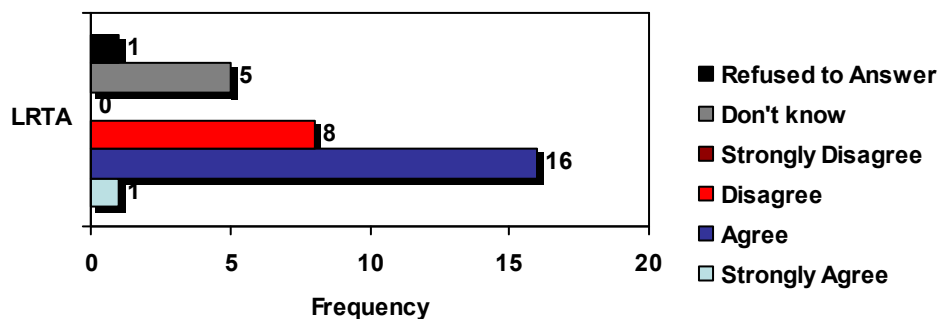
Statement 35

Next Steps

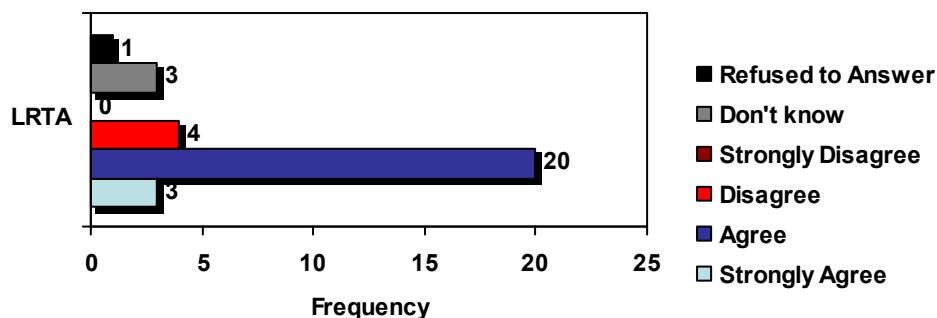In order to raise the level of achievement in this dimension, the following next steps are recommended:

▪ The Agency should computerize all accounting systems, integrate and provide security measures such as access codes to ensure that fraud and financial risks are minimized if not eliminated. The Automated Fare Collection System (AFCS) has greatly enhanced the efficiency and transparency of the selling of tickets at the point of service. System-generated reports indicating the total number of ticket sales can be generated in real time at which station and gate. To further improve the system, it would be good to have the AFCS fully integrated with all other accounting systems of the Agency.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 67

- Although the Agency prepared financial performance vis-à-vis physical accomplishments as required by the Department of Budget and Management, the same should be analyzed to assess the agency cost effectiveness.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 68

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	▪ 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	▪ 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	▪ 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/suspicions of corruption. ▪ The agency protects the rights of suspected individuals when investigating reports of corruption.
4	▪ 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	▪ 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.

Internal Reporting and Investigation in LRTA

As described in the section on Code of Conduct, LRTA created a mechanism called the Administrative Fact Finding Committee (AFFC) to investigate complaints or reports of violation of policies and procedures. Most of the cases filed are cases of dishonesty involving station employees.

Assessment

Whistleblowing & Internal Reporting	CO	Assessor Rating
Agency IDA Rating	0	0
Deployment Rating	0	0

The agency officials arrived at a consensus rating of 0 because there is no written policy on whistleblowing, internal reporting and investigation. The assessors validated this rating because the policy on AFFC does not cover whistleblowing and does not provide specific guidelines on the purpose and types of cases covered by internal reporting.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 69

The agency initiates investigations of reported corruption and tracks complaints/cases until final action is taken. LRTA has provided the team of assessors during document validation a list of cases filed, heard and their status as of February 12, 2007. The matrix indicates the types of administrative cases; the name of employee, nature of the case, and status. The same items also showed cases for follow-up, re-employed, cases already heard (for further investigation), safety violations (already forwarded/referred to safety violations determination committee), for issuance of a written reprimand, employees who voluntarily resigned in lieu of notice of dismissal, provisionally terminated cases (without prejudice to re-filling by Central Clearing House) due to new findings, case closed and dismissed, issued with written reprimand, issued with notice of suspension, and resigned/end of contract.
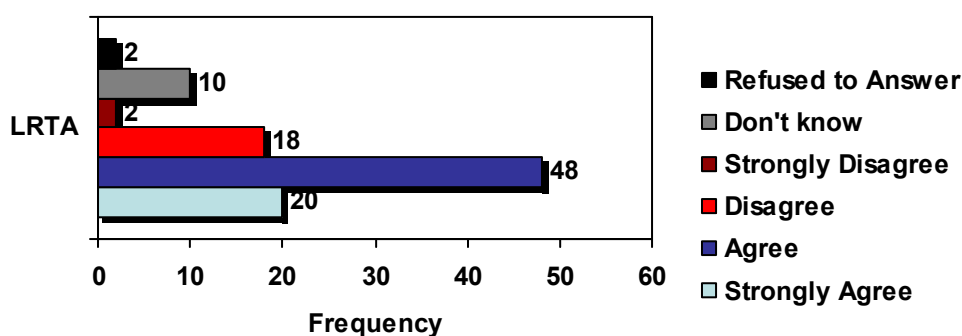
Survey Results

Moderately positive net ratings were observed with regards to whistle blowing, internal reporting and investigation except for a slightly positive net agreement on employees who report corrupt behavior were protected. No significant differences in responses were noted.

Table 2.19. Net Ratings for Whistle blowing, Internal Reporting and Investigation

STATEMENTS	AGENCY TOTAL
36. Employees are encouraged to report corrupt and unethical behavior. *(Ang mga empleyado ay hinihikayat na isumbong ang mga katiwalian at maling asal sa aming ahensiya.)*	2.02
37. Guidelines for reporting corruption and unethical behavior are clear. *(Malinaw ang mga gabay ukol sapagsusumbong ng mga katiwalian at maling asal sa aming ahensiya.)*	2.15
38. Reports of corrupt behavior are investigated. *(Ang mga sumbong ukol sa katiwalian o maling asal ay Ini-imbestigahan.)*	1.83
39. Employees who report corrupt behavior are protected. *(Ang mga kawaning nagsusumbong ng katiwalian ay binibigyan ng proteksyon.)*	2.23

Statement 36

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 70

Statement 37

Refused to Answer: 4
Don't know: 10
Strongly Disagree: 2
Disagree: 21
Agree: 51
Strongly Agree: 12

Statement 38

Refused to Answer: 2
Don't know: 15
Strongly Disagree: 2
Disagree: 10
Agree: 43
Strongly Agree: 28

Statement 39

Refused to Answer: 2
Don't know: 32
Strongly Disagree: 4
Disagree: 16
Agree: 37
Strongly Agree: 9

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation
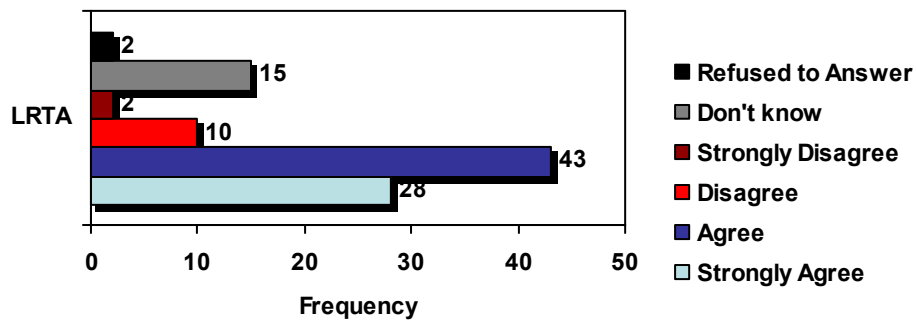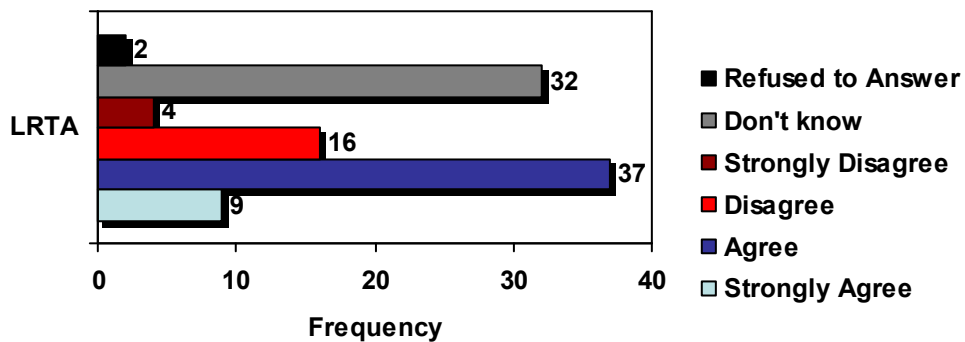
Page 71

Question 40: What can you suggest to improve the system on internal reporting of corrupt and unethical behavior in your agency?

Table 2.20 Suggestions to improve the system on internal reporting of corrupt and unethical behavior were:

Suggestions	Frequency	Percent of Responses (%)
Protection for employees who report irregularities, whistle-blowers, maintain confidentiality of character, keep reports confidential, reward whistle blowers with correct information	24	23.30%
Form independent and fair investigating body to handle cases, free from internal and external influences, impartial investigation, give due process to suspects, give corresponding punishments	16	15.53%
Give prompt action on reported cases, act on all reports, report anomalies immediately to higher agency/lead agency, verify reported cases, reports accompanied by strong evidence, sincerity in acting on cases	10	9.71%
Conduct audit of personnel, surveys, performance evaluations, information dissemination	10	9.71%
Transparency, open investigation, keep results public, open communication between management and employees	8	7.77%
Set clear and strictly follow guidelines on reporting corrupt and unethical behavior	8	7.77%
Be vigilant and open in reporting corruption and unethical behavior, encourage employees to report	6	5.83%
Set up intelligence fund to monitor illegal activities, set up spy cameras, provide telephones in all stations, put drop box or suggestion box	5	4.85%
Determination of management to fight corruption, continuous fight against corruption, dedication to work and honesty, hiring of qualified people only	4	3.88%
Regularization of employees para matakot magsumbong	1	0.97%
Thru text reporting of complaints/anomalies	1	0.97%
Preventive suspension for suspected corrupt personnel	1	0.97%

Next Steps

To attain the first level indicators for this dimension, the Agency should consider the following recommendations:

- LRTA should consider upgrading the policy on AFFC a policy on whistleblowing, internal reporting and investigation. The policy should also have clear guidelines consistent with the customized code of conduct and gifts and benefits policy. It should have specific provisions to protect those who report corruption and be clear on sanctions.

- The policy must also clearly define the composition of the body tasked to investigate reports of corruption, the roles and responsibilities of the members, and the guidelines for hearing and resolution of cases. As well, the number of days for investigating, hearing and resolution of a case should be specified to ensure transparency and efficiency.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 72

- Once approved, the policy and its guidelines should be widely disseminated to all officers and employees. Correspondingly, there should be an orientation for all officers and employees on how to detect and report corruption.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 73

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	▪ 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	▪ 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	▪ 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	▪ 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	▪ 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.

CRM in LTRA

The Agency recognizes the role of internal audit in the prevention and detection of fraud and corruption. Presently, the audit function is performed by the Internal Audit Office and designated personnel from the Accounting Division. The services performed by these personnel are based on existing accounting and audit laws, policies and guidelines. There are clear initiatives by the Agency to have the IAO focused on corruption prevention and detection but it has continues to be hampered by lack of regular staff.

Assessment

Corruption Risk Management	CO	Assessor Rating
Agency IDA Rating	1	1
Deployment Rating	50-60%	50-60%

The Agency's rating for this dimension is 1 with a deployment rating of 50-60% which was validated by assessors.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 74

The agency recognizes the role of internal audit in the prevention and detection of fraud and corruption. In compliance with the provisions of Administrative Order No. 119 dated 29 March 1989, which mandated government entities to strengthen its internal control systems and/or organize systems and procedures to that effect in coordination with the Department of Budget and Management (DBM), the Light Rail Transit Authority instituted pre-audit systems within its operations and requested the DBM for approval to create positions and hire personnel to perform this function.   An Internal Audit Service unit was thus created and initially manned by contractual personnel who were then tasked to pre-audit payments by reviewing the supporting documents attached to the disbursement vouchers. This was stopped when Management required the staff of the Internal Audit to be more involved in the prevention and detection of fraud and corruption within the Agency. Given that the Accounting Division already reviews and certifies as to the completeness and relevance of the supporting documents to the disbursement being processed, the pre-audit function was then lodged to this office. Until now, the pre-audit activity is performed by the designated personnel of the Accounting Division.

The issuance of Administrative Order No. 70 dated 14 April 2003 mandated all heads of government agencies, GOCCs, GFIs, SUCs and LGUs to immediately organize an Internal Audit Service in their respective offices. The IAS which shall function in accordance with the policies established by the provisions of Republic Act No. 3456, as amended by Republic Act No. 4177 further supported the withdrawal of the above-cited pre-audit function from the daily activities of the IAS.

With the limited number of permanent personnel, the LRTA had no other recourse but to hire and deploy new personnel to function as internal auditors. The approved positions, owing to the urgency of constituting the office when LRTA took over the management and operation of the LRT Line 1 System, were initially meant for the interim operation or for the transition phase such that all of the positions were on a contractual basis. Until now, however, this set up continued to be in effect. In order to rectify this situation and strengthen the unit, the submitted Restructuring Plan to the DBM reflected the regularization of all positions of the Internal Audit Office. Moreover, to ensure their independence, the LRTA Board of Directors instructed Management to put the IAO directly under the LRTA Board of Directors instead of anchoring the unit under the LRTA Management. The IAO is currently a staff unit under the Office of the Administrator, and is headed by a Chief Internal Audit Office with a salary grade of 21. Assisting the Chief IAO are one (1) technical and four (4) administrative personnel. A technical staff was detailed to the IAO to augment its personnel complement. This office performs the following functions:

1. Inspection of goods/commodities delivered and services provided by suppliers and contractors
2. Validation of compliance of contract provisions
3. Review of existing company policies, rules, and procedures
4. Conduct spot audits
5. Review and validation of revenue reports
6. Attend coordination meetings to thresh out operational/technical problems and other concerns related to or attendant to the daily management and operation of both Lines.
7. Attend as observer during bid openings

The agency has identified its high-risk operations and functions. The LRTA is aware that appropriate control measures must be instituted for its high–risk operations and functions. One of the identified functions is the procurement of goods and services for the management, operation and maintenance of the LRT/LRT Systems. Grant assistance from the Government of Japan through the Japan Bank for International Cooperation (JBIC) in collaboration with the Japan International Cooperation Agency (JICA) were secured in 2003-2005 to enable the conduct of studies on the improvement of its procurement processes and procedures. The output of the study complemented the objective of Management to fast track the procurement process by strengthening its Procurement unit as well as its BAC Secretariat through trainings and workshops, deployment of additional staff to man the units and resolving causes of bottlenecks such as funding constraints, very stringent procurement policies and procedures, etc.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 75

Functional Clusters were, likewise, constituted in 2005 in order that more focused review, evaluation and or updating of existing systems and procedures could be undertaken, among others. The Functional Clusters are the Procurement Cluster, Finance Cluster, Operations Cluster, Policy and Strategic Planning Cluster, and the Human Resources Development Cluster. The composition and the thematic structure of the different Clusters enable the review, evaluation, and updating of the existing systems and procedures relevant to the cluster as the members represent the units that have direct linkages. They also prepare new ones in response to changes in processes and technology or new directives. These are submitted to the Policy and Strategic Planning Cluster for recommendation to the Management Committee and eventually, final approval of the Administrator. The Clusters were also created in order that management, operation or other related concerns that require attention and solution are immediately addressed. The Clusters usually hold weekly meetings or as the need arise to thresh out management or technical issues that require urgent action.

The LRTA's core business is essentially the provision of daily railway transport services to the commuters within the LRT Line 1 and the LRT Line 2 routes. The sales and revenue collections generated from the operation of these lines and the eventual remittance to the designated depository banks are monitored daily by the Treasury Division and the Central Clearing House unit. To avoid pilferages within the revenue lines, the Internal Audit Office personnel together with the Finance staff conduct spot audits at least twice a month. Coordination meetings are conducted at least once a month or as may be needed to immediately thresh out problems in this area. Such concerns could be the manner of collection or mopping of used tickets or technical problems that are identified to be causing incurrence of shortages and overages by the station tellers and cashiers.

Other concerns that are now given priority attention are the management and the security of LRTA assets to avoid theft and pilferages. Some of the measures now being taken are the posting of guards in strategic places such as the warehouse and maintenance buildings, instituting security controls such as frisking and inspection where there is ingress/egress of people and goods/commodities, and the review of existing policies, rules and procedures, among others. The effective implementation of these measures enabled the Authority to apprehend a warehouse employee who surreptitiously took in his possession four (4) pieces of used carbon brush and prevent the continued pilferages/thievery of cable wires.

While the Agency could only be rated as compliant of the assessment criteria under bullet one, it could also claim strengths on the following areas:

- The internal audit staff and other LRTA personnel participate in trainings that involve the proper management and security of assets, such as trainings and seminars on the detection of counterfeit money, insurance management, corruption prevention awareness programs (e.g., Values Enhancement, "Ehem! Aha!," Leadership trainings, etc.),internal audit procedures and techniques., trainings/workshops on the provisions of the General Accounting and Auditing Manuals (GAAM), and the Republic Act No. 9184, otherwise known as the "New Procurement Act," AGIA –sponsored trainings on internal control, and the like.

- Corruption prevention focus is incorporated in management's systems and procedures. A clear manifestation is the transparency in the conduct of bid openings where the private sector is represented, the bidders are allowed to go over the documents submitted by the other bidders and given the free hand to make comments on the face of the checklists used as a guide by the members of the BAC Secretariat.

Development Academy of the Philippines
Final Report (draft) as of October 2007
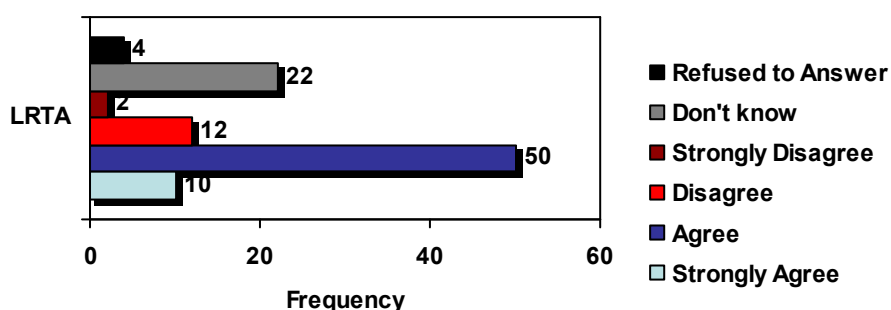For discussion purposes only, not for quotation

Page 76

Survey Results

A slightly positive to moderately positive agreement was recorded with regards to concerns in the overall success of the agency in preventing corruption in its operations. Respondents were in moderately positive net agreement that the agency is successful in fighting corruption and that their agency implements measures to identify potential fraud and corruption.

Significant differences in responses were observed in Statements 44 and 45 in terms of years of service. Negative ratings regarding training of employees to detect fraud are likely to come from those who have been with the agency for 2-4 years or less. On the other hand, negative ratings regarding the agency's success in fighting corruption are likely to come from those who have served for 10 years or more.

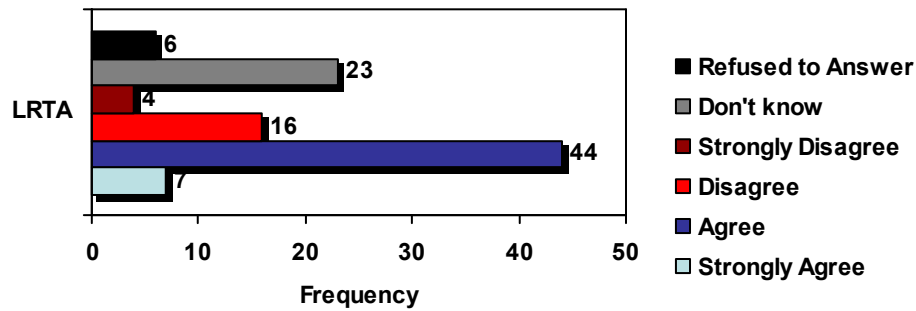Table 2.21 Net Ratings for Corruption Risk Management

STATEMENTS	AGENCY TOTAL
41. Our agency implements measures to identify potential fraud and corruption. *(Nagsasagawa ng mga paraan ang aming ahensiya upang malaman kung saan may posibilidad magkaroon ng pandaraya at katiwalian.)*	2.08
42. It is difficult to corrupt our current system of operations. *(May angkop na mga pananggalang upang mapigilan ang katiwalian o pangungurakot dito sa aming ahensiya.)*	2.24
43. Employees in our agency are trained to prevent fraud.*(Ang mga empleyado sa aming ahesiya ay binibigyan ng pagsasanay sa pag-pigil ng katiwalian o anuman posibilidad ng pangungurakot.)*	2.32
44. Employees in our agency are trained to detect fraud. *Ang mga empleyado sa aming ahesiya ay binibigyan ng pagsasanay sa pagpuna ng katiwalian o anuman posibilidad ng pangungurakot.)*	2.35
45. Our agency is successful in fighting corruption. *(Ang aming ahensiya ay matagumpay sa pagsugpo sa katiwalian.)*	2.18

Statement 41

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 77

Statement 42

Statement 43
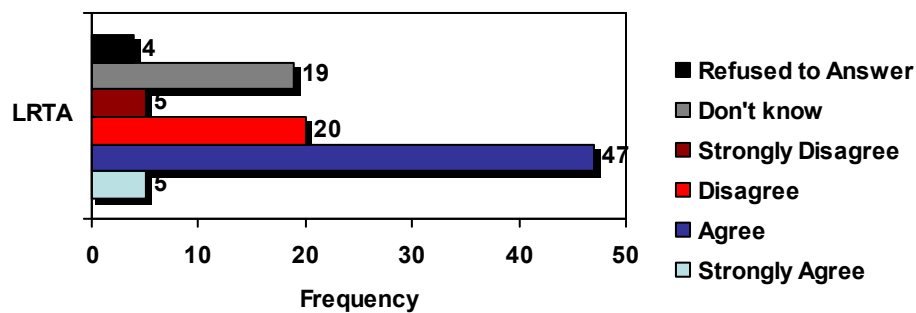
Statement 44

Statement 45

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation
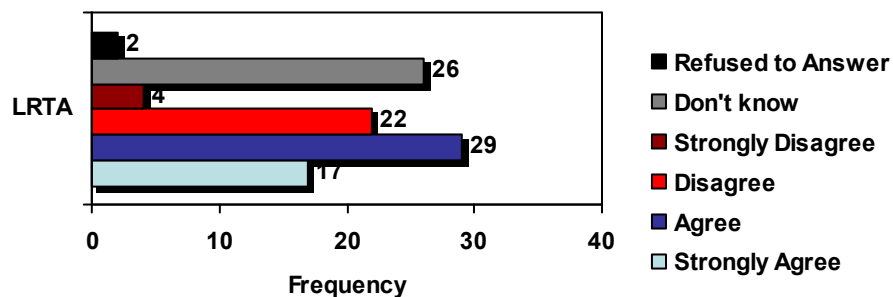
Page 78
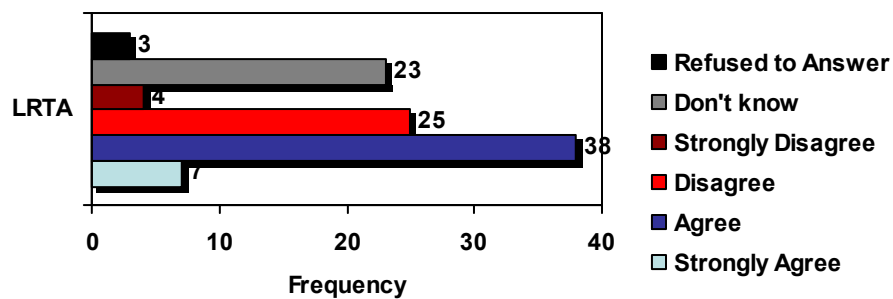
Next Steps

In order for LRTA to the next level in this dimension, the following measures are recommended:

- The Agency should vigorously pursue the regularization of its Internal Audit Office personnel as well as its other supervisory staff. This can be achieved through the expeditious processing and approval of the Restructuring Plan by the DBM. Under the Restructuring Plan, the IAO is transferred to the LRTA Board of Directors.

- The LRTA should develop, implement, and monitor a corruption risk management/corruption prevention plan to address identified risks. The plan should be incorporated in the corporate and other management plans of the Authority

- Management should consider allocating time and resources in the implementation and monitoring of the corruption risk management plan. This entails designating a unit that will proactively initiate assessment of corruption risk areas and be responsible for the regular monitoring and review of the effectiveness of the adopted corruption risk management approaches and strategies.

- The Agency should design and implement training programs that would continuously orient and update LRTA employees especially managers about corruption prevention and corruption risk management.

- To gain support for corruption risk prevention and management initiatives, the Agency should consider instituting a reward-system for employees' contributions.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 79

10. Interface 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	▪ 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	▪ 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	▪ 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	▪ 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	▪ 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.

Interface with External Environment

The Agency's main clientele is the commuting public. Front line services are provided by some more than a thousand tellers, train drivers, security personnel and station supervisors in the various stations of Line 1 and Line 2 of LRTA. If the number of riders will be used to determine the extent of interface by the Agency, the level would be very high. For instance, a record high of 400,000 passengers were ferried in a single week day on March 2, 2007.

The Agency has a Station Operations Division (SOD) under the Operations Department of each line headed by a supervisor. The SOD implements the fare collection system including refund procedures, assists passengers particularly in inquiries, difficulties and/or complaints, inspects physical facilities in terminals/stations, provides frontline services, and coordinates with other offices as the need arises concerning passenger services.

Only big stations with heavy passenger traffic have Customer Relations Office, e.g. Central Station in Line 1. Its primary task is to assist passengers, particularly with inquiries, difficulties and/or complaints. Where there is no CRO, a Passenger Assistance Counter or Desk, which is staffed by one full time staff, is set up in the stations where senior citizens go for their discounted tickets. General information may also be sought from this counter.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 80

Assessment

Interface with External Environment	CO	Assessor Rating
Agency IDA Rating	4	1
Deployment Rating	90-100%	90-100%

The rating of the Agency on this dimension is at level 4 with a deployment rating of 90-100%. The assessors' validated rating is at level 1 with a deployment rating of 90-100% on this dimension.

The Agency has an established information system to inform the public of its services, policies, rules and procedures. It has a system of disclosing and disseminating information to the public particularly about passenger services, and fare and train schedules. Changes to these are announced to the public through posters, announcements made in the public address system in stations and newspaper advertisements.

The LRTA Station Policies and Procedures dated November 2002 provides detailed procedures on administration of station, cash and ticket administration. It is intended for use by station operations division, station operations personnel (supervisor, teller), treasury office/assigned cashier in selected stations, and contracted guards. It also prescribes procedures on how to provide services to customers from selling tickets to assisting passengers who have been caught by doors closing, etc.

The LRTA website, http://www.lrta.gov.ph provides the following information:
- fare matrix including pictures distinguishing each type of ticket (single journey and stored value tickets) including a fare calculator
- hotline both landline and cell phone numbers and email address for suggestions and complaints
- train operating schedules
- train route map
- pictures of facilities in the station
- business development opportunities, i.e. invitation to bid and notice of award (later is under construction)
- vision, mission and functions of each department
- key performance data for the past two years

The website also provides important news and information about the agency which are relevant to its clients. Hotline numbers are prominently posted inside trains, on teller booth windows, and some along the stairs of selected stations where for passengers to see. Likewise, instructions on how to use the Ticket Vending Machines are posted on the face of the machines to guide passengers. The fare matrix is posted in several places such as the teller booth window, bulletin boards, inside trains, or on the walls going up the stairs in stations. Train service schedules, closing time for each station, fare schedule and train routes are also posted on teller booth windows.

Stations use a public address system to remind passengers of safety rules and procedures and regulations, e.g. holding on to safety rails inside trains reminders are given at almost each station by the train operator. Service interruptions or delays are also announced in the PA system for passengers on the platform to hear. Train operators use a standard set of announcements at every station in Filipino and English, e.g. name of each station, eating, drinking or smoking is strictly prohibited, reminder to hold on to the safety rails or lean against the train doors.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 81

While LRTA has reached level 1 of this dimension, assessors have validated some strengths and good practices. For one, relevant personnel are given training on how to handle and resolve complaints. All station personnel are required to undergo training on customer relations. A handbook on Customer Service has also been developed in English and Filipino and distributed for use of all station personnel.

Station tellers and other personnel engaged in frontline services are required to undergo a reorientation program on customer service if observed by supervisors during periodic/random check to have demonstrated any of the following: discourtesy, arrogance, dishonesty, arrogance, overcharging of tickets, issuance of wrong ticket, other forms of misconduct, violated operations-related rules and regulations, and after scheduled vacation or sick leave of more than 10 days.

Satellite booths with Treasury personnel are deployed in selected stations to sell tickets during rush hour to avoid long queues. To meet rush hour demands, the Operations Department maintains a five shift schedule for tellers and drivers.

To monitor service standards, daily and monthly Operations related report such as customer satisfaction/safety are prepared and consolidated. Assessors reviewed a document entitled Early Morning Report of Traffic Operations Section, 27 March 6 AM – 28 March 6 AM, which reports on: different levels of incidents for the day, rolling stock for particular LRV, e.g. smell of burnt disc pads present near door, AFCS equipment service interruption: technical (8), non technical (40); defective tickets (unreadable, defective, encoding error reported to Control Center; no. of passenger crossing tracks and weather forecast. There are also Daily Ticket Incident Report describing the number of defective (expired, unreadable, defective) and encoding error tickets, teller that reports from what station and Passenger Agent Machine Number.   Daily Complaints Reports are prepared by division supervisors and forwarded to the Operations department.

Based on documents reviewed by the assessors, the most common complaints are train related, e.g. door pinning, delayed trains; discourtesy; and ticket related, e.g. unreadable/captured tickets (see table below). However, it was also noted that there is lack of accuracy and consistency in the type and frequency of complaints reflected in the report.

Type/nature of complaints	Number of complaints annually * 2006
TICKET CONCERNS	**17**
Unreadable and captured tickets	10
Shortchanging	3
Over/double charging	2
Issuance of expired ticket	2
DISCOURTESY	**19**
OPERATIONS/TRAIN RELATED	**30**
Sudden Train Breaking	4
Sudden closing/opening of doors	3
Queuing in the station	2
Door pinning/dragging	3
Malfunction of aircon/exhaust fan	4

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 82

Type/nature of complaints	Number of complaints annually * 2006
Strict implementation of all female section segregation	4
Jam packed train	4
Train interval	3
Delayed train/arrival departure	4
STATIONS RELATED	**16**
Early closing of station	1
Special lane	1
Special boarding area/platform	1
Malfunctioning station gates	2
Locked or dirty comfort rooms	1
Malfunctioning lighting facilities	1
Absence of medical personnel at terminals	3
Improper PA	2
Sidewalk vendors	1
Queuing in station	2
SECURITY CONCERNS	**7**
Pickpocket Victim	1
Baggage inspection	3
Lax security measures	3
TOTAL	**89**

Source: Public Relations Office, LRTA

Type/nature of complaints	Number of complaints annually *	
	2006	2005
Shortchanging	0	0
Discourtesy	4	8
Door Pinning	38	24
Others (i.e. lax security, theft)	1	3

Source: Line 1 Operational Highlights Comparative Operating Statistics, Dec 2006

Development Academy of the Philippines
Final Report (draft) as of October 2007
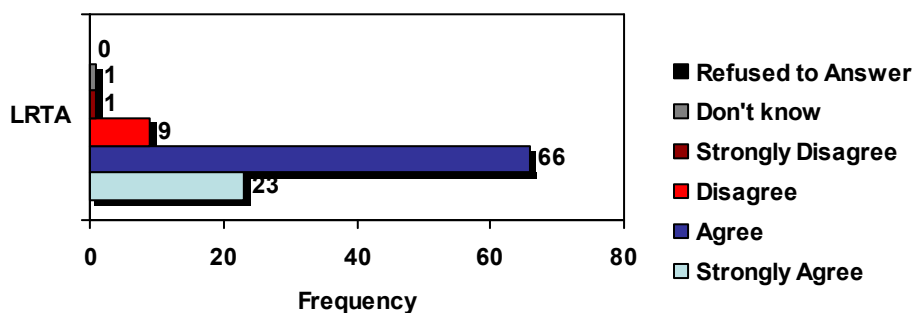For discussion purposes only, not for quotation

Page 83

Survey Results

Positive net agreement ratings were reported for LRTA Central Office in terms of factors affecting interface with the external environment. Moderately positive net agreements were recorded for all statements except for a highly positive net agreement for action toward client complaint and feedback.

Significant differences in responses were observed. Negative ratings regarding clarity of agency operations tend to come from those involved in city operations. Likewise, negative ratings regarding consistency with written procedures were observed from among those who are at least college graduates, those involved in city operations, and among those who have been with the agency between 2-4 years.

Table 2.22 Net Ratings for Interface with the External Environment

STATEMENTS	AGENCY TOTAL
46. Overall, operations in our agency are clear and easily understood. *(Sa pangkalahatan, madaling maunawaan at malinaw ang pagpapatakbo dito sa aming ahensya.)*	1.88
47. Actual practices in our agency are consistent with written procedures and policies. *(Naaayon sa mga nakatalang proseso at patakaran ang mga gawain sa ahensiya namin.)*	1.92
48. Complaints and feedback of clients are acted upon in our agency. *(Ang mga daing, puna at komentaryo ng mga kliyente ay tinutugunan ng aming ahensiya.)*	1.67
49. Complaints and feedback of employees are acted upon here in our agency. *(Ang mga reklamo at komentaryo ng mga empleyado ay ina-aksyonan ng aming ahensiya.)*	2.18

Statement 46

Statement 47

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 84
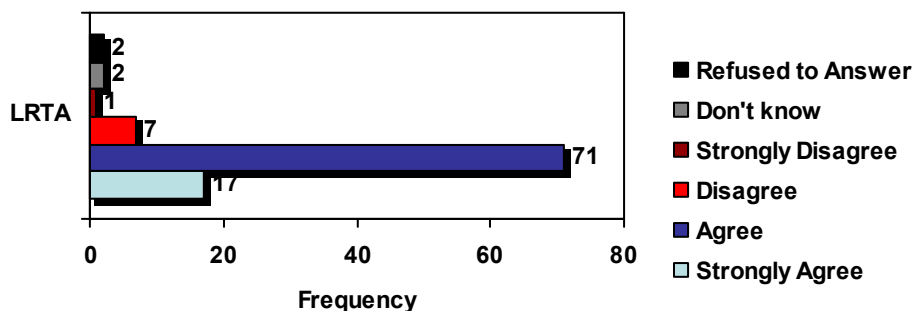
Statement 48

Question 50: What are the common complaints of your agency's clients?

About a third (32.46%) of the respondents indicated that the most common complaints of their clients were associated with inadequacy of facilities and equipment. Twenty percent (20.18%) of complaints rooted from the train delay 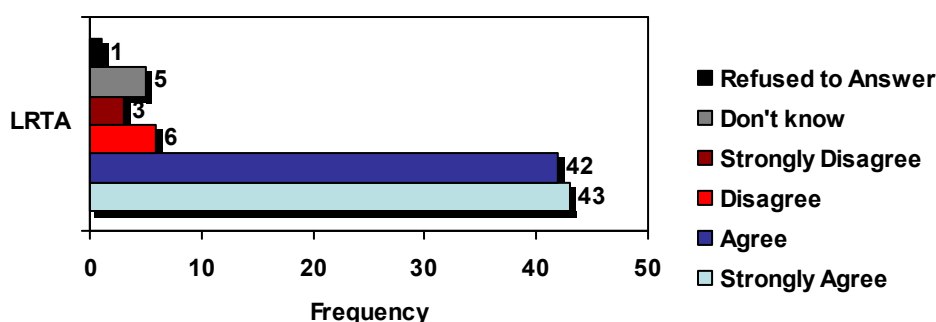due to mechanical problem. Twelve percent (12.28%) of complaints were due to long queues and congested trains.   Nearly eight percent (7.89%) were associated with the quality of service and the discourtesy of tellers. Complaints in the breakdown of machines (7.89%), system policy (2.63%) and poor information dissemination system (1.75%) were also mentioned.

Table 2.23 Common Complaints from Clients

COMMON COMPLAINTS	Frequency	Percent of Responses (%)
Inadequate/Lack of facilities and equipment (train, CRs, air conditioning units, seats for pregnant/disabled/elders, lighting)	37	32.46%
Train delay due to mechanical problem, long train inter-arrival time.	23	20.18%
Long queues, congested trains.	14	12.28%
Quality of service, discourtesy of tellers, not enough service to clients, inconsistent implementation of rules, inefficient service.	9	7.89%
Frequent breakdowns of machines, equipment and facilities (ticket dispensing machine, unreadable cards, elevators, escalators).	9	7.89%
Complaints against system policy (no refund policy for paid tickets, priority lanes for disabled/elders/pregnant, sometimes inconsiderate way of implementing RA9184).	3	2.63%
Poor system for information dissemination, unclear instructions on TVM.	2	1.75%

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 85

Question 51: What can you suggest to improve the services of your agency?

Table 2.24 Suggestions to improve the services of the agency were:

Suggestions	Frequency	Percent of Responses (%)
Install additional facilities/machines, improve current facilities/machines, add trains	35	33.98%
Do work properly, assist passengers, strict and continuous implementation of rules and regulations, act on/consider all suggestions of riding public, commitment to work and service, cooperation	16	15.53%
Hire additional manpower, hire hardworking and dedicated individuals, employee regularization, deployment of technicians/maintenance personnel per station	11	10.68%
Better information dissemination system, provide communication equipment like handheld radios, constant communication between officials and subordinates	11	10.68%
Quick service response to client needs and on breakdowns/maintenance work, doubling of operation, more coins for faster issuance of money change, shorter train inter-arrival time, review system on dispatching trains	10	9.71%
Additional budget, on-time release of salary/ benefits/ compensation	6	5.83%
Expedite processing of requests, steady/adequate supply of spare parts, readily available spare parts	4	3.88%
Remove factionalism, lessen red tapes	2	1.94%
Seminars and trainings (customer service)	1	0.97%

Next Steps

In order to attain the next level rating for this dimension, LRTA should consider the following:

- The LRTA should enhance its strategy for dissemination of information on its services, policies, systems and procedures to the transacting public including suppliers and service contractors. LRTA does not only serve the riding public, it also interfaces with suppliers, bidders and general public that transact with LRTA on a regular basis given its other function which is to build LRT systems, not just operate them. Its current information system is generally focused on the needs of the commuting public. There is need to update and upgrade the information published in the website for suppliers and bidders. For instance, the results of bids can also be shared to the public.

- The Agency should employ systems to avoid long queues and "facilitators" of transactions. This has been partly addressed by the deployment of satellite booths selling tickets to passengers during rush hour. However, the tickets sold in these booths are already fully coded in advanced and manually sold by Treasury personnel, unlike those in the teller booths which are sold by Operations personnel. The locus of responsibility and accountability for ticket sales has become divided and thus needs to be reviewed for transparency especially in the light of the rationale behind the full implementation of an Automated Fare Collection System.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 86

- There is need to review and systematize the recording and reporting of complaints for accuracy and efficiency. The system will make it easy to track and resolve complaints especially if they concern dishonesty, fraud. This can be done by creating a single or common database for complaints coming from the Stations Operations Division, letters, phone calls and email and received through other offices of the Agency. The system should also be able to track responses or describe how the complaint was handled and reported to top management as input to performance management.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 87

Other Survey Results

Types of Corruption

Net ratings for types of corruption were obtained using a 3-point weighted scale. Weights of 1, 2, and 3 correspond to responses Low, Medium and High, respectively. The computation for net rating is the same as the 4-pt scale used to obtain agreement to statemens in the survey. Interpretation of the net ratings however are directly proportional to the scale. A weighted rating above 2.3 means a High rating and a rating below 1.7 means a Low rating. Ratings between 1.7 to 2.3 indicate médium likelihood. In this section, it is more desireable to have a low rating since it will denote less likelihood of occurrence of the type of corruption in the agency.

From among the different types of corruption, Nepotism/Favoritism ranked the highest in terms of likelihood ratings. There were several other types ranked with High. Ranking of types of corruption in terms of their perceived likelihood of occurrence in the agency resulted in the following:

Table 2.25 Ratings on the Types of Corruption and their Likelihood

Types of Corruption	Net Rating	Likelihood
Nepotism/Favoritism	2.77	High
Overpricing of bids	2.37	High
Abuse of discretion/power	2.31	High
Negligence of duty	2.29	Medium
Collusion with suppliers	2.22	Medium
Disclosure of confidential informations	2.17	Medium
Collusion with Bids and Awards Committee (BAC) members	2.06	Medium
Illegal use of public funds or property	2.01	Medium
Corruption of Filipino values e.g. pakikisama, hiya, etc	2.00	Medium
Falsification of documents	1.86	Medium
Accepting bribes	1.81	Medium
Unauthorized collection of funds	1.73	Medium
Theft of public resources	1.71	Medium
Forgery or fraud	1.63	Low
Tolerance of fixers	1.55	Low

Table 2.26 Net Ratings for Types of Corruption

Type of Corruption	AGENCY TOTAL
52. Negligence of duty *(Pagpapabaya sa tungkulin)*	2.29
53. Falsification of documents *(Pamemeke ng mga dokumento)*	1.86
54. Illegal use of public funds or property *(Illegal na paggamit ng pera o anumang pag-aari ng gobyerno)*	2.01
55. Unauthorized collection of funds *(Walang pahintulot na pangongolekta ng pera)*	1.73
56. Nepotism/Favoritism *(Nepotismo o Pagkakaroon ng mga paborito)*	2.77

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 88

Type of Corruption	AGENCY TOTAL
57. Disclosure of confidential information *(Pagbibigay ng mga lihim na impormasyon)*	2.17
58. Collusion with BAC members *(Pakikipagsabwatan sa mga miyembro ng BAC)*	2.06
59. Overpricing of bids (Pagdagdag sa presyo ng mga bids)	2.37
60. Collusion with suppliers (Pakikipagsabwatan sa mga supplier upang itaas ang presyo at kumita ng iligal)	2.22
61. Forgery or fraud (Pamemeke ng pirma at pandaraya)	1.63
62. Theft of public resources *(Pagnanakaw* ng anumang pag-aaring pampubliko)	1.71
63. Accepting bribes (Pagtanggap ng mga suhol)	1.81
64. Abuse of discretion/power *(Pag-abuso* ng kapangyarihan sa pagpapasya)	2.31
65. Corruption of Filipino values e.g. pakikisama, hiya, etc *(Paglalapastangan* ng pagpapahalagang Filipino)	2.00
66. Tolerance of Fixers *(Pagsawalng-bahala ng mga fixers)*	1.55

Negligence of Duty

Falsification of Documents

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 89

Illegal Use of Public Funds or Property

Unauthorized Collection of Funds

Favoritism/Nepotism

Disclosure of Confidential Information

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 90

Collusion with BAC Members

Overpricing of Bids
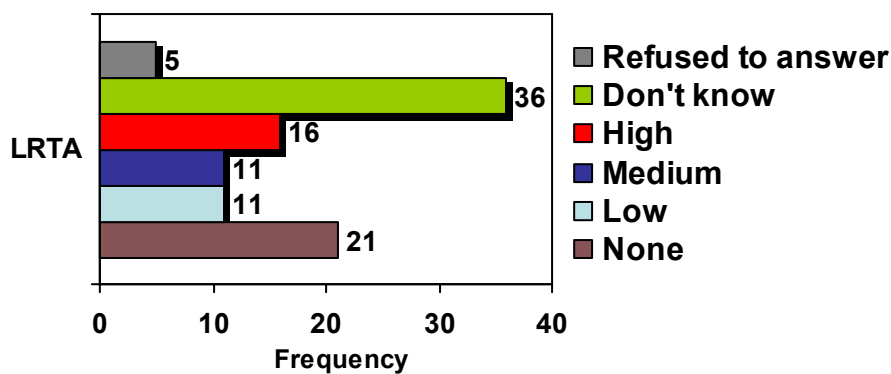
Collusion with Suppliers

Forgery or Fraud

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 91

Theft of Public Resources

- Refused to answer
- Don't know
- High
- Medium
- Low
- None

LRTA:
- 1
- 19
- 5
- 8
- 26
- 41

Frequency (0, 20, 40, 60)

Accepting Bribes

- Refused to answer
- Don't know
- High
- Medium
- Low
- None

LRTA:
- 5
- 25
- 5
- 14
- 14
- 37

Frequency (0, 10, 20, 30, 40)

Abuse of Discretion/Power

- Refused to answer
- Don't know
- High
- Medium
- Low
- None

LRTA:
- 2
- 17
- 15
- 18
- 25
- 23

Frequency (0, 10, 20, 30)

Corruption of Filipino Values

- Refused to answer
- Don't know
- High
- Medium
- Low
- None

LRTA:
- 1
- 13
- 8
- 16
- 30
- 32

Frequency (0, 10, 20, 30, 40)

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 92

Tolerance of Fixers

Question 68: What can you suggest to prevent corruption?

Table 2.27 Suggestions to prevent corruption include:

Suggestions	Frequency	Percent of Responses (%)
Be loyal to the agency, dedication to work, serve well and service first, teamwork, do not commit corruption	20	19.42%
Performance evaluation, auditing, monthly surveys, values formation, seminars and trainings, open communication, explain rules and regulations of the agency properly, lifestyle check, awareness campaign, publication or posting of anti-corruption posters	18	17.48%
Increase salary, give benefits and compensation on time, compensate employees properly	12	11.65%
Transparency, open transactions, evaluation of bidding process	10	9.71%
Report all anomalies/suspected anomalies immediately, investigate anomalies immediately	9	8.74%
Strictly follow rules and regulations, be a law-abiding employee	9	8.74%
Give protection to employees/whistle blowers, give due process and penalize if proven guilt to set an example	7	6.80%
Leadership by example, be sensitive to the needs of subordinates, equal and fair judgment to all employees	4	3.88%
Efficient policy against corruption, creation of code of conduct	2	1.94%
Regularization of employees	1	0.97%
Be vigilant	1	0.97%
Avoid collusion	1	0.97%
Remove contractual agencies	1	0.97%
Presence of representative of Ombudsman in the agency	1	0.97%

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 93

Attitudes Regarding Corruption Reporting

Only a few (8/100 respondents) of the respondents have experienced reporting a corrupt and unethical behavior. Percentage reporting rate was shown in Table 2.28. The no. of cases reported and the year it was reported were outlined in Table 2.29.

Table 2.28 (Question 69). Have you experienced reporting a corrupt or unethical behavior that you have witnessed?

	Central
YES	8
NO	92
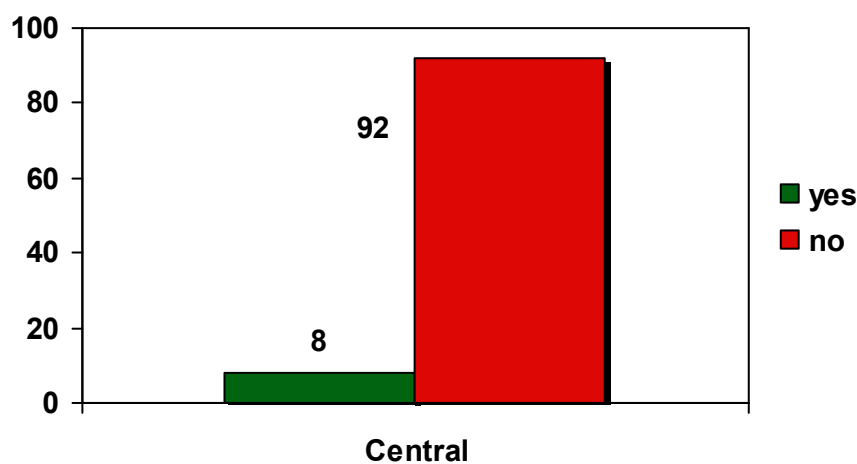
Question 70: When did this happen?

Table 2.29 No. of Cases Reported by Respondents

YEAR	**No. of Responses**
2001	1
Year 2002 or 2003	1
2005	1
Last 2 or 3 years ago	1
Matagal na po	1
No exact date/year given	3
TOTAL	**8**

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 94

Questions 71:   How long did it take before it was resolved?

Out of the 8 reported cases, resolution time was within 3 days to 2 months. Only two cases remain unresolved.

Table 2.30 Resolution Time of Reported Cases

Resolution Time	No. of Cases
Hindi naman po katagalan	1
3 days	1
One week para maayos ang problema	1
After a month, a resolution/decision was made on the case.	1
2 months	2
No information yet as to the result Hindi ko na po alam kung ito ay nagawan ng aksyon	2
TOTAL	8

Respondents cited a slightly negative net rating on the satisfaction on the agency's reporting mechanism. A slightly positive response on the satisfaction on the agency's investigation mechanism was reported. No significant differences in responses were noted.

Table 2.31   Net Ratings for Corruption Reporting

STATEMENTS	AGENCY TOTAL
72. How satisfied or dissatisfied were you with your agency's reporting mechanism?	2.71
73. How satisfied or dissatisfied were you with your agency's investigation mechanism?	2.43

Statement 72

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 95
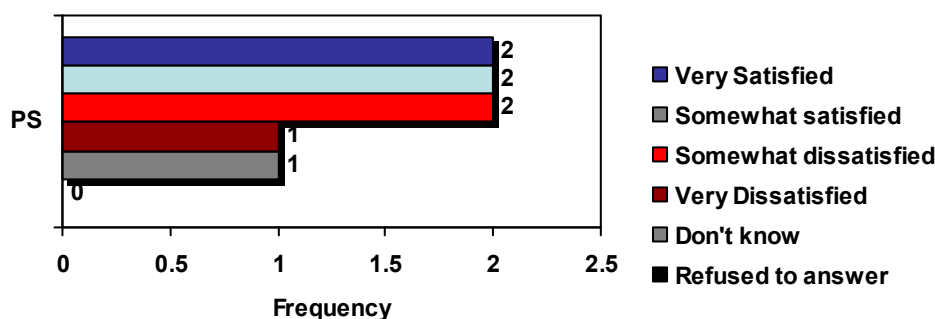
Statement 73

Question 74: Why are these your answers in Q72 & Q73?

Table 2.32 Reasons cited why respondents were Satisfied and Dissatisfied with the reporting
and investigation mechanism of their agency were:

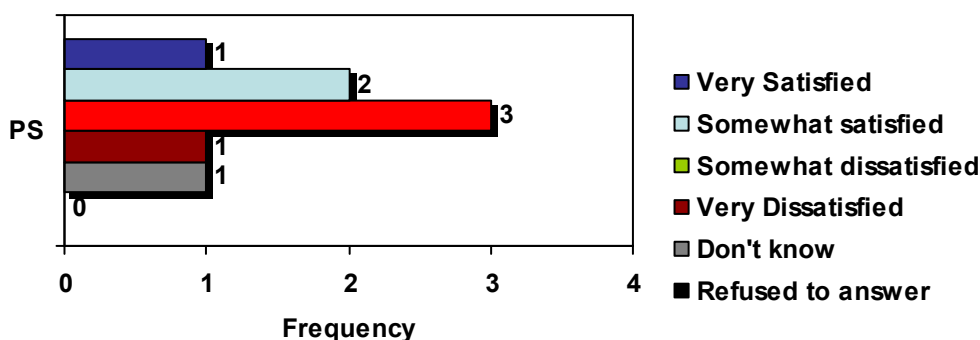| Reasons |
| --- |
| **VERY SATISFIED/SOMEWHAT SATISFIED** |
| Sa nakita ko ng unethical behavior ang ginawa ko ng written-report. Binigyan ko ng copy ang manager at personnel at kaagad naman naactionan at naimbistigahan (malicious words/provoking to fight). |
| Because of the time duration before it was resolved. |
| Kasi naaksuynan yung sumbong. |
| **VERY DISSATISFIED/SOMEWHAT DISSATISFIED** |
| Sapagkat namalagi ang taong nakagawa ng katiwalian at wala akong nakitang 'disiplina' na gingawa sa taong yun. |
| The accused is under observation and evidences are being gathered against him. |
| Prompt action should be taken on documents submitted to personnel office particular on training certificate of employees. |
| No clear procedure on the reporting mechanism. |
| Minsan satisfied at minsan disappointed sa trabaho. |

A majority of the respondents indicated that they would report a corrupt and unethical behavior as shown below in the table of responses by site. Nonetheless, it is quite important to address the issues raised by the few who have indicated that they would rather not report corrupt or unethical behavior.

Table 2.33 (Question 75): If you ever witness a corrupt and unethical behavior (again), will you report it?

	Central
YES	94
NO	6

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 96
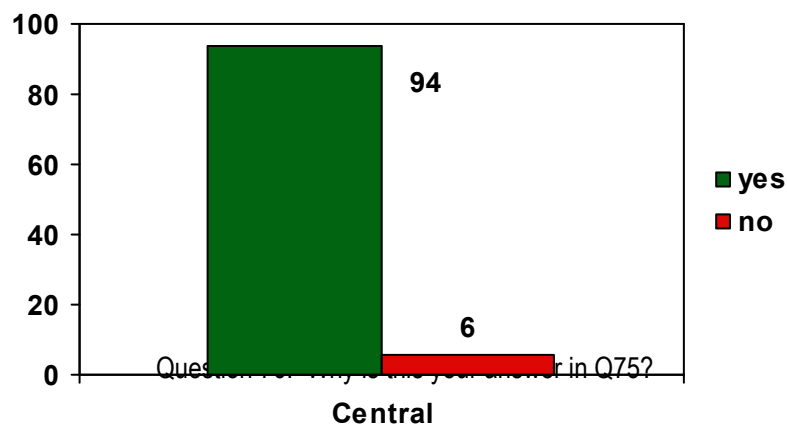
Table 2.34 Reasons why respondents replied YES to Question 75 are listed as follows:

Reasons why response is YES	Frequency
To stop or end corruption and irregularities	22
Right thing to do, it is my duty, against my principles and against policies	21
To correct the mistakes, to find solutions to the problem	20
To avoid committing the same mistake	14
To punish offenders	9
To help the agency (image-wise)	5
No answer	3

Table 2.35 Reasons why respondents replied NO to Question 75 are listed as follows:

Reasons why response is NO	Frequency
Fear of losing job, fear of reprisal, security of tenure, fear for own life	4
No reason, incongruent answer	4

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 97

V. Corruption Vulnerability Assessment

As described in the section on Assessment Methodology, 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. 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.

The areas identified for the CVA were: 1) Procurement of Spare Parts, 2) Ticket Production, Selling and Remittance of Sales, and 3) Acquisition of Right of Way or Real Estate. These areas were considered mission critical functions necessary "to provide commuters with a safe, reliable, and efficient mass transport system that improves the environment, reduces congestion, and makes the city viable and livable."

In identifying the high-risk activities or functions, the assessors prepared a risk map for each CVA area. The risk map showed the identified inherent risks of corruption in LRTA operations and how they are assessed, i.e. high or low, in terms of likelihood of occurrence of the risks and significance of impact to the organization, if adequate safeguards and controls are not put in place or strengthened.

The following sites and areas were the focus of the CVA of LRTA.

Site	Areas	Date of Assessment
LRTA Pasay, Line 1 Santolan	Procurement, Warehousing and Disposal of Spare Parts	2-5 May 2007
LRTA Pasay, Line 2 Central	Ticket Production and Selling and Remittance of Sales	15-20 May 2007
LRTA Pasay	Acquisition of Right of Way	28-31 May 2007 June 28-29, 2007

1. Procurement, Warehousing and Disposal of Spare Parts

Background

The procurement of spare parts and maintenance of services was chosen as a CVA area because the efficient operation of light rail vehicles (LRVs) or trains to serve the riding public is a mission critical function. Train operations also provide the Agency its main source of revenue. As well, many of the complaints of the riding public have to do with train delays which are largely caused by unavailability of spare parts. Since much of the technology used for assembling the trains is imported, it is not easy and inexpensive to acquire the parts and services for repairing and maintaining the trains. This involves the use of spare parts that cannot be manufactured locally but available in the local market only through few accredited suppliers or distributors. Strict patent designs by foreign manufacturers prevent local manufacturers from producing the parts locally. Those who tried failed most of the test check.

Development Academy of the Philippines
Final Report (draft) as of October 2007
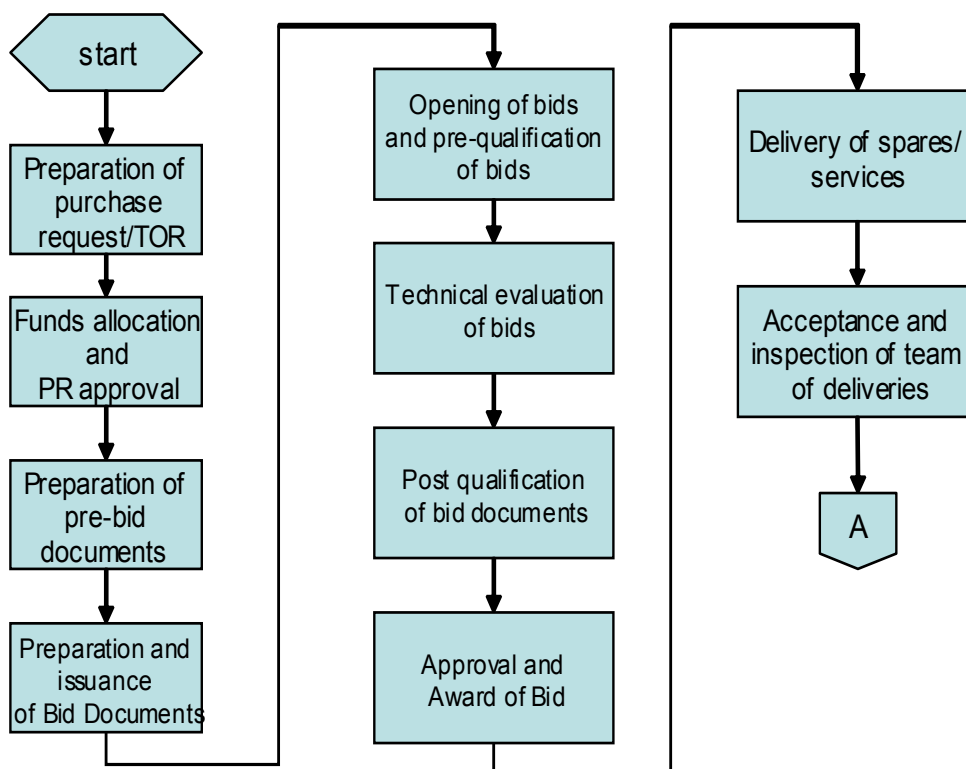For discussion purposes only, not for quotation

Page 98

It is the responsibility of the General Services Division of the Administrative Department, particularly the Procurement Section to implement LRTA procurement policies and procedures in compliance with Government Accounting and Auditing Rules and Regulations and Republic Act 9184 otherwise known as the Government Procurement Reform Act. Other offices or entities involved in this process are the Bids and Awards Committee (BAC), the BAC Secretariat and the Technical Working Groups.

The application of the new government procurement law is affected by the limited number of suppliers accredited or authorized distributor and supplier of spare parts used by the LRVs. The transactions are frequent and high value in nature, making the procurement for spare parts and other consumables a high risk or vulnerable area for the Agency.   For instance, one rubber band-like spare part used by the LRVs cost as much as P3,000.

LRTA maintains an automated asset management system called MAXIMO. It is computerized database of parts and supplies used in LRVs, supplier information, among others; it contains the technical description/drawing of required item and historical data of previous deliveries. The MAXIMO is used to prepare the required attachment documents for Purchase Requests.

Process Flow

Procurement, Warehousing and Disposal of Spare Parts (1)

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 99

Procurement, Warehousing and Disposal of Spare Parts (2)
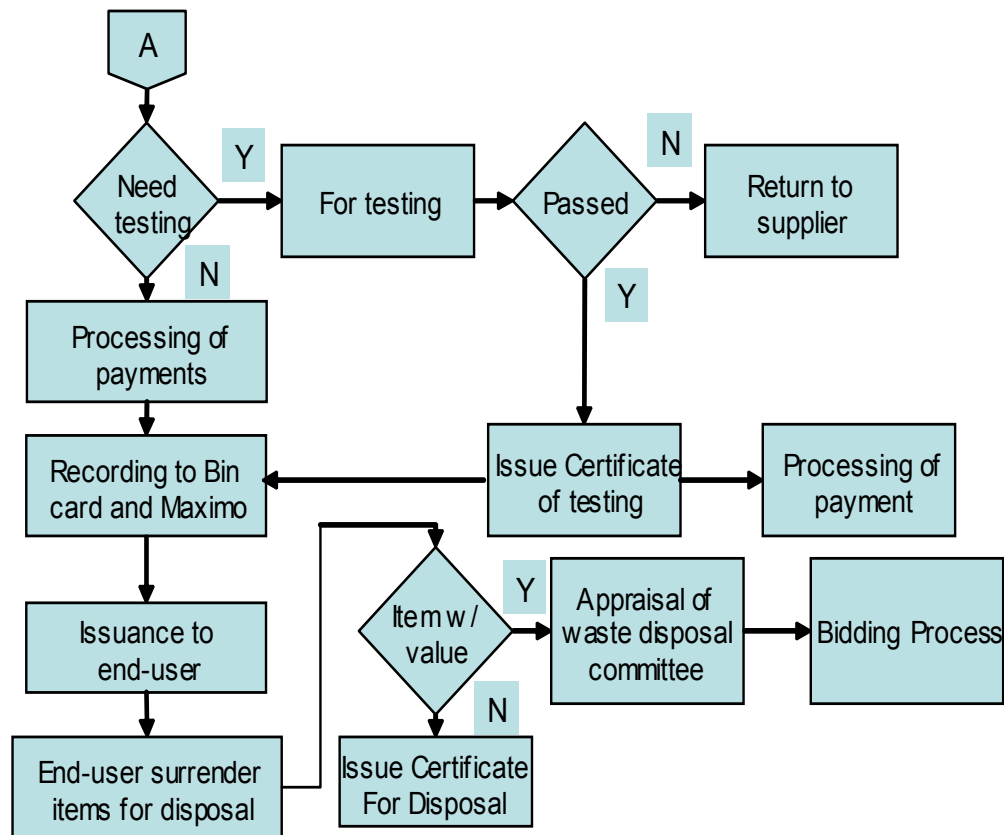
As shown in the flowcharts above, the entire process of procurement and warehousing of spare parts and disposal of waste material involves 20 steps. Each step is described in terms of the objective, the tasks and sub-processes, unit or persons involved in each step, and safeguards and controls which may be in the form of approving authority, reports, and forms to be accomplished, among others.

1. Preparation of Purchase Request or Terms of Reference

2. Funds Allocation and PR Approval

3. Preparation of Pre-Bid Documents

4. Preparation and Issuance of Bid Documents

5. Opening of Bids and Pre-qualification of Bids

6. Technical Evaluation of Bids

7. Post-Qualification of Bids

8. Approval and Award of Bid

9. Delivery of Spares to the Warehouse

10. Acceptance and Inspection of Delivered Items for Warehousing

11. Testing of Items Delivered

12. Issuance of Certificate of Testing

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 100

13. Return of Rejected Items to Supplier

14. Processing of Payments

15. Recording in Bin Card and MAXIMO

16. Issuance of Item to End User

17. Surrender of Items for Disposal

18. Appraisal by Waste Disposal Committee

19. Issuance of Certificate for Disposal

20. Bidding Process

Procurement Phase

1. Preparation of Purchase Request or Terms of Reference

The procurement phase starts with the end user, e.g. maintenance team under the Engineering division, preparing a Purchase Request (PR) to be signed by Department/Division Head. If the item is regularly purchased, the end user checks with Materials Planning Office under the Operations and Engineering Department to check if item is in stock and if the item is in the Annual Procurement Plan. If so, the Materials Planning Office prepares stock report based on MAXIMO and forwards the same to General Services Division (GSD). The GSD Procurement Team then prepares the canvass and comparative price matrix. If item is not in stock, the end user of concerned department/division prepares a job order.

If the item is an emergency purchase amounting to P3,000 or below, the concerned department/division manager signs the PR. It is then forwarded to the GSD Officer who records and assigns PR number and returns the same to concerned department.

2. Funds Allocation and PR Approval

Duly accomplished PRs are forwarded to the GSD Procurement Team (Line 1 or Line 2) for the canvassing process. Once quotations have been received, i.e. minimum of 3 offers, or 1 quote for exclusive items attached with certification of exclusive distributorship. All quotations must be summarized into a budget matrix prepared by the respective canvasser.

The PR, together with the budget matrix, is forwarded to the Budget Division for budget allocation or earmarking purposes. The PR is then forwarded to the respective approving authority for the PR approval depending on the total amount of the whole requisition. The approving authorities are as follows:

- P100k and below – Administrative Manager, Planning Manager or Deputy Administrator
- Above P100k to P500k – Deputy Administrator
- Above P500k – Administrator

3. Preparation of Pre-Bid Documents

Once approved, the PR with all its attachments is forwarded to the BAC Secretariat for allocation of an Invitation to Bid (ITB) Number. All ITB with assigned numbers are assigned to the Members of the BAC Secretariat for their appropriate action.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 101

4. Preparation and Issuance of Bid Documents

The BAC Secretariat prepares the Letter of Invitation (LOI) with specified date of opening of bids for the item(s) to be bidded out based on the approved PR and in accordance with the implementing guidelines of RA 9184 or the Procurement Law. The signed ITB is then sent back for publication in newspapers of general publication, posted in the Electronic Procurement System, and posted in conspicuous places.

The BAC Secretariat issues the LOI/ITB to the LRTA accredited suppliers who wish to participate in the bidding. Sealed bid documents are then submitted through a secured drop box by the participating bidders.

5. Opening of Bids and Pre-qualification of Bids

The opening of bids is undertaken by the BAC and the BAC Secretariat based on the following guidelines:

▪ Sealed bid documents and bid bonds are opened except for lone bidder by the BAC Secretariat before the presence BAC members and suppliers/bidders on scheduled date specified in the LOI.

▪ If there is a lone bidder for the particular item bidded out for the first time, the process is declared a failed bidding and the lone bidder's documents including his/her/her bid bond will be returned to him/her duly signed by the BAC members. A photocopy of the bidding documents is filed and kept by the BAC Secretariat.

▪ If bid bond posted by a bidder for a particular item is found to be insufficient, he is considered disqualified and his/her bidding documents are likewise returned to him/her duly signed by the BAC members. A photocopy of the bidding documents is filed and kept by the BAC Secretariat.

6. Technical Evaluation of Bids

All pre-qualified bids are then submitted to the Technical Working Group (TWG) for those with an approved budget for contracts of P250,000 and above, otherwise it is forwarded to the end user. The TWG consists of the members coming from the user-department or division.

7. Post-Qualification of Bids Documents

After receipt of the technical evaluation of bids, an award will be made with consideration of the results of the financial bid evaluation, terms of payment, delivery period, among others.

8. Approval and Award of Bid

After deliberations on the post-qualification of bids, the BAC then instructs the Secretariat to prepare the Award Endorsement (AE), in favor of the winning bidder. The AE is reviewed and signed by BAC members before it is forwarded to the Administrator for approval.

Upon approval of the award either by the Administrator or the Administrative Department Manager, the approved award is forwarded to the GSD for preparation of the corresponding Purchase Order (PO).

The PO is forwarded to the Budget Division and appropriate approving authority. The approved and signed PO is then served to the Supplier or Winning Bidder.

In the case of foreign procurement of spare parts, the signed and approved AE is forwarded to GSD for preparation of the Confirmation Order. The GSD then transmits the same to the supplier. The supplier then prepares the Proforma Invoice and submits it to GSD.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 102

Based on the documents received from the supplier, GSD prepares the Debit Authority, Letter of Credit (LC) application, and Bureau of Import Service (BIS) Application and forwards the same to the Administrator for his/her approval and signature. Once the LC application is signed, the GSD brings the documents to designated government banking institution for opening after which the LC details are prepared by GSD and sent to supplier. Shipment of items by supplier is made based on LC details.

Warehousing Phase

9. Delivery of Spares to the Warehouse

Based on the PO, the supplier delivers the items to the warehouse (Engineering Department) for initial inspection. If items are procured from abroad, the GSD prepares the authority to designate a brokerage company to facilitate the release of items.

10. Acceptance and Inspection of Delivered Items for Warehouse

The Warehouse Officer notifies concerned offices of scheduled delivery of items, whether foreign or locally procured, and forwards documents to GSD. The GSD Property Officer then prepares a Turnover/Transfer Report (TTR) and Inspection and Acceptance Report (IAR). A TTR is prepared for spare parts, consumables, materials, system maintenance tools and equipment; it is issued for items transferred to the Engineering Division through the Warehouse Section for all items to be used in the systems maintenance. Warehouse Officer prepares the schedule for inspection and notifies those concerned.

Inspection is done by the GSD, Internal Audit Office (IAO), Engineering Division and COA representatives. The GSD Officer notes the discrepancies/damage on the delivery documents and informs the supplier of discrepancies if any.

After inspection and items are deemed acceptable, the IAO and Warehouse Section sign the TTR and forward the same to GSD. The GSD Officer then prepares the Inspection and Acceptance Reports for signature of the Engineering Division and Property Officer.

11. Testing of Items Delivered

In cases where the supplier does not have a certificate of testing for the items procured, which is issued by the LRTA, an evaluation or testing process is conducted to ensure compliance of the item with technical and safety specifications.

The Warehouse Officer informs the Quality Assurance Office that item is ready for testing. The Quality Assurance Office evaluates and tests the items delivered.

12. Issuance of Certificate of Testing

The Qualify Assurance Office tests the items to ensure that they conform to the specifications and testing requirements. A Certificate of Testing is issued to the supplier if the item passed the testing requirements.

13. Return of Rejected Items to Supplier

After testing, the end user accomplishes the Inventory Receiving Report (IRR) to accept or reject delivered items. Quality Assurance Office then endorses the IRR and TTR to the Principal Engineer who reviews and concurs with the delivery. The Principal Engineer forwards the IRR and TTR to the Materials Management Office for checking. Documents are then forwarded from here for approval of the Head of the Engineering Division. The approved IRR is then forwarded to the Warehouse Officer who submits the original copy of the IRR, IAR and TRR to GSD and furnishes the Accounting and Materials Management Office with a copy of the documents.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 103

Items that do not meet the test requirements or are found defective by end user are returned to the supplier. An Exception Report is prepared by the Warehouse Section for rejected items. Items are returned to the supplier for replacement. Only until the rejected items have been replaced and accepted will the items be cleared for preparation of payment voucher.

14. Processing of Payments

Once the supplier has complied with the PO for locally procured items, the GSD prepares the Disbursement Voucher with the following attachments:

- Property Acknowledgement Receipt (PAR) indicating item description, quantity, unit, serial number, property number for office equipment, furniture, fixture and semi expendables.
- Other documents include the delivery receipt or sales invoice, Transfer and Turnover Report (TTR), Inspection and Acceptance Report (IAR) and all the pertinent documents under the PR.

15. Recording in Bin Card and MAXIMO

Information on items delivered and accepted are entered into the bin card and MAXIMO indicating item description, quantity, unit, serial number, property number for office equipment, furniture, fixture and semi expendables.

16. Issuance of Item to End User

A Turnover/Transfer Report (TTR) is prepared for spare parts, consumables, materials, system maintenance tools and equipment; it is issued for items transferred to the Engineering Division through the Warehouse Section for all items to be used in the systems maintenance.

Disposal Phase

17. Surrender of Items for Disposal

Spare parts, materials and equipment that are unserviceable are surrendered for disposal. An appraisal and bidding process is undertaken to obtain the best value for the LRTA for the waste material.

The end user prepares three copies of the Material Requisition Issuance and Return (MRIR) duly signed by approving authority and forwards the same together with the item to be surrendered to the Stockman. The Stockman assigns an MRIR number based on the logbook numbering system for controlling and monitoring purposes.

The documents are then forwarded to the Warehouse Officer for verification, who reviews them and instructs the Stockman to take custody of the items. The Warehouse Officer double-checks the quantities surrendered and signs the document.

The Stockman then provides a copy of the MRIR to the end user as proof of the receipt of items surrendered. He collects signed MRIR and distributes MRIR copies to Accounting and Materials Planning Office. He then posts the MRIR transaction to the bin card and Materials Planning Information System to ensure that the transaction is correctly reflected on the warehouse records for monitoring and audit purposes. He prepares the Report of Waste Material (RWM) as a requirement for the disposal activity. The RWM is forwarded to the Warehouse Officer for review before it is forwarded to GSD.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 104

GSD notifies the Disposal Committee of the RWM and initiates request for assistance of the Engineering Division for the inspection and verification of materials for disposal. Finally, the Inspection Team composed of the IAO, GSD, Engineering and Accounting conduct inspection and physical counting of materials for disposal, seals off and marks materials subject for disposal. The team prepares an inspection report and forwards the same to the GSD.

18. Appraisal by Waste Disposal Committee

The GSD Property Officer notifies the Disposal Committee of the result of the inspection and prepares a draft memorandum for the Committee's approval/signature with the following attachments: inspection report, summary of canvassed prices of waste materials (basis of appraisal cost).

19. Issuance of Certificate for Disposal

The Disposal Committee reviews and signs the Memorandum/Appraisal report of disposal materials and forwards the same to the Administrator for approval. The Disposal Committee instructs the GSD Officer to prepare the disposal program and schedule for its approval. Once approved, the Committee forwards the program to the BAC Secretariat who in turn prepares for the auction of the waste material by issuing a Certificate for Disposal Bidding signed by the BAC.

20. Bidding Process

The GSD Property Officer and bidders inspect the waste materials together prior to the submission of bids. The BAC Secretariat makes available bidding documents and instructions for potential bidders. After all bids have been received and pre-qualified, the BAC Secretariat opens and evaluates the bids.

The evaluation report of the BAC Secretariat is reviewed by the BAC and recommends the awarding of the bid. The Award Endorsement is prepared and signed by the BAC for approval of the Administrator.

The BAC Secretariat forwards the approved AE to GSD so that the GSD Property Officer can notify the winning bidder and instruct him/her to pay the full amount to the LRTA Treasury. The GSD Officer secures a copy of the Official Receipt and issues the hauling instructions and prepares the Notice to Proceed for the signature of the Chair of the Disposal Committee. The GSD Officer then provides the winning bidder with the signed Notice to Proceed and prepares the necessary gate passes. He coordinates with the concerned offices to ensure they have a copy of the AE, OR and Report of Waste Material, Notice to Proceed and Schedule of Hauling to IAO, Civil Security Office and Engineering.

During the hauling activity, the winning bidder secures a gate pass duly signed by the GSD Manager and Administrative Manager.   The CSO Chiefs forwards the approved gate pass to GSD Property Officer.

The GSD Property Officer again coordinates with the IAO, CSO and Private Security on the hauling activity and inspection based on the approved hauling procedure and schedule. GSD Property Officer then prepares a Certificate of Completion when the hauling is completed, and provides Accounting, IAO and COA all documents relative to the disposal of the waste material.

Identified Risks

The risk map on procurement, warehousing and disposal processes of LRTA identified several common risks for corruption, namely, collusion, abuse of discretion, theft and pilferage, delays, document/information security risk, ghost delivery and misrepresentation.

Based on the risk map, three (3) critical activities or functions were identified where the risk in terms of likelihood of occurrence of corruption and significance of impact are both high. These activities are: 1) Preparation and Approval of Purchase Request, 2) Evaluation of Bids, and 3) Delivery and Warehousing. Other identified risks are described in the CVA Matrix in the Annex section.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 105

RISK MAP: Procurement, Warehousing and Disposal of Spare Parts

High

Likelihood of Occurrence

Risk 1: Collusion Risk
(preparation of purchase order and TOR)
Risk 2: Abuse of discretion (evaluation of bid)
Risk 3: Theft and pilferage (warehousing)

Risk 1: Abuse of Discretion Risk
(Fund allocation & approval of purchase request)
Risk 2: Delays (validation of bid documents, processing of voucher)

Risk 1: Document/information security risk
(Issuance of bid documents)
Risk 2: Abuse of Discretion
(Allocation of budget, Opening of Bids)
Risk 3: Ghost delivery
(inspection of delivered items)
Risk 4: Misrepresentation Risk
(pre qualification of bidder)

Low   **Significance of Impact**   **High**

Preparation and Approval of Purchase Request

In the process of preparation and approval of purchase request or terms of reference, one of the identified risks is **collusion** between the end-user and the supplier to determine the quantity and other specifications of the spare part to be described in the Purchase Request (PR). Collusion occurs in this situation when the specifications of the requisitioned spare part are defined based on what 'fits' the brand or type that a particular supplier is selling or distributing in the case of foreign manufactured parts. Technical specifications and other information provided by potential bidder to end user in the preparation of the terms of reference by the end user. Likewise, the quantity of the items, especially for consumable spare parts, may be overstated by the one who prepares the PR, regardless of the amount of existing stock, to increase the amount of sale or profit that can be made by the favored supplier.

There are several safeguards and controls in the preparation of purchase request for the spare part to be procured locally or from abroad. First, the item to be procured must be found in the Annual Procurement Plan of LRTA. Second, the item to be procured is checked against the asset management system or MAXIMO which is a database containing technical description/drawing of required item, historical data of previous deliveries of the item, and existing volume or quantity of stock. It also contains the purchase request number, item number, requesting unit, quantity, item description, status of transaction, supplier name, and prices. All these information provide an audit trail. However, only Line 2 has been using the MAXIMO since 2003. Since Line 1 and Line 2 uses different LRV spare parts model, the asset management system for the two lines has to be separate.

Third, the PR is reviewed and signed by more than one approving authority, i.e. end user department/division head, Administrative Manager, Planning Manager, Deputy Administrator and Administrator, depending on the amount and nature of the purchase, i.e. whether emergency or regular purchase. Fourth, several offices have responsibility for reviewing the need for the item and processing the PR before it gets final approval. Fifth, once the PR has been approved, the BAC Secretariat assigns the task of buying randomly among members of the

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 106

GSD Procurement Team, to prevent familiarity, preferential treatment or collusion with the supplier/bidder. It keeps a monitoring sheet of buyers assigned to which PR for this purpose.

Generally, the safeguards and controls are many and appear to be working with some areas for improvement. The numerous forms and reports reviewed is one good indicator of this. However, it was observed that information, e.g. Inventory Stock Status Report that serves as basis for approval of PR is still prepared manually with the help of the data from MAXIMO system and only for Line 2. In Line 1, there is no computerized asset management system. Similarly, the results of the physical count of inventory of spare parts are not reconciled with the data in the records of the Accounting Division.

Evaluation of Bids

Considering the high frequency and high value of transactions involving spare parts and materials for LRVs, the opportunity for abuse of discretion is high starting from the opening and prequalification, evaluation to the post qualification of the bids. **Abuse of discretion or authority** occurs when a person uses his/her vested authority to improperly benefit or give due preferential treatment to any group or individual. In this case, it could mean the positive recommendation and endorsement of a 'favored' supplier/bidder even if the offered bid does not meet or conform to all of the legal and technical specifications. Other related risks that are likely to occur are document and information security and bribery by suppliers/bidders.

Based on the site visits, review of records and interviews made the team of assessors, the following safeguards and controls were observed to be in place. First, there are three separate teams involved in the process. The BAC Secretariat is responsible for opening of the bids; the BAC TWG for the technical evaluation of the bid; and the BAC for the final decision on the winning bid.

The BAC Secretariat opens the bids received through public bidding in the presence of the BAC members. For transparency, the BAC also allows bidders present in the opening of bids to scrutinize each other's bid documents. The evaluation of bids is done by a separate Technical Working Group (TWG) which must have members from the end-user department or division. Currently, the TWG for Line 1 and TWG for Line 2 are headed by legal officers. The TWG evaluates the validity and authenticity of the legal documents and technical acceptability of the offered bid as well as terms of payment, delivery period, etc. It undertakes a thorough eligibility check of bidders when it goes to the extent of checking the validity of mayor's permits, SEC registration papers, bank certification, Original Equipment Manufacturer (OEM) certificate and distributorship authority. In one example given, a background check with bank officials uncovered fraud on the part of one bidder when its check and bank certification was found out to be fake.

The Office Order that created the TWG requires it to submit a status report on each Purchase Request every Friday to the BAC Chairman who is the Deputy Administrator. The TWG also meets every Wednesday and sometimes twice a week for meetings necessary to prepare its evaluation report to the BAC. The TWG has its own records keeper separate from the BAC Secretariat, which in effect deconcentrates the control and security of the documents and information from the BAC Secretariat. It also helps that the membership of the BAC Secretariat and TWG is reconstituted every year. Each TWG has a chair, a vice-chair, 4 members and 1 designated records keeper.

Another safeguard is the creation of a Special BAC with its on TWG for single multi-million special projects. This ad hoc body is created in concurrence with the resolution of the Board of Directors.

Third, the BAC Secretariat maintains a Documents Monitoring Form. Assessors reviewed a report for the period January 2006 to June 2007 which describes the: ITB Number, RIV/PR Number, Date Received by BAC, Buyer, Date Received by Buyer or GSD, Quantity, Approved Budget, Description of item supplied, Recorded Historical (activity and dates), Current Status and Date of Award. The information is available to the TWG and serves as input to the evaluation of offered bids.

Development Academy of the Philippines   Page 107
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

A fourth safeguard or control is that suppliers/contractors are required to submit performance bond or insurance which are callable on demand. As shown in the records of LRTA, bond companies, whose suppliers renege or do not meet the terms of the contract, are blacklisted. This is valuable information for the BAC in making decisions awarding of bid.

Some good practices that are related are also noted. First, records showed that Third Party or NGO Observers religiously attend BAC proceedings. They are furnished with list of awarded PRs and contracts. Second, the BAC issues a certificate of eligibility to post qualified suppliers which are effective for a year, provided they do not default or get blacklisted. This reasonably lessens the backlog in the validation activities that needs to be undertaken by the TWG.

Delivery and Warehousing

This activity covers the processes of delivery of procured items by supplier, inspection of items, and storage or warehousing. Corruption risks found occurring are **theft and pilferage** of spare parts and waste material for disposal stored in the warehouse. Other related risks were also identified such as fraud and misdeclaration of information through erasures and alterations in quantity and other descriptors in the delivery receipts, invoice and inventory reports, and non existent ghost deliveries by warehouse personnel in collusion with supplier.

During the period of the CVA, a Warehouse employee was apprehended for theft and pilferage. He surreptitiously took in his possession four (4) pieces of used carbon brush. Incidences of pilferage of cable wires were also reported.

Based on the process flow described earlier, the supplier, or brokerage in case of foreign procurement, delivers the items to the warehouse based on the Purchase Order and Delivery Receipt. To prevent misdeclaration and fraud, the items are inspected by an Inspection Team composed of representatives from General Services Division, Engineering as the end user, Internal Audit Office, and COA. Documents that serve as control mechanisms and safeguards which were reviewed by assessors appeared to be in order: Turnover/Transfer Report (TTR) by Warehouse Officer for spare parts, consumables, materials and system maintenance tools and equipment that go into the warehouse; Inspection and Acceptance Report from Inspection Team to certify that items delivered conform to the purchase order and specifications; and Exception Report for items rejected by end user to trigger replacement by supplier. Additional supporting documents are official receipts, property custody slips and inventory reports, among others. No obvious alterations were noted in the records reviewed by assessors.

Another safeguard in place is the use of a cross functional team represented by General Services, Internal Audit Office, COA and Engineering in the initial inspection of the items delivered by supplier before these are accepted by the Warehouse for storage and issuance to end user.

The Assessment Team noted that the functions of the item request, inventory and warehousing of spare parts and consumables fall under the same division, i.e. Engineering. This situation indicates lack of check and balance and offers plenty of opportunity for theft and pilferage.

An inspection of physical warehouse site and its perimeter revealed weaknesses that must be addressed through improvements in the physical structure, security and personnel deployment. For one, used materials that are for disposal but of high value are not properly stored. The lighting and storage equipment or structures inside the warehouse are not adequate. The perimeter fencing is also low and inadequate making it easy for a potential thief to throw things over the perimeter for retrieval without the security personnel noticing the act. In addition, warehouse personnel are allowed to bring their bags inside the warehouse.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 108

Observations and Recommendations

1. The control environment in the preparation and approval of purchase request can still be improved to prevent corruption by enhancing the asset management system of the Operations and Engineering Department and integrating it with accounting and audit systems of the Agency. The following specific actions are suggested.

   a. Install a MAXIMO system for asset management in Line 1 and make it operational as soon as possible. In addition, the MAXIMO system features should be upgraded or enhanced to capture and make performance and quality evaluation data on items procured available in the system, and accessible to other process stakeholders in accounting and audit.

   b. Information in the system should be shared proactively to process owners, i.e. Engineering, Internal Audit, General Services, Accounting, Warehouse, etc. with appropriate access and authorization levels. This will enhance controls and check and balance between operating units and support services.

   c. ICT enabled systems could be developed to allow for the integration of the asset management system with the systems of the Accounting and Internal Audit Office. This will allow for real time and accurate reconciliation of data concerning inventory of spare parts and materials which serves as critical input in the approval process of the Purchase Request.

2. The safeguards in the process of evaluation of bids can be improved to prevent corruption from taking place by addressing gaps through the following proposed measures:

   ▪ Set standards on the cycle time, e.g. 5 days, for the evaluation of bid based on the type of item being procured. For spare parts which are regularly purchased, the standard should not be difficult to set given available historical data, etc. The usual period of technical evaluation by the TWG takes a minimum of 7 days. This does not include the validation activities which may take one day to a week depending on the response of local government offices, banks, etc. The existence of standards and making them known to all procurement stakeholders including bidders will not only make the process more efficient and improve staff productivity, but also enhance transparency of the process. A standard that is not met can serve as an alert indicator on possible risks not being controlled or properly managed.

   ▪ The Agency should review the workload and responsibilities of the BAC TWG members, and augment the staff complement if necessary. It should also ensure that all those involved in the procurement are given appropriate training on procurement processes and laws including their role in protecting and securing classified documents and information. To cope with the workload particularly in the conduct of eligibility check of bidders, the TWG has resorted to 'borrowing staff' from the General Services Division. Often, they do not have the appropriate training on procurement procedures and laws. Even contractual employees are tapped as provisional members of the BAC Secretariat and TWG. Since they have access to documents and information, they also make for good and easy targets for unscrupulous suppliers/bidders. The situation can weaken controls in place considering that contractual employees do not have accountabilities as regular staff.

   ▪ The Agency should consider putting a fixed term, e.g. one year, to the membership in the BAC, BAC Secretariat and BAC TWG. They are the 'face' of the LRTA with the suppliers and contractors, and thus can become too familiar with suppliers. A fixed term would help prevent familiarity with suppliers from turning into preferential treatment and abuse of discretion. The fixed term can also be part of the Code of Conduct for the BAC, BAC Secretariat and TWG suggested in the CRR section of this report.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 109

3. To enhance the controls in place and prevent the risk of theft and pilferage, there is need to enhance the management and security of LRTA assets. Some of the proposed measures include:

  ▪ The warehousing function and personnel should be transferred from the Engineering Division to the General Services Division under the Administrative Department for better check and balance.

  ▪ Enhance the physical structure, layout and designation of storage areas inside the warehouse, as well as the lighting and fencing of the warehouse to discourage theft and pilferage.

  ▪ Security controls should also be enhanced by changing the uniforms of warehouse personnel so that these will not have pockets. Staff lockers should also be provided outside of the warehouse. Frisking and bag inspection where there is ingress/egress of people and goods/commodities should also be done. Accordingly, rules and regulations should also be reviewed and any changes should be disseminated to all employees.

  ▪ Security personnel deployment should be enhanced by posting of guards in warehouse as well as maintenance buildings, adding roving security personnel to patrol perimeter area.

2. Ticket Production, Selling and Remittance of Sales

Background

Ticket sales are LRTA's main source of revenue reaching as much as P6M from 400,000 passengers in a single day in Line 1 alone. In 2003, the LRTA introduced the Automated Fare Collection System (AFCS) to make the production and sale of tickets efficient and effective and prevent corruption. Under the AFCS, each ticket has a magnetic strip that can be pre-coded or formatted using especially designed and built machines using imported technology. The machine also sorts and counts the tickets.

Tickets are sold either manually by tellers in the booths or through Ticket Vending Machines (TVM). Each pre-coded ticket sold in teller booth is inserted in a Passenger Agent Machine (PAM) for validation or loading with a specific fare value depending on destination of the passenger. A limited number of TVMs are in operation due to its high procurement cost and maintenance.

Despite the automation of the fare collection system, fraud, theft and mishandling of tickets can still occur during the cycle of production, allocation, sales and remittance, especially if controls are weak or insufficient.

A complete process cycle involves several offices and departments, namely, Central Clearing House Unit, Treasury Division, Accounting Division and Operations Department. Many personnel, both regular and contractual, handle tickets and cash. Many of those directly involved in the sale of tickets are contractual staff.

As shown in the flowchart, the entire process covers the three sub-process of ticket production and allocation, cash and ticket administration/selling, and collection of sales and remittance of sales. The process involves 16 steps, namely:

  1. New Tickets Delivery
  2. Ticket Encoding
  3. Ticket Sorting
  4. Counting, Labeling, Packaging and Sealing of Tickets
  5. Stock Management
  6. Release of Tickets to Treasury

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation
Page 110

7. Transport of Tickets to Treasury Central

8. Treasury Ticket Stock Management

9. Allocation of Tickets to Station Tellers

10. Selling of Tickets to Passengers

11. Passenger Uses Ticket

12. Ticket is Captured at Gate

13. Collection of Problem Tickets from Allocation and Passengers

14. Remittance of Collection and Unsold and Problem Tickets to Treasury

15. Collection by Treasury of Tickets Captured by Gates

16. Delivery of Gate Collected Tickets, Unsold Tickets and Problem Tickets to Central Clearing House

Ticket Production and Allocation

1. New Tickets Delivery

Tickets used for riding the LRVs contain magnetic strips that allow for storage of electronic data and look like credit cards. The tickets are not manufactured directly by LRTA but procured from external provider. The tickets are processed or 'produced' when it goes through the machine for sorting, counting and encoding of value at the Central Clearing House (CCH).

Tickets for processing are delivered by the Treasury Cashier and received by the CCH Supply Officer based on Turnover Report.

2. Ticket Sorting

Tickets collected from the gates at LRT stations and from tellers are delivered by Treasury to CCH. Other types of tickets turned over to CCH include unsold tickets, and problem tickets, i.e. unreadable or expired. These tickets are recycled or reprocessed using the TSIE or Ticket Sorting and Issuing Equipment (TSIE) located and operated at the Central Clearing House. The TSIE centralizes the encoding and sorting of tickets issued for utilization in the revenue lines. It is capable of encoding Single Journey (SJ) and Stored Value (SV) tickets for sale and sorting of all tickets captured in station gates.

Sorting is facilitated by the use of different colors and feature for each type of ticket, i.e. SJ and SV. Line 1 and Line 2 uses a different set of color and design.

A Stored Value Ticket is valid for travel for a period of 6 months from the date of first use. This ticket corresponds to a certain value of credit and provides as many trips as this value of use authorizes. There is a time allowed for completion of each journey. For each trip, the price of the ride is subtracted from the remaining value of the ticket until expenditure of the full value us recorded.

Single journey tickets enable a one-way ride to be made. Its period of validity is the operational day of issue. There is a time allowed for completion of single journey. A ticket purchased from one station is valid for journeys at fixed value, starting from any station, on the whole network. This value is independent of the trip length.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 111

Process Flow

TICKET PRODUCTION, SELLING AND REMITTANCE OF SALES

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 112
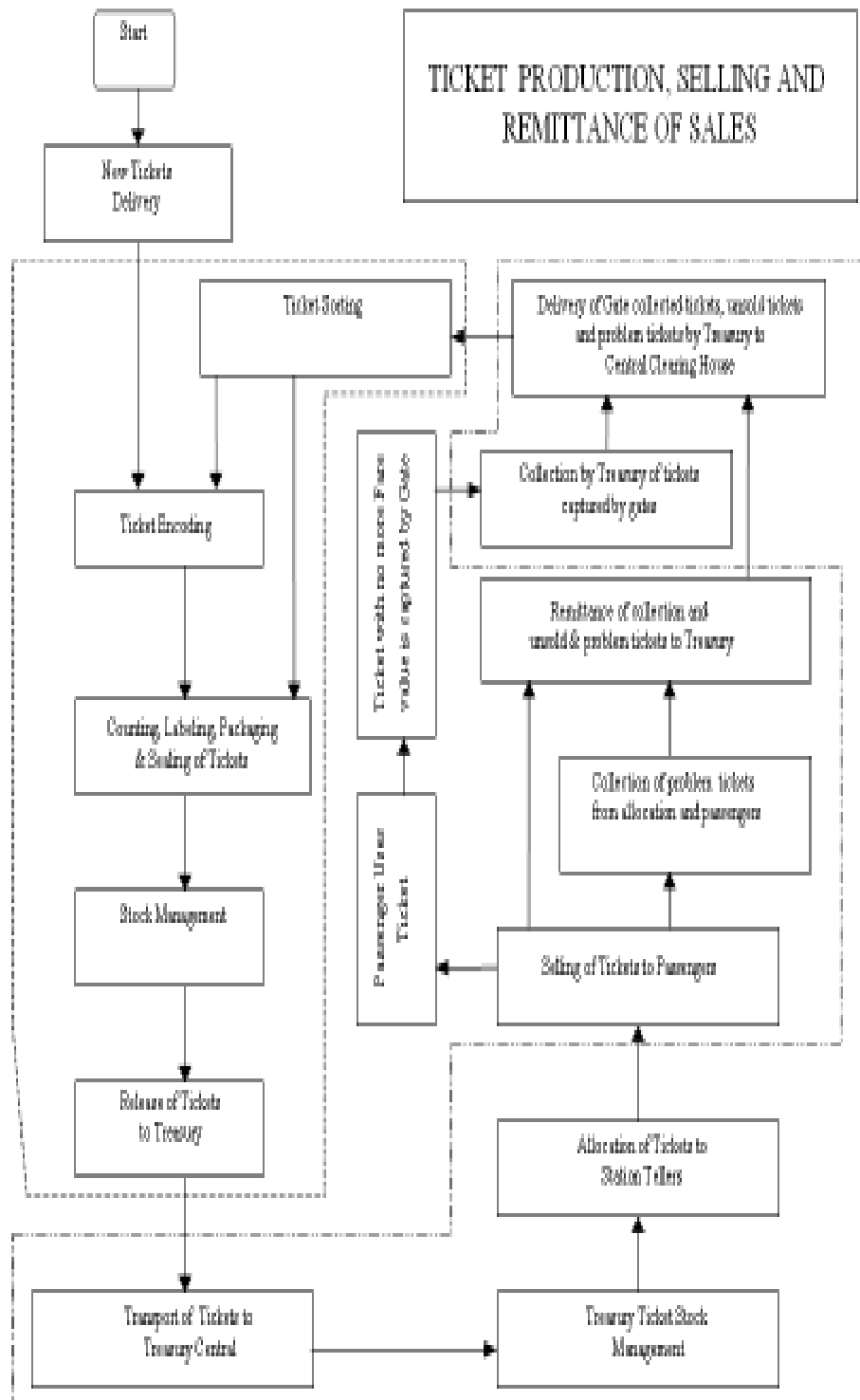
3. Ticket Encoding

After the tickets are sorted according to type, they are pre-coded which means that any data in the tickets are erased or formatted so new data can be stored. At this stage, there is no value yet to ticket and they can not be used directly to gain entry at the station gates. The full coding is done by the Passenger Agent Machine (PAM) located in the teller booth or by the Ticket Vending Machines (TVM).

The Data Encoder Controller enters the command in the main system that operates several TSIE machines, e.g. number of tickets sorted per batch, type of value to be stored. Tickets drop from the top portion of the TSIE to a bin located at the base of the equipment already sorted and formatted.

4. Counting, Labeling, Packaging and Sealing of Tickets

A Data Encoder Controller operates the TSIE. Pre-coded tickets that come out of the machine are sorted in batches of 50 or 100. They are labeled and placed in small plastics boxes and sealed with tape. Sealed and packaged pre-coded tickets are inventoried and information is entered in the Production Logbook. A Ticket Production Report is prepared by the Data Encoder Controller for checking by the Supervising Data Encoder.

5. Stock Management

After tickets are packaged and sealed, these are turned over to Supply Officer for stock and inventory management. The Supervising Supply Officer stores the tickets in a secure area in the CCH production area before it is allocated to stations. The Supply Officer keeps and maintains the production logbook and stock ledger which are reviewed by the Supervising Supply Officer.

The stock is inventoried weekly by CCH Revenue & Production Reconciliation Section specifically the Chief Corporate Accountant. Likewise, the Data Management Chief checks ticket stock ledger daily. The Internal Audit Office also conducts spot audit twice a year.

6. Release of Tickets to Treasury

Tickets are released by the Supply Officer to Senior Cashier from Treasury for allocation. The Supply Officer prepares a Delivery Report, which has to be approved by the Data Management Chief.

Turnover reports from CCH Supervising Data Encoder are given to Treasury Cashier. The CCH Security Guards checks the quantity of packaged tickets inside a plastic crate with the Cashier witnessing it, against the Gate Pass. The crate is locked with a steel chain and padlock before transport. The Senior Cashier receives the key to the crate for unlocking at the Treasury Central.

Ticket and Cash Administration

7. Transport of Tickets to Treasury Central

The crates containing the tickets are transported by the Senior Cashier escorted by the Treasury Guard to the Treasury Central.

8. Treasury Ticket Stock Management

The Senior Cashier prepares the station's required allocation for the day and the Ticket Allocation and Monitoring Report. He/she distributes the allocation list/requirement to the Mopping or Sweeping personnel who in turn gets the ticket allocation from the CCH office and then delivers the tickets, change funds, refund and discount coupons to all stations. The Treasury Guard accompanies the Senior Cashier to ensure the safety of the deliveries.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 113

9. Allocation of Tickets to Station Tellers

The Station Cashier receives the tickets, change funds and refund and discount coupons from Mopping personnel, replenishes the Ticket Vending Machine (TVM), TVM ticket magazines and coin cassettes. S/he allocates the change fund and tickets to the Station Teller and the discount coupons to the Station Supervisor.

Refund coupons are issued to Station Supervisors on a case to case basis, especially during train breakdowns. These coupons were kept intact at the vault. The Station Teller and sometimes the Station Supervisor witnesses the opening and replacement of ticket magazines and coin cassettes.

The Station Teller receives tickets and change fund from the Station Cashier and fills up the Teller Sales Report (TSR) provided by the Station Cashier.

10. Selling of Tickets to Passengers

Station tellers insert ticket into Passenger Agent Machine based on the fare value required by passenger. Some tickets especially Stored Value may not have enough value left to complete a trip. When this happens, a Station Teller upgrades the ticket based on passenger request to add the amount to the ticket.

The Station Supervisor is responsible for issuing discount coupons to qualified, e.g. senior citizen, passengers in the Passenger Assistance Office or Desk at the station.

11. Passenger Uses Ticket

Tickets bought from the station teller or TVM are inserted in the Ticket Transport device to operate the turnstile and allow entry or exit at the gate.

Collection of Tickets and Remittance of Sales

12. Ticket is Captured at Gate

Once a ticket is successfully accepted by the Ticket Transport device at the gate, the information is recorded in the Station Processing System (SPS), a computer located in each station. A system report also tells how many tickets were generated from Passenger Agent Machine (PAM) used by tellers when selling ticket to passenger.

The information from the Station Processing System and Central Processing System are reconciled with Treasury and CCH reports. The SPS and CPS are part of the Automated Fare Collection System maintained by the Operations Department.

13. Collection of Problem Tickets from Allocation and Passengers

To resolve problems encountered by passengers in using tickets, e.g. jammed ticket or expired ticket, station teller analyzes ticket and upgrades ticket, or refund if necessary.

14. Remittance of Collection and Unsold and Problem Tickets to Treasury

The Station Teller remits the cash collections and unsold tickets with the accomplished Teller Sales Report (TSR) to the Station Cashier. Station Cashier counts the cash remittance and compares it with the TSR form. S/he checks the total cash corresponds to the amount of the ticket sold, initial cash funds and other ticket transactions, checks the amount of jammed tickets with the sales report. If correct, the Station Cashier and Teller both sign the TSR form. All discrepancy is recorded on the TSR form signed by both parties.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 114

15. Collection or Mopping of Gate Captured Tickets

Every night after the last commercial train service, a Sweeping Train is dispatched with the mopping personnel. These personnel collect excess/captured/damaged tickets, empty TVM cash boxes, empty TVM ticket magazines, empty coin cassettes, etc. from the Station Cashiers for turn over to CCH, and at the same time provide them with needed allocation for the next day's operation.

16. Delivery of Gate Collected Tickets, Unsold Tickets and Problem Tickets to Central Clearing House

A turnover report is prepared by the Treasury Cashier and checked or validated by receiving CCH Supply Officer by actual counting of unsold tickets and problem tickets that accompanied the report.
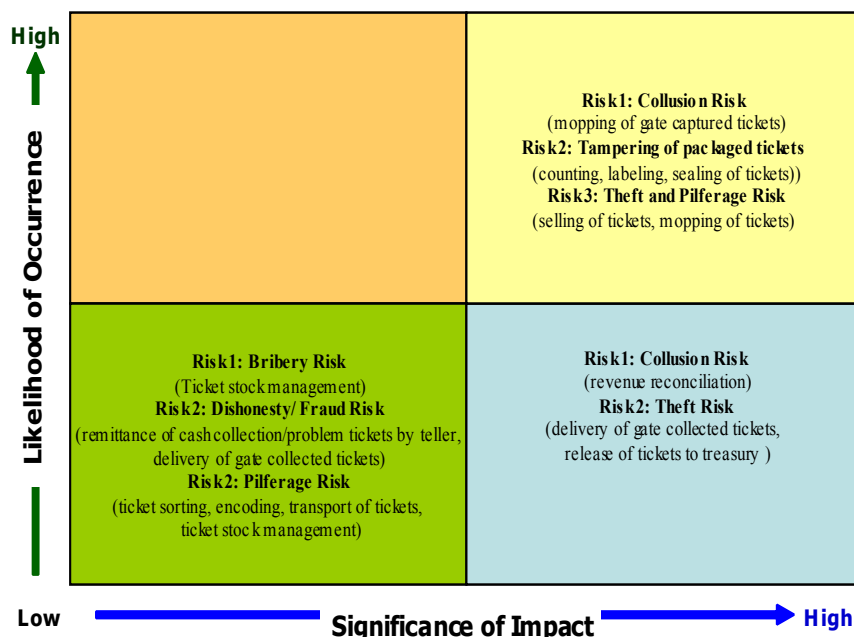
CCH gathers and prepares reports for cash, ticket, ridership statistics based on manually written reports from CCH, Treasury and reports generated from the Station Processing System and Central Processing System.

Identified Risks

The risk map on ticket production, selling and remittance of sales shows risks for corruption to occur, namely, collusion, tampering, theft and pilferage, fraud, dishonesty and bribery.

Based on the risk map, three (3) critical activities or functions were identified where the risk in terms of likelihood of occurrence of corruption and significance of impact are both high. These activities are: 1) Counting, Labeling and Sealing of Tickets, 2) Selling of Tickets, and 3) Mopping of Gate Captured Tickets. Other identified risks are described in the CVA Matrix at the end of this section.

RISK MAP: Ticket Production and Selling and Remittance of Sales

High

Likelihood of Occurrence

Risk1: Collusion Risk
(mopping of gate captured tickets)
Risk2: Tampering of packaged tickets
(counting, labeling, sealing of tickets))
Risk3: Theft and Pilferage Risk
(selling of tickets, mopping of tickets)

Risk1: Bribery Risk
(Ticket stock management)
Risk2: Dishonesty/ Fraud Risk
(remittance of cash collection/problem tickets by teller, delivery of gate collected tickets)
Risk2: Pilferage Risk
(ticket sorting, encoding, transport of tickets, ticket stock management)

Risk1: Collusion Risk
(revenue reconciliation)
Risk2: Theft Risk
(delivery of gate collected tickets, release of tickets to treasury)

Low   **Significance of Impact**   **High**

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 115

Counting, Labeling, Packaging and Sealing of Tickets

Ticket production is the function of the Central Clearing House, a unit transferred this year to the Finance Department. The current corporate structure puts it under the Project Management Office under the Office of the Administrator. Involved in this function are the Sorting and Coding Section, Ticket Management Section, and Revenue and Production Reconciliation Section. A Data Management Chief heads the Unit. CCH used to be a department responsible for ticket production and administration of the Automated Fare Collection System (AFCS), which has been transferred to the Operations and Engineering Department in the new structure. The system involves a network of trains running and station operations using computers and high technology equipment including the production of tickets.

As observed during the site visit in CCH Line 1, several Ticket Sorting and Issuing Equipment (TSIE) are used to sort and code tickets bearing magnetic strips. Sorting and coding is done according to type, i.e. Single Journey, Stored Value by a Data Encode Controller from the Sorting and Coding Section. After each batch of sorted and pre-coded tickets are taken out of the TSIE magazine bins, these are placed on a long table beside the TSIE for counting, labeling, packaging and sealing.

The pre-coded tickets are counted by another Data Encoder Controller, different from the one who sorted and coded the ticket. Packaging is manually done by wrapping a paper strip around a set of tickets, i.e. by 100. The paper strips used have blank spaces where staff can indicate number and type of ticket counted. Labeling means manually by writing the quantity and type of tickets on the paper strip. Each set is then placed in a small, white transparent rigid box similar to boxes for business cards and sealed with a special transparent tape with printed LRTA logo.

During the site visit to CCH, it was noticed that some of the rigid boxes being used had cracks. As well, the type of sealing tape used around the rigid box can be cut clean with a blade and easily go unnoticed. The likelihood and impact of **pilferage and theft of tickets** in this situation is high. This can compromise ticket count and revenues.

During ticket processing, a Ticket Production Report is prepared by the CCH Data Encoder Controller and checked for correctness by the Supervising Data Encoder. A Production Logbook is also maintained by the Data Encoder Controller. To ensure quality of tickets, a quality assurance check is done by the Supervising Data Encoder Controller by using a handheld magnetic analyzer on randomly selected tickets before they are packaged. Sometimes the TSIE machine failed to format or put value to the recycled ticket due to physical defects or over use. These errors or defective tickets are blacklisted to prevent usage in the revenue line.

After tickets are packaged and sealed, these are turned over to Supply Officer for stock and inventory management. The Supervising Supply Officer keeps and maintains the stock ledger which is reviewed by the Supervising Supply Officer. A spot audit of CCH records are also done by the Internal Audit Office at least once a week. The stock is inventoried weekly by Revenue & Production Reconciliation Section specifically the Chief Corporate Accountant. Likewise, the Data Management Chief checks ticket stock ledger daily.

The standard operating procedure is for full coding of tickets to be done at point of sale by Station Tellers using the Passenger Agent Machine (PAM) inside the teller booth upon payment of fare by passenger. However, it was noted that CCH also produces 1,500 fully coded tickets ready to be sold tickets every week in satellite booths or kiosks by Treasury Personnel and not by tellers. The practice is seen by management as an effective way to address the long queue during rush hour.

During a visit to Central Station one morning, it was also observed that several Station Tellers were full coding tickets using PAM units inside the employee lounge before their shift started. This was supposedly to prevent long lines at the booths especially during rush hour. As well, Station Tellers who have the first shift in the morning are reported to be allowed to use the PAM to do full coding of tickets late at night before midnight.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 116

The pre-coded tickets are stored in the unit head's office, which is a small cubicle within the CCH production room where the sorting and coding machines or TSIE are located. Stacked just outside the door are the crates including broken ones for transporting tickets to Treasury Central. There appeared to be no vault inside the CCH. On the whole, the production area and the offices of the CCH appeared to be crammed in one small room. There is a however, a security guard stationed at the door and staff lockers are placed just outside the main production room.

Based on the assessment above, the risks identified in this process are **tampering** of seal of packaged pre-coded tickets and **theft and pilferage** of pre-coded and fully coded tickets. Many of the control mechanisms in place are working but some appear to weaken the safeguards that were built into the Automated Fare Collection System, e.g. advance full coding of tickets.

Selling of Tickets and Handling of Cash Collection

Tickets are sold by Station Tellers and Ticket Vending Machines. At five shifts a day starting at 5 AM and ending at 10:30 PM, a considerable amount of cash is handled by tellers. A single teller sells an average of 2000 tickets mostly Single Journey Tickets amounting to P38,000.00 per teller shift. Based on a Treasury Summary of Collection reviewed by assessors, Line 1 has a total of P5M cash collection in a single day from 5 shifts. The cash is collected on the same day by a Land Bank agent who goes to directly to Treasury Central Station.

The Automated Fare Collection System is intended to make the process of buying the ticket for passengers train hassle free and transparent through the use of machines to lessen human error. In the pre-AFCS days, theft and fraud occurred when token coins inserted into the slot were diverted intentionally to a hole in the ground instead of the bin. The tokens were easily resold again by private vendors.

The AFCS is also intended to make revenue collection accurate and efficient. Identified risks in this process are **shortchanging, issuance of blank ticket to passenger, dishonesty through the use of expired ticket, and ticket pilferage.**

The process of ticket selling begins when passenger lines up at the Ticket booth. Station teller inserts a pre-coded ticket into the Passenger Agent Machine (PAM) based on the fare value required by passenger. Change is given as necessary. A standard transaction should take no longer than 1 minute. Some passengers however go to the Station Teller with a "problem" ticket and they could not gain entry or exit at the gate. This could be because the remaining value on stored value ticket is not adequate, is expired or physically defective. Worse, the ticket bought is "blank" or has no value in it despite money being exchanged. This can happen when a Station Teller purposely issues a blank ticket or an expired ticket, which was probably pilfered at some point. It is possible that passenger does not witness Teller inserting the ticket in the PAM. There is risk here when teller does not acknowledge the error and asks the passenger to pay again before a new ticket is issued.

While it cannot be easily tampered with or operated without necessary authorization and access codes, there is a need to secure the Station Processing System (SPS) in a specially designated room. Currently, the SPS in Central Station is located in the employees' lounge. There are also Passenger Agent Machines installed in the lounger where advance full coding of tickets is also done by tellers. Not only is the room cramped, but the high volume of human traffic in this room makes the system vulnerable to damage and tampering of the system.

There are other safeguards in place in the handling of cash collection. The Station Cashier is responsible for removal of tickets from the gate full bin. A ticket crate is used as ticket container during pull out. This is witnessed by the Station Supervisor and both sign the form. The Station Cashier prepares Gate Ticket bin pull out form and records the total number and type of tickets pulled out on the Cash and ticket logbook. If cash is to be collected is from TVM, the Station Cashier pulls-out the full TVM cash box and collects the TVM data print-out report.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 117

The Station Teller remits the cash collections and unsold tickets with the accomplished Teller Sales Report (TSR) to the Station Cashier. At the end of shift, the Station Teller accomplishes the TSR form describing the following:

    a.   Number of excess tickets
    b.   Number of defective tickets
    c.   Initial cash fund details
    d.   Coupon details
    e.   Total remittance
    f.   Upgraded tickets if any
    g.   Refunded tickets if any
    h.   Number of bank notes according to its type
    i.   Number of coins according to its type
    j.   Signature

The Station Cashier deals with the Station Tellers individually during their turnover or remittance inside the Cash Office. Based on documents and reports reviewed by assessors, the Senior Cashier makes a cross inventory of cash remittance with the Station Teller. S/he counts the cash remittance and compares it with the TSR form. S/he checks the total cash corresponds to the amount of the ticket sold, initial cash funds and other ticket transactions, checks the amount of jammed tickets with the sales report. If correct, the Station Cashier and Teller both sign the TSR form. All discrepancy is recorded on the TSR form signed by both parties. In case of discrepancy, the Station Teller pays the equivalent cash shortage and remits any cash surplus from cash collection. The Station Cashier records the shortage/surplus in the TSR from and both sign the form.

The Station Supervisor returns the unused discount coupons together with the accomplished Coupons Issuance Report to the Station Cashier to be counter checked by the Senior Cashier. The Station Cashier receives cash collections and unsold tickets with the TSR from Station Teller and the unused discount coupons from Station Supervisor. S/he prepares the inventory reports for cash, tickets, change fund and coupons and the TSR, turnovers the TVM cash boxes and cash collection from Station Teller to the Bank representative for deposit and prepares the deposit slip.

The Senior Cashier witnesses the opening of cash boxes to the bank representative while the Treasury Guard witnesses and observes the sorting and counting of cash collections by the bank representative. The Senior Cashier prepares the Shift Collection Report and Summary of Collections, checks and reviews all reports and deposit slips submitted by the Station Cashier.

Mopping of Gate Collected Tickets

At night after the last commercial train, a Sweeping Train is dispatched with the mopping personnel to collect excess/captured/damaged tickets, empty TVM cash boxes, empty TVM ticket magazines, empty coin cassettes, etc. from the Station Cashiers for turn over to Central Clearing House, and at the same time provide them with needed allocation for the next day's operation.

Based on the rationale of AFSC, the amount of tickets released by CCH for each station at the start of the revenue day should match the ones collected or mopped by Treasury at the end of the revenue day. However, a review of Station Gate Collection and Production Report of Line 1 revealed discrepancies. This daily report aims to match the physical count and total amount value of gate captured tickets per station with the quantity mopped from each station. For instance, Station 6 revealed a shortage of 415 Single Journey tickets, but no remarks to explain the difference in reports. Only 11 tickets were reported defective in that station. Immediate or real time reconciliation of records between Treasury and CCH as well as accounting is not being done and is not possible to explain the discrepancy.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 118

Based on the assessment, identified risks include **collusion** between mopping personnel to commit and **pilferage** during ticket collection from the gates and sweeping of tickets.

As observed in one station, the Station Cashier opens the gate bin a ticket accompanied by the Treasury Roving and Treasury Guard. A reading was taken from the gate and noted in Container Replacement Slip. A utility worker carrying the crate was called to assist. Tickets inside the gate bin were poured into a supposedly empty crate, but a ticket was found inside perhaps left from previous mopping. It was also observed that some broken crates were still used for mopping. There is the risk of pilferage here since the utility worker has no responsibility per Station Policies to assist in the collection.

One safeguard here is that mopping personnel consists of the Train Treasury Officer, train escort guard from Treasury who comes from a different agency, and a station guard who comes from different security agency, with Civil Security Officer witnessing the collection and signing the mopping form.

After the tickets have been collected from the gate, the Station Cashier makes a cross inventory with the Sweeping Train Treasury Officer. S/he counts the excess/captured/damage tickets, empty TVM cash boxes, empty TVM ticket magazines, empty coin cassettes, etc. in the presence of Train Treasury Officer. Train Treasury Officer verifies that the excess/captured/damage tickets, etc. tallies with the turnover form. If correct, the Treasury Officer and Station Personnel both sign the form.

A Ticket Turnover Report is prepared by the Treasury Cashier to be received by CCH. It shows the station number, and gate number and quantity per type of ticket as well as total crates used, i.e. 12.

Another control mechanism is that loose tickets or unused pre-coded tickets, i.e. when the seal has been broken, are not reissued, but instead counted by Treasury and returned to CCH for reprocessing. A Ticket Turn Over Report Returned Loose Ticket form is prepared by Treasury. Since this is manually done by Treasury personnel, there is the risk of pilferage.

Another safeguard is the use of the Treasury vault inside the treasury office where pre-coded tickets and loose tickets are kept. Security personnel frisks those coming and going into the treasury office and bags are not allowed inside the Treasury offices.

Observations and Recommendations

1. The controls and safeguards in the counting, packaging and labeling and sealing of tickets may be enhanced by the following proposed measures:

   ▪ Security measures should be enhanced. Presently, there is no camera inside the ticket production or processing area of the Central Clearing House. The installation of surveillance cameras in the ticket processing areas would be a good way to enhance security.

   ▪ The security, physical layout, appearance, and cleanliness of the CCH production area can be improved by designating and labeling specific areas for the ticket sorting machine, the packaging section, stock management section, and staff offices. There should be a separate area or room and vault designated for securing ticket stock.

   ▪ Quality standards in the various stages of ticket processing and stock management should be strictly observed. As observed during the site visit, plastic crates used for storing and transporting tickets from CCH to the stations were broken or had cracks in them.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 119

2. Risks identified in ticket selling and administration may be addressed through the adoption of additional safeguards and controls:

   ▪ A policy should be issued to disallow tellers from bringing their personal belongings such as bags and cell phones in the teller booths. These bags may be used to store pilfered tickets or cash.

   ▪ Secure the Station Processing System (SPS) in a specially designated room. Currently, the SPS in Central Station is located in the same room used as employees' lounge where advance coding area of tickets is also done. Not only is the room cramped, but the high human traffic in this room makes the system vulnerable to damage and corruption.

   ▪ Management should review the advantages and disadvantages of advance coding of tickets which in a way tends to contradict or compromise the controls built into the AFCS particularly on using the Passenger Agent Machines at the point and time of sale. Since advance coding is done at late at night by tellers at the station for use the following day, there is added accountability and responsibility for securing these coded tickets before they are actually needed.

   ▪ While the fare collection system is automated, it is not integrated fully into the accounting system. The SPS generated report is still manually reconciled with those of CCH and Treasury. Revenue reconciliation between CCH and Treasury, and between CCH and Accounting should be made possible in real time through the use of ICT-enabled application systems. This will make discrepancies in reports of various units easily visible for immediate action or correction.

3. The corruption risks identified in the process of mopping of tickets from the gates and collection of remittance may be prevented through the following measures:

   ▪ Collection of tickets from gates should be performed only by designated personnel with proper authorization for the task to ensure security and accountability of the process.

   ▪ Replace broken plastic crates used for storing and transporting tickets from gates to CCH. These broken crates should be disposed of and replaced with new ones to protect ticket count.

   ▪ There should be a policy or guideline on how to handle discrepancy of revenue line reports, e.g. Gate mopping reports from Treasury that do not tally with ticket delivery report of CCH, including sanctions or mechanisms to make those responsible for such activities accountable.

3. Acquisition of Right of Way (ROW)

Background

There are three modes by which Right of Way Acquisition (ROW) and Titling of Property is pursued by LRTA: 1) Acquisition through Donation, 2) Acquisition of Property through negotiated sale, and 3) Acquisition of property through Expropriation/easement.

In all modes acquisition, the LRTA is represented by the Legal Office of the PMO and the ROW Task Force negotiates with the property owner. In the acquisition of property **through donation**, the property owner, or those who were directly benefited by the project are requested to donate their property or transfer said property in any gratuitous manner provided under the law.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation
Page 120

Similarly, in the acquisition of property **through negotiated sale**, the LRTA negotiates with the property owner, on the particular property needed for the project for the purchase of the said land including the improvements. In this process, LRTA prepares letter/communication regarding the 1st offer based on current and fair market value as reflected in the Owner's Tax Declaration of Real property. If the owner rejects the offer, the LRTA makes 2nd offer with price ascertained by Inter-Agency Appraisal Committee based on E.O.132. If the 2nd offer is rejected, owner may request for reconsideration, citing reasons for the rejection. The Inter-Agency Appraisal Committee will act on the request.

In the acquisition of property **through expropriation/easement**, the LRTA negotiates with the property owner to acquire property through expropriation should negotiations for the extra judicial acquisition of ownership/occupancy of the property fails. In this approach, the PMO shall request and recommend to the Administrator to proceed with expropriation. LRTA shall have authority to proceed with expropriation proceeding through the Government Corporate Counsel (GCC). The Court shall give priority to adjudication of cases and shall issue writ of possession upon deposit by LRTA of amount determined by court (% of the just compensation)

This CVA focuses on the acquisition of right of way from negotiation with the property owner to the safekeeping of Transfer of Certificate Titles (TCT) to LRTA, which provides proof of ownership of the LRTA of land on which infrastructure has been built.

Per PMO records, LRTA has a total of 198 recorded properties based on number of lots and 145 properties based on number of property owners.

The COA Audit Report for CY 2002-2004 found weaknesses in the handling of TCTs. It enjoined LRTA management to constantly monitor, investigate and work for all pending Transfer of Certificate Titles of all untitled properties (Audit Memorandum Observation dated 18 May 2006).   The subject of the COA Memo focuses on the 28 Transfer Certificate of Titles (TCTs) which are still in name of previous owner, yet full or partial payments have been made to property owners.
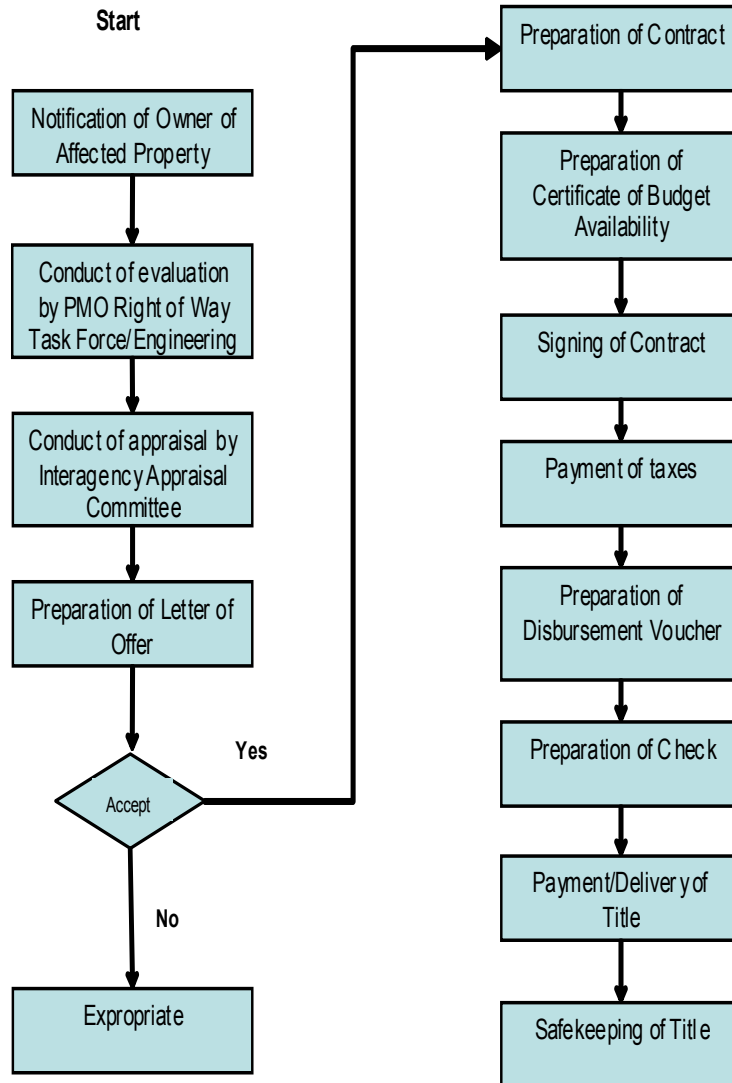

Process Flow

As shown in the flowchart which were derived from the manual being used by LRTA since 1997 for the construction of Line 2, the process of acquisition of right of way involves 13 steps, namely;

1. Notification of Owner of Affected Property

2. Conduct of Evaluation by PMO ROW Task Force/Engineering

3. Conduct of Appraisal by Interagency Appraisal Committee

4. Preparation of Letter of Offer

5. Expropriation

6. Preparation of Contract

7. Certificate of Budget Availability

8. Signing of Contract

9. Payment of Taxes

10. Preparation of Disbursement Voucher

11. Preparation of Check

12. Payment/Delivery of Title

13. Safekeeping of Title

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 121

Acquisition of Right of Way

Start

```
Notification of Owner of
Affected Property
        |
        v
Conduct of evaluation
by PMO Right of Way
Task Force/Engineering
        |
        v
Conduct of appraisal by
Interagency Appraisal
Committee
        |
        v
Preparation of Letter of
Offer
        |
        v
     Accept  --- Yes --->
        |
        No
        |
        v
   Expropriate
```

```
Preparation of Contract
        |
        v
Preparation of
Certificate of Budget
Availability
        |
        v
Signing of Contract
        |
        v
Payment of taxes
        |
        v
Preparation of
Disbursement Voucher
        |
        v
Preparation of Check
        |
        v
Payment/Delivery of
Title
        |
        v
Safekeeping of Title
```

1. Notification of Owner of Affected Property

    The LRTA, represented by the Legal Office of the PMO and the Right of Way (ROW) Task Force, notifies the property owner informing him that his property is to be affected by the construction of the LRT and requests him to submit the Transfer of Certificate Title and Tax Declaration of the property. The Property Owner is given 15 days to respond and within which to submit the requirements. After the response of the Property Owner, the Legal Office informs the PMO Engineering that the Property Owner is the real owner of the property based on the submitted documents.

    A meeting with the Property Owner is then set by the Consultant/PMO ROW Task Force. In the meeting, the Property Owner is requested by the PMO RO Task Force to conduct evaluation of the property.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 122

2. Conduct of Evaluation by PMO ROW Task Force/Engineering Services

    Once PMO ROW Task Force and Engineering Services get the Permit to Enter Private Property, it goes to the site and conducts a physical inspection of the land and land improvements. Photos are taken and a certification of inspection is forwarded for appraisal by the Inter-Agency Appraisal Committee. Other documents gathered before negotiations are Real Property Tax Clearance Certificate supported by photocopies of Official Receipt, Sketch Map of affected property, and pictures with description. The ROW Task Force determines a reasonable just compensation for the property to be acquired.

3. Conduct of Appraisal by Interagency Appraisal Committee

    PMO ROW Task Force activities are reviewed and approved by the Inter-Agency Committee and the purchase price is ascertained by the same Inter-Agency Committee composed of Metropolitan Manila Development Authority (MMDA), Department of Public Works and Highways (DPWH), Light Rail Transit Authority (LRTA) and Local Government Unit (LGU) where the property is situated. Accordingly, the basis of offer in negotiations is the BIR Zonal Valuation.

4. Preparation of Letter of Offer

    Before the start of negotiations, copies of the following are prepared: Deed of Donation, Right of Way Agreement, Deed of Absolute Sale, and Contract of Lease, Agreement to Demolish and Remove Improvements, and Special Power of Attorney. In this process, LRTA prepares letter/communication regarding the 1st offer based on current and fair market value as reflected in the Owner's Tax Declaration of Real property. If the owner rejects the offer, the LRTA makes 2nd offer with price ascertained by Inter-Agency Appraisal Committee based on E.O.132. If the 2nd offer is rejected, owner may request for reconsideration, citing reasons for the rejection. The Inter-Agency Appraisal Committee will act on the request.

5. Expropriation

    Should negotiations for the extra-judicial acquisition of ownership/occupancy of the subject property fail, the PMO shall request and recommend to the Administrator to proceed with expropriation. LRTA shall have authority to proceed with expropriation proceeding through the Government Corporate Counsel (GCC). The Court shall give priority to adjudication of cases and shall issue writ of possession upon deposit by LRTA of amount determined by court (% of the just compensation)

6. Preparation of Contract

    Upon final negotiation with property owners, the ROW Task Force endorses all documents to the PMO Legal Unit. The Task Force also informs and provides copy of all documents to the Project Manager.

    The Senior Corporate Attorney is responsible for the preparation of the Final Deed of Sale/Contracts/Other Legal Documents. Seven copies of the contract are prepared and forwarded to the Budget Officer who prepares the Notice of Budget Allotment or Request for Obligation and Allotment for the contract.

7. Certificate of Budget Availability

    Based on the Notice of Budget Allotment, the Finance Officer certifies if funds are available and indicates this on the face of the Deed of Sale/Contract/Other Legal Documents.

8. Signing of Contract

    In the execution of the Contract/Deed of Sale, the Legal Office, the ROW Task Force, Project Engineer and Property Owner are responsible for ensuring due execution of the contract/s. All contracts are approved by the LRTA Board of Directors in accordance with LRTA Board Resolution No. 97-32.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 123

9. Payment of Taxes

    The Legal Office, the ROW Task Force, Project Engineer, Property Owner, BIR and Municipal Treasurer determines whether the taxes due to the government are properly assessed, deducted and remitted.

    Based on tax assessment made by the BIR, LRTA deducted from the. Likewise, all taxes deducted shall be immediately remitted to BIR or the City Municipal Treasurer.

10. Preparation of Disbursement Voucher

    In the preparation of disbursement voucher and attachment of supporting documents, the Legal Unit of the PMO facilitates the payment of ROW claims. The preparation of voucher goes through a standard procedure as follows: a) The voucher is initially reviewed and initialed by the Senior Corporate Attorney, b) The DV and supporting documents are being reviewed by the Project Manager and certifies on Box A of the DV. In the absence of the PM, the Assistant Project Manager for Finance and Administrative Services reviews the DV, c) The Finance Officer reviews DV and supporting documents and certifies Box B of the DV; d) The Asst. Project Manager for Finance and Administrative Services reviews DV and supporting documents and affixes initial/s on Box C of the voucher. In the absence of the APM, the Finance Office initials on the D; and e) The Administrator/ Project Director reviews and approves the DV. In the absence of the Project Director, the Project Manager approves the DV.

11. Preparation of Check

    The LRTA Cashier (Treasury Office), facilitates the preparation of check as payment for ROW claims. The Asst. Project Manager for Finance and Administrative Services or Finance Officer signs the check. As a control measure, the Administrator/Project Director or the Project Manager counter signs the check.

12. Payment/Delivery of Title

    The Legal Office ROW Task Force, Property Owner, and Asset Management Division are responsible for ensuring that all supporting documents are complete before payment is made and for the delivery of the TCT in LRTA's name.

13. Safekeeping of Title

    After payment is made, Treasury is responsible for safekeeping in the vault at the Central Office in Pasay City.
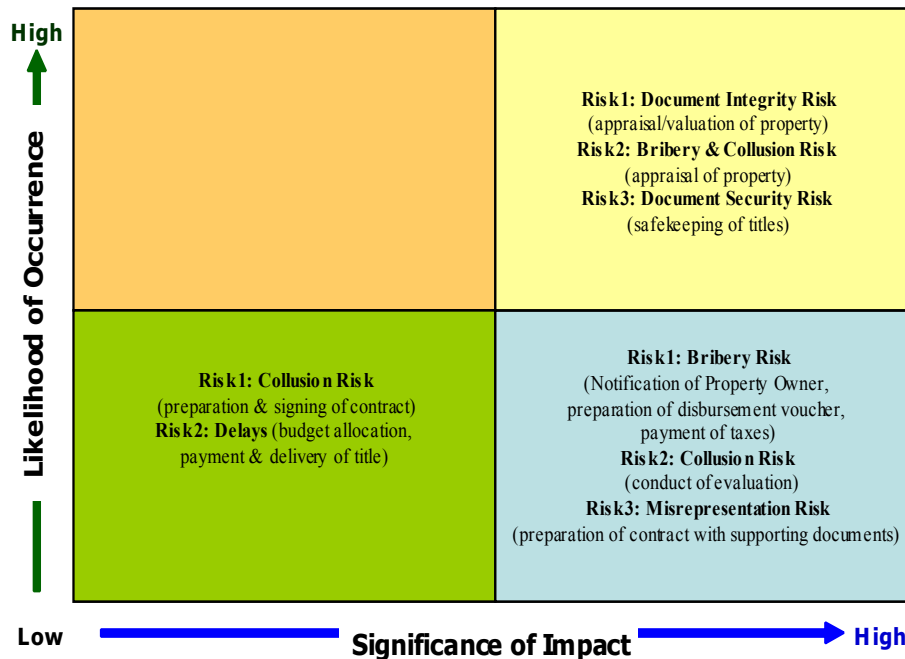

Identified Risks

In the risk mapping on acquisition of right of way, risks identified as likely to occur are document integrity risk, collusion, bribery, document security risks, misrepresentation, and delays in processing of transaction.

Based on the risk map, two (2) critical activities or functions were identified where the risk in terms of likelihood of occurrence of corruption and significance of impact are both high. These activities are: 1) Appraisal of Property, and 2) Safekeeping of Titles of Real Property. Other identified risks are described in the CVA Matrix at the end of this section.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 124

RISK MAP: Acquisition of Right of Way

Appraisal of Property

Appraisal of property is the responsibility of the Inter-Agency Committee (IAC) composed of the Metropolitan Manila Development Authority (MMDA), Department of Public Works and Highways (DPWH), Light Rail Transit Authority (LRTA) and Local Government Unit (LGU) where the property is situated. Based on the list of payments maintained by PMO, the amount of payments made to property owners ranged from a low P166,000 to a high P1 Billion. Many of the property payments made amounted to tens of millions.

A possible risk in this process is **bribery** of members of the PMO ROW Task Force as the negotiating team for LRTA to conduct a positive evaluation of the property and recommend the offer of a higher appraisal price for their property. It is also possible for members of PMO ROW Task Force to collude with the property owner to commit falsify documents or **compromise document integrity**, e.g. fake photos, TCTs, etc. for the inspection report. The risk of delays was also apparent since negotiations by PMO ROW TF with property owner became protracted, i.e. 6 months instead of 15 day period for consideration of offer by owner.

There are safeguards in place based on review of documents and process flows. For one, a multi-agency body is created in the IAC to make decisions on appraised value of affected property. While the PMO ROW Task Force and Engineering Services determine the reasonable price for the property based on their evaluation, it is the IAC that reviews all documents and information collected by the PMO ROW Task Force and ascertains the final purchase price. It would be difficult for property owners to convince the negotiating team and the IAC to bloat the appraised value since the basis of offer in negotiations is the BIR Zonal Valuation.

A portfolio of documents, i.e. inspection report, photos, letter of offer, pertaining to a lot is kept and maintained separately for each affected lot by the PMO. Documentation of each property is intact with PMO records from appraisal to possession of authority to construct. However, the assessors did not see the minutes of meetings of the IAC or the PMO ROW Task Force. As well, there is no historical summary on each affected property that can

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 125

be found in the folio. Since all of the major process owners in the PMO ROW have left LRTA, it was difficult to get respondents who can help validate the documents.

As additional safeguards, the LRTA Legal Office conducts its own validation of appraised value based on BIR zonal valuation records and LGU assessor's records. At the same time, approval of any contract requires as resolution of the LRTA Board of Directors. For contracts amounting to P50M and above, approval from the Office of the President of the Government of the Philippines is required. The IAC process took another the 3-4 months.

Likewise, irrespective of the date of the actual occupancy when a contract of lease of private land and/or building is accomplished, the rentals are determined, appraised and certified as reasonable by the LRTA Corporate Auditor or Project Auditor as the case maybe.

Accordingly, although the assessment rate is certified reasonable by the LRTA Auditor, the same is a pre-audit function which is against the auditing rules and regulations. The Auditor will be constrained to pass the transactions in post-audit despite discrepancy found after pre-audit.

Some roles and functions need to be revisited to strengthen existing controls, PMO personnel are contractual staff and yet have the responsibility for negotiating with the property owners of affected property. Thus, if anomalies occur, it would be difficult if not impossible to pursue administrative or criminal cases against them since they are not subject to Code of Ethics for Public Officials and employees.

The PMO has its own Project Director, Project Manager, Assistant Project Manager for Finance and Administrative Service, Assistant Project Manager for Engineering, Corporate Attorney from its own the Legal Unit, and Accounting and Finance Staff. Existing documents and workflows define these roles and responsibilities for these PMO contractual staff, yet there it seems the ROW work now is currently being done by the LRTA's internal Legal Division under the Administrative Department.

Delivery and Safekeeping of Titles

Per PMO records, LRTA has a total of 198 recorded properties based on number of lots and 145 properties based on number of property owners.

The Legal Office ROW Task Force, Property Owner, Asset Management Division, and Finance are responsible for ensuring that all supporting documents are complete before payment is made and for the delivery of the TCT in LRTA's name.

The payment to property owner is made in two tranches. Initial payments for ROW acquisitions are supported by the Deed of Absolute Sale/Contracts/Other Legal Documents executed by Contracting Parties, Special Power of Attorney (if vendor is represented by an Attorney-in-fact), Certified True Copy of Certificate of Title (of the vendor), Certified True Copy of Tax Clearance Certificate, Certified True Copy of Tax Declarations and other documents if lot is untitled, Certificate of Availability of Funds, and Board Resolution.

Final payment are supported by a Copy of the Deed of Absolute Sale registered with the Register of Deeds, Copy of TCT registered in the name of the Republic of the Philippines, Evidence of payment of Capital Gains Tax, and Copy of the Availability of Funds.

Based on the process flow, all supported documents are checked and countersigned by the offices involved before any payment can be made. Workflows described in the manual end with the release of check to the property owner with no provisions on storage and safekeeping of TCTs.

Assuming that all goes well with the sale and payment, the TCTs are received through the Legal Office and kept in the vault by Treasury under the Finance Department. In practice, Treasury safe keeps titles in vault. Legal Office keeps photocopy of titles on file.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 126

However, there is no written policy or guidelines on the handling of titles after payment is made. Records and reports on status of disbursements, expropriation cases, clear titles, titles with problems/encumbrances but no single reporting and inventory system. Risks of **collusion and document security** are likely if a system for handling and safekeeping is not installed.

Despite these controls, the COA Audit Report for CY 2002-2004 enjoined LRTA management to constantly monitor, investigate and work for all pending Transfer of Certificate Titles of all untitled properties (Audit Memorandum Observation dated 18 May 2006). The COA Memo also recommended the management to regularly conduct an inventory of all existing TCTs to ensure proper control over these titles/properties.

The subject of the COA Memo focuses on the 28 Transfer Certificate of Titles (TCTs) which **are still in name of previous owner**, yet full or partial payments have been made to property owners.

These 28 TCTs are part of the LRTA 160 parcels of land owned by the LRTA through donation, negotiated sale and expropriation. There are 16 TCTs with problems or encumbrances in Line 1 and seven (7) TCTs with problems in Line 2.

For instance, 6 lots of the Royal Wires and Cable Corporation were expropriated and owner was paid a total of P310.8 Million. However, there is still no TCT because the case is docketed with BIR – Pasig for release of CAR. In other cases like Pilipinas Bank and several others, there is no tax clearance certificate or no annotation of Deed of Sale in favor of the LRTA in the TCT. There also lots TCTs where survey plans pending with the Bureau of Lands due to discrepancy in technical description.

Nine (9) parcels of land booked at LRT Line 1 are unaccounted for or could be confirmed in the absence of TCTs on file, three (3) of which were reported borrowed by the previous owners in 1984. Thus it could not be verified if these TCTS bear the name of the LRTA.

COA also noted that LRTA Management has taken initiative to transfer all untitled properties in its name. However, it is constrained by the real estate tax issue. Procedurally, no titling can materialize unless a Certificate of Tax Clearance is secured. Regardless of the real estate taxes payment made in 1st Quarter 2005 amounting to P3M, the LRTA's liability on back taxes for Land Building/Machineries now runs up almost P1.3 Billion, broken down as follows:
- Pasay (1986-2004) P453.5 M
- Manila (1988-2002) P654.1 M
- Caloocan (1992-2003) P166.8 M

Payment of real estate taxes would pave the way for acquiring the ROW and titling of properties, however, the decision is far from simple. Payment of taxes would tie up a significant amount of the LRTA's resources and probably paralyze its operations. The problem is worsened by the fact that some TCT subjected to delinquency sale by LGU due to non payment of taxes.

The delays have made it more expensive for LRTA to resolve the issue. The titling fee used to be P600 per case, but now it is P10,000 per million.

The reasons for the absence of TCTs in LRTA's name are due to pending expropriation cases, weak controls on handling and safekeeping, pending expropriation cases, and unpaid real property taxes. There is no clearly defined system for tracking the status of all property acquisitions and problems. COA had to report it for management to take action on the matter.

In line with the issue of real estate taxes, the LRTA filed with the Supreme Court a petition for review challenging the decision of the Court of Appeals dated October 15, 1994. The SC ruled on October 12, 2000, G.R. No. 127316 to uphold the CA decision – LRTA is subject to the payment of real property taxes.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 127

The CA decision affirmed the ruling of both the Central Board of Assessment Appeals and the Board of Assessment Appeals Manila which had earlier declared the petitioner LRTA's carriageways and passenger terminals as improvements subject to real property tax. The reason was that they were not owned by government or any GOCC which, as such, was exempt from the payment of real property taxes. The government does own the public roads upon which the carriageways and passenger terminals were built. However, they were still taxable because beneficial use had been transferred to LRTA, a taxable entity.

LRTA is now studying application of Supreme Court July 2006 Ruling declaring Airport Lands and Buildings of the Manila International Airport Authority (MIAA) exempt from the real estate tax imposed by the City of Paranaque.

Observations and Recommendations

1. To strengthen the control environment for ROW acquisition especially in light of expansion projects currently underway, the following are recommended:

- Revisit and formulate policy to define the roles and functions of PMO staff vis-a-avis organic, regular staff of the LRTA to ensure check and balance and enforcement of accountabilities of senior officials.

- Revise the workflows based on new policies and procedures on ROW. Strict enforcement of procedures to avoid delays that make the system vulnerable to corruption, e.g. strict prescribed period for consideration of offer by property owner.

- Reconstitute the Inter-Agency Appraisal Committee to include a third party member/observer in the appraisal and evaluation of property process.

- Consider transferring the function of property appraisal from PMO ROW Task Force to an accredited appraiser, e.g. government financing institutions. This would also help shorten the process and avoid protracted negotiations.

2. The following supporting activities will also help enhance the work processes in the handling and safekeeping of land titles.

- Immediate inventory of titles with complete remarks on the status, location of each TCT in question especially those reported unaccounted for and borrowed by previous owners. Those TCTs that do not involve a real estate tax issue should be resolved immediately.

- Establish a policy and guidelines to clarify roles and accountabilities of PMO, Legal Division, Gen. Services Division, Treasury and COA in delivering, handling and safekeeping of titles. Define who is responsible for tracking and implementing decisions on the unresolved TCT problems.

- Conduct regular inventory and audit of titles by Internal Audit Office. Establish a shared database for efficient tracking among process owners involved in handling and safekeeping of TCTs.

- Resolve the real estate back taxes issue by seeking representation thru the Office of Government Corporate Counsel (OGCC) for application of declaratory relief per MIAA Case dated July 2006.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 128

VI. Summary of Recommendations

The Integrity Development Assessment, Survey and Corruption Vulnerability Assessment activities revealed weaknesses and vulnerabilities that have to be addressed to develop the integrity of the LRTA's systems and processes.

In earlier sections, findings and proposed actions for each dimension were discussed in detail. Below is a summary of the recommendations to enhance the organizational integrity of the LRTA focusing on Corruption Prevention, Enforcement of Anti-Corruption Policies, and Information and Education.

Prevention

1. **Ensure the integrity of the Agency's leadership system**. All LRTA managers must undergo training on corruption prevention and detection so they can serve as resource persons and credible champions of anti-corruption efforts at all levels of the organization. Correspondingly, they should serve as role models of honesty and integrity. They should ensure that the corporate vision, mission and values are cascaded to all employees and disseminated to the general public.

   To institutionalize the role of leadership in corruption prevention, a policy should be adopted giving LRTA managers specific responsibilities in corruption detection and prevention, e.g. as members of the Administrative and Fact Finding Committee, and make these part of their performance appraisal.

2. **Establish a Customized Code of Conduct for LRTA.** The formulation of the customized code of ethics and behavioral standards of conduct should fit the organizational context of the LRTA and the different types of employees in LRTA, i.e. regular and contractual, the nature of their functions and work, e.g. management, finance, operations, engineering, etc. Ethical issues and concerns should be translated into function-specific behavioral norms and situational examples with clear sanctions for violations or wrongdoing. For instance, an act of dishonesty by a station teller could in the form of shortchanging of a passenger, while dishonesty committed by an engineer could involve misrepresentation in dealing with contractors of infrastructure projects.

3. **Establish a Gifts and Benefits Policy**. The policy and its implementing guidelines must establish whether or not gifts or donations shall be accepted by the LRTA and if they are to be accepted, define the mechanisms, i.e. registry of gifts, for handling and disposal of gifts and donation. Specific limits on monetary amounts or values of gifts must be stated in the policy as well as procedure on handling gifts and donations. The values of gifts "allowed" should not violate the code of conduct and other related laws. The policy should also define the type of offerors or sources of gifts, i.e. relatives, friends, commercial establishments, etc.

   Once approved, the policy and guidelines must be widely disseminated to all employees of the Agency and made part of the orientation program for all employees. Sanctions should also be clearly defined for violation of the policy.

4. **Establish a customized Code of Conduct for the LRTA Bids and Awards Committee.** The LRTA should formulate a Code of Conduct for the Bids and Awards Committee (BAC), BAC Secretariat and BAC Technical Working Groups. The proposed code should make it mandatory for all BAC personnel to disclose potential conflict of interest in all transactions. A fixed term, e.g. one year, membership in the BAC, Secretariat and TWG would also enhance the transparency of the system. Newly designated BAC members and staff should be given appropriate training on procurement processes and code of conduct.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 129

5. **Expand/upgrade policy on internal investigation to cover whistle blowing**. LRTA's current policy that established the Administrative Fact Finding Committee should be expanded to cover whistle blowing, internal reporting and investigation. There must be specific provisions to protect those who report corruption and sanction those who commit corruption. The policy must clearly define the composition of the body tasked to investigate reports of corruption, the roles and responsibilities of the members, the guidelines for hearing and resolution of cases, and the number of days for investigating, hearing and resolution of a case.

6. **Pursue the regularization of critical management and technical positions and approval of corporate restructuring plan to support strict enforcement of accountabilities**. The employment status of key officers of the agency charged with critical responsibilities for deployment of organizational values, e.g. audit, project management, HR, etc. needs to be regularized. These officers and employees perform functions that involve major accountabilities, e.g. signing authority, internal control, cash advances, etc.

   In relation to this, LRTA should actively pursue with DBM the approval of the proposed corporate restructuring will result in the reduction of positions from 1,730 to about 1,513. 1,666 are contractual or interim positions with 69 positions co terminus with the Project Management Office. Under the plan, 373 contractual positions will be transformed into regular positions thus significantly increasing the number of regular positions from the current 49 or 3 percent of total approved positions.

   Personal services costs are expected to correspondingly decrease from about PHP350 million to about PHP300 million annually.

7. **Institutionalize the Internal Audit Office for Corruption Risk Management.** The Agency should vigorously pursue the regularization of its Internal Audit Office (IAO) personnel. This can be achieved through the expeditious processing and approval of the Restructuring Plan by the DBM. Under the Restructuring Plan, the IAO is transferred to the LRTA Board of Directors. Funds should be allocated to the IAO to facilitate the development and implementation of a corruption risk management plan that covers the various operations and support systems of LRTA including infrastructure projects of the Project Management Office.

8. **Revisit and clarify functional structures and responsibilities to enhance integrity of warehouse management, procurement management, and land management systems.** The review should result in adoption of policies to institutionalize redefined structures and roles based on the recommendations of the IDR. Following are specific recommendations with respect to review of functional structures and mechanisms:

   ▪ Install an enhanced MAXIMO system for asset management of the parts, tools and equipment for trains in Line 1, similar to the one already being used in Line 2. The system should also be integrated or linked to finance, accounting and audit systems to allow for real time and accurate reconciliation of data to ensure that controls and safeguards against corruption risk are working well.

   ▪ Transfer warehousing function from its mother division, i.e. Engineering, to another division and department, i.e. General Services Division under Administrative and Legal Department for better control and check and balance.

   ▪ Develop and set standards on the cycle time for the evaluation of bid based on the type of item being procured. Make standards known to all procurement stakeholders including bidders to make the process more efficient, improve staff productivity and enhance transparency of the process.

Development Academy of the Philippines   Page 130
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

▪ Clarify roles and accountabilities of the Project Management Office (PMO), Legal Division, Gen. Services Division, Treasury and Audit in negotiating with property owners, and in delivering, handling, inventory and safekeeping of land and property titles. Define who is responsible for tracking and implementing decisions on the unresolved land titles.

▪ Reconstitute the Inter-Agency Committee (IAC) to include a third party member/observer responsible for fair appraisal and evaluation of real properties to be acquired by the LRTA.

▪ Study the benefits of transferring the function of property appraisal from PMO Right of Way Task Force to an accredited appraiser, e.g. government financing institution such as Land Bank. This would also help shorten the process and prevent protracted negotiations between PMO ROW Task Force and property owners.

▪ Strictly enforce the 15-day prescribed period for consideration of offer by property owner to avoid protracted negotiations and delays that make the system vulnerable to corruption.

▪ Conduct immediate inventory of land titles and record the status, location of each Transfer of Certificate Title (TCT) identified in the COA Audit Observation Memorandum. Seek immediate resolution of TCTs reported missing or borrowed or do not involve real estate tax payment issues.

▪ Establish a shared database for efficient tracking and management of TCTs owned, TCTs with encumbrances, and TCTs for acquisition, among process owners from Legal, PMO, Finance, Audit, etc.

▪ Seek a fair resolution to the issue of unpaid real estate taxes through representation thru the Office of Government Corporate Counsel, i.e. for application of declaratory relief for LRTA, or tax restructuring or amnesty from the local government units concerned.

Enforcement

9. **Ensure strict implementation of established workflows and internal controls through updating of manual of procedures.** Some gaps have been observed in the implementation of established workflows due to the implementation of new national laws and guidelines, e.g. procurement law, and new practices that have been adopted. All units should review their current work systems and staff responsibilities against the manual of policies and procedures, and update these as necessary.

10. **Ensure strict, equal implementation of merit selection plan and guidelines.** The Personnel Unit and managers should work together to explain clearly the different employment modes, benefits, performance measures, etc. to correct perception of discrimination against contractual and interim personnel. Thus, a review for possible standardization of the performance management system for regular and contractual and interim employees would address this problem. Correspondingly, there is need to enhance employee orientation programs and information materials to include not just job roles and expectations but also responsibilities in corruption prevention and detection.

11. **Expand the use of honesty and integrity as performance management criteria for all types of employees.** Currently, these criteria are applied to contractual and interim personnel in station operations and not to regular employees as a basis for re-hiring decisions. In addition, LRTA should enhance its customer orientation training for personnel by including values and corruption prevention in the program in the program content.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 131

12. **Enhance management of human resources system through application of ICT enabled systems or adoption of alternative modes of staffing for stations operations**. Consider installing a Human Resource Information System (HRIS) to make the storage, access and retrieval of information on employee from histories, data, skills, performance record, capabilities and experiences to payroll records, benefits administration and HR management easier and faster and aid in management decision making. This would considerably reduce the manual, routine, administrative workload of the Personnel Unit that needs to keep pace with the fast turnover of contractual and interim staff every 3 to 6 months.

Alternatively, there is need to review benefits of direct recruitment of interim workers, mostly tellers in the stations. LRTA should consider business process outsourcing for the function of recruitment and selection of interim workers. Another alternative would be to outsource the function of selling tickets to a service provider considering that the current number of operational Ticket Vending Machines is inadequate to meet customer needs.

13. **Enhance the efficiency and integrity of management systems**. This may be achieved through the institutionalization of quality management systems and use of ICT-enabled systems. LRTA should pursue ISO 9000 certification of its key operations. ISO 900 is a family of standards for quality management systems. Similar to the use of ICT in station operations, i.e. Automated Fare Collection System, the LRTA should consider automation of various managements systems such as finance, human resources, project management, and land management, etc. This would facilitate management decision-making towards continuous improvement of performance.

LRTA should work for the simplification, reduction and/or integration of performance tracking and evaluation forms used by the different departments of the Agency.

14. **Improve station facilities and work environment**. Improve work environment by providing dedicated employee lounge and staff lockers in the stations and warehouse. Provide clean toilets or restrooms in every station to serve needs of passengers. Improve the physical layout, lighting, security and cleanliness of selected work spaces, e.g. warehouse, central clearing house, teller booth, etc.

LRTA should also review overall security deployment and management in critical areas such as warehouse, ticket processing areas, treasury, etc. It should address gaps such as lack of roving personnel for the warehouse perimeter and continue security controls that prevent wrongdoing.

15. **Rationalize preparation of policies, guidelines and procedures for clarity, consistency and uniformity.** It was difficult to clearly distinguish one policy from another due to inconsistent or improper labeling and classification of various policy instruments of LRTA such as office orders, memorandum orders, memorandum circulars, codes, etc. Some policies, e.g. safety code and procurement process, have manuals but the original policy basis for these could not be found. Likewise, a system for the preparation, promulgation, recording, storage and dissemination of policies needs to be formulated. There is also need to codify and create a database of LRTA policies for easy access and retrieval, and ensure wide dissemination of policies.

Information and Education

16. **Pursue proactive information and education on policies and implementing guidelines.** All policies as well as implementing guidelines that will be reviewed, revised or formulated based on IDR findings and recommendations should be actively and widely disseminated in various forms and methods to ensure compliance, e.g. manual, electronic, face to face learning sessions, intranet, website, posting in bulletin boards, etc.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 132

Formulate and implement orientation programs on the customized code of conduct for employees as well as learning sessions on anti-corruption laws and programs, e.g. procurement, for all employees including contractual and interim employees.

17. **Engage the mass riding public in reporting corruption and the employee association for anti-corruption information and education campaign initiatives.** These stakeholders of LRTA can contribute to enhancing the integrity systems of LRTA. Public service advocacy messages and announcements focusing on corruption prevention and detection could be posted inside the trains and in the station premises to increase the public's awareness of and support for LRTA's corruption prevention initiatives. Similarly, the employee association can be mobilized to assist in the campaign against corruption or corruption prevention.

LRTA should install a system for receiving, tracking, resolving complaints from the public and giving feedback, to complainants, especially if these concern dishonesty, fraud and other corrupt acts. There is need to harmonize the entry or reception points for complaints or suggestions, and to create a single or common database for complaints coming from the Stations Operations Division, letters, phone calls and email and received through other offices of the Agency.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation

Page 133

VII. Conclusion

The Integrity Development Review of the LRTA revealed the strengths and weaknesses of the various systems covered by the 10 dimensions, namely, Leadership, Code of Conduct, Gifts and Benefits Policy, Human Resource Management, Procurement Management, Financial Management, Performance Management, Whistle blowing, Internal Reporting and Investigation, Corruption Risk Management, and Interface with External Environment.

Strengths in the system features and control environment were identified in the performance management and financial management systems, such as the creation of an Administrative Fact Finding Committee and its implementation of a Table of Administrative Offenses with its corresponding sanctions and penalties for erring personnel; implementation of a Safety Code for station personnel; the existence and application of detailed manual of procedures, flowcharts and manual of approving authority; the implementation and monitoring of the corporate strategic plan and business plan backed by management improvement studies; and the establishment of an efficient Automated Fare Collection System that links the processes of several units: central clearing house, station operations, engineering, treasury and accounting for transparency and efficiency in the revenue lines. These practices have translated into record-high revenue and ridership in LRTA's history which can be attributed to strong and committed leadership in LRTA.

There are also weaknesses and vulnerabilities that should be addressed in the control environment of various systems to prevent and detect corruption. Corruption risks identified include collusion, bribery, theft, pilferage, abuse of discretion or authority, dishonesty and fraud. These gaps can be addressed by a combination of strategies, namely **capability building, organization development, policy development and deployment on HR and operations, and legal strategies** on the issue of real property taxes. They must be addressed for LRTA to reach the next level of integrity development.

Capability development strategies aims to increase awareness or enhance knowledge, skills and attitudes of managers and rank-and-file employees on corruption prevention and detection, particularly on their roles and responsibilities as civil servants and responsible citizens. As discussed in previous section, these involve the implementation of training, orientation or learning sessions on corruption prevention programs of the national government and LRTA, procurement laws and processes and organizational policies and procedures.

Organization development strategies aim to fill the gaps in the leadership, human resource management, and performance management systems of LRTA to make them robust against corruption vulnerabilities. These include approval of the corporate restructuring plan, regularization of key management and technical positions critical to operations and support, institutionalization of quality management systems, institutionalization of internal audit office and corruption risk management, revision of functional structure and delineation of responsibilities among process owners of warehouse management, asset management and land management, improvement of work facilities and environment, and establishment of ICT-enabled systems in finance, accounting, inventory, etc. These strategies need management support in terms of provision of financial and human resources.

Development and deployment of policies on HR and operations seek to fill the gaps in procedures and workflows brought about by changes in the environment such as new government laws and guidelines. This strategy involves the review of operational policies against the manual of policies and procedures and practices, and the formulation of policy revisions based on the review results. Other initiatives recommended include the review of human resource strategies, the study of HR business process outsourcing to address HR requirements for station operations, the formulation and efficient deployment of suggested policies such as customized code of conduct, gifts and benefits policy, and customized code of conduct for the Bids and Awards Committee and support staff, among others.

Development Academy of the Philippines
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation
Page 134

Finally, legal strategies will need to be employed to seek long term resolution or relief from the burgeoning real estate tax dues of the LRTA with local government units. This legal option to the tax problem should be pursued with the support or assistance from the Office of the President given the current administration's plan to leave a legacy of efficient mass transportation system.

The future of LRTA, both as strong corporation and as a responsive, results-oriented public sector agency, is very positive. With strong leadership support and commitment to the implementation of the IDR recommendations, there is no reason for LRTA to fail in fulfilling its mission and meeting the challenge of setting good examples and practices for public sector agencies in the fight against corruption.

Development Academy of the Philippines   Page 135
Final Report (draft) as of October 2007
For discussion purposes only, not for quotation