I. Overview of the Project

The Integrity Development Review (IDR) 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.

The IDR is a preventive measure against corruption. It aims to build institutional foundations to prevent corruption before it occurs. It entails a systematic diagnosis of the corruption resistance mechanisms in place in an agency and its vulnerabilities to corruption. The process is undertaken with the use of two major tools: Corruption Resistance Review (CRR), which was developed by the Independent Commission Against Corruption (ICAC) of New South Wales and the Corruption Vulnerability Assessment (CVA), a tool adapted by DAP from the Office of Management and Budget, USA. A summary of these tools is shown in the table that follows:

Table 1-Summary of Tools Used in IDR

Tools/Methodologies	Objective
Tool 1: CRR	
• IDA	• Self-assess systems, integrity, review relevant policies and procedures
• Survey	• Assess deployment of integrity, review relevant policies and procedures
• Indicators Research	• Validate assessment made by management on the 10 dimensions
Tool 2: CVA	
• Process Mapping	• Understand agency procedures
• Risk Assessment	• Identify factors that can induce deceit, malfeasance or abuse of power or position for private gain
• Evaluation of Controls & Safeguards	• Assess the adequacy of means in addressing risks

External parties can do diagnosis objectively. But self-assessment would be ideal especially for reform-oriented agencies. This is the idea behind the IDR Project. This aims to support the leadership and management of the Office of the Ombudsman (OMB) 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 (DAP).

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The IDR methodology was pilot-tested in three agencies, namely, the Office of the Ombudsman, Department of Education (DepEd) and the Civil Service Commission (CSC). Under the European Commission (EC) - OMB Corruption Prevention Project, additional sixteen (16) public sector agencies are scheduled to undergo the IDR, five of which was completed in August 2006. These are the Department of Public Works and Highways (DPWH), Bureau of Internal Revenue (BIR), Bureau of Customs (BOC), Philippine National Police (PNP) and the Land Transportation Office (LTO). The eleven (11) other agencies, namely: Armed Forces of the Philippines (AFP), Bureau of Corrections (BuCor), Bureau of Fire Protection (BFP), Department of Agrarian Reform (DAR), Department of Environment and Natural Resources (DENR), Department of Health (DOH), Land Registration Authority (LRA), Light Railways Transit Authority (LRTA), National Irrigation Administration (NIA), Philippine Veterans Affairs Office (PVAO) and Procurement Service (PS) - Department of Budget and Management (DBM) commenced in January 2007 and will be completed in July 2007.

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II. Overview of the DBM-Procurement Service

Background

The Procurement Service (PS) was created on October 18, 1978 by virtue of *Letter of Instructions (LOI) No. 755* which directed the establishment of an integrated procurement system for the national government and its instrumentalities. The mechanics of the PS system were earlier tested and validated from 1976 to 1978 in an experimental implementation of a centralized form of procurement on a limited basis.

On July 28, 1987 the President issued *Executive Order No. 285* reiterating the mandate of *LOI 755* by abolishing the General Services Administration and transferring the procurement and price monitoring functions of the Supply Coordination Office to the PS. Subsequently, on June 02, 1989 the President issued *Executive Order No. 359* which prescribed the systematic expansion of the PS through a network of regional depots under a governing Procurement Policy Board.

Mandate

The mandates of the Procurement Service are as follows:
- Operation of a government-wide procurement system.
- Price monitoring of common use supplies, materials and equipment.
- Identification of supplies, materials and such other items, including equipment and construction materials, which can be economically purchased through centralized procurement and which is within the scope of its activity.
- Identification of the sources of supply, which are able to offer the best prices, terms and other conditions for items procured by the government.
- Continuous evaluation, development and enhancement of its procurement system, coverage and procedure.
- Provision of commissary services to government employees through their cooperatives/associations.

Vision

PS envisions itself to be the most sought after institution in public service; a divers group exemplifying the virtues of integrity and respectability, using creativity and experience in building a community of like minded professionals that support their values; a catalyst for personal and professional growth and making meaningful contribution to government by reaching out in service to the lowest component in the bureaucracy.

Mission

The Procurement Service is committed to assist government in the judicious management of its financial resources through the operation of an integrated system of procurement, mandated under *LOI no 755*.

With the opening up of the New economy, and pursuant to government thrust for automation of its services, PS pursues a new trend in procurement – the PhilGEPS, an automated system designed to further ensure economy, efficiency and convenience in the acquisition of goods and service for the government.

Its mandate reaffirmed under the Government Procurement Reform Act (RA 9184), PS continues to serve:
- National Government Agencies
- Government Corporations
- Local Government Units

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While fostering a dynamic team of goal-oriented professionals, sharing a common vision and working collaboratively towards shared goals and missions.

Organization, Units and Functions
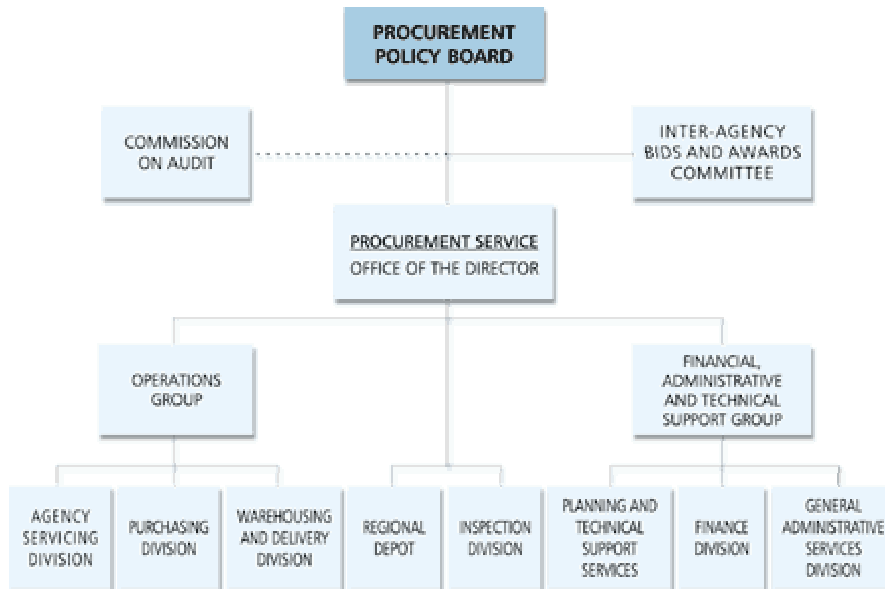
The integrated procurement system is being implemented by the three inter-dependent entities – the Procurement Policy Board, the Inter-Agency Bids and Awards Committee and the Procurement Service. The governing council, now the Procurement Policy Board is headed by the DBM Secretary as Chairman and as members, the Secretaries of Finance, National Defense, trade and Industry, health, education, Public Works and Highways and a representative of the Philippine Institute of Certified Public Accountants. An Inter-Agency Bids and Awards Committee is composed of a DDBM representative as Chairman, and as members, a representative each from the DOF, DTI, the client-agency for whom a major bid is called and the PS Director in an ex-officio capacity. A COA representative sits as resource person in all its meetings. The Procurement Service implements policy decisions of the Board and executes awards issued by the IABAC. It has seven fully operational divisions.

Operations Group

The *Agency Servicing Division (ASD)* receives and initiates the processing of all agency requests. It coordinates with client-agencies on all matters pertinent to procurement requirements and maintain up-to-date information on agency order/request status and stock availability. The *Purchasing Division (PD)* is in charge of all purchasing activities. It coordinates with suppliers, sends out invitations to bid and prepares purchase orders. The *Inspection Division (ID)* is responsible for the inspection, testing and evaluation of deliveries made by suppliers to see to it that the desired quality is obtained. The *Warehousing and Delivery Division (WDD)* stores, maintains and manages the stocks at the PS Warehouse. It is also responsible for the delivery of goods to requesting agencies.

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Financial/Administrative Group

The General Administrative Services Division (GASD) is in charge of human resource management, supply management and general services administration. The Finance Division (FD) is responsible for providing the office with services relating to budgeting, cashiering and accounting. The Planning and Technical Support Services Division (PTSSD) provides services relating to information systems, price catalogue, market encounters, product seminars and the maintenance of supplier files.

Other Major Services

Price Monitoring – Mandated by Executive Order 285 dated 25 July 1987 to monitor prices of common-use supplies, materials and equipment, PS regularly publishes and distributes price lists for dissemination to all government offices. Used as reference in procurement activities, the price bulletin have proved instrumental in achieving economies of scale and scope in government procurement.

Formulation and Implementation of Quality Standards – Together with the Bureau of Product Standards (BPS) of the Department of Trade and Industry, as well as local manufacturers, the PS takes an active part in the formulation and implementation of national quality standard for products manufactured locally. In the last five years, the PS spearheaded the formulation or amendment of national quality standards for nine product groups of supplies and equipment, and over a hundred hand tools and implements for the requirements of the department of Education, Culture and Sports. It participated in the establishment of the standards for fire extinguishers with ozone friendly extinguishing medium, rattan and wicker furniture, textbook paper, rubber band, stapler, staple wire and glue. It is currently working on the standards for fire extinguishing mediums like CO2 and dry chemical powders.

Market Encounters – To keep in step with the latest technological advances in its product list, the PS now brings breakthroughs in sophisticated technology within reach of its client agencies via supplier-sponsored product awareness training-seminars. Government agencies are updated with information on new products and their superiority over obsolescent ones. The PS evaluates these new products and informs client agencies of their recommendations to help them decide which products best suit their needs. The market encounters likewise provide suppliers the opportunity to answer inquiries of agencies regarding product features, after sales support services, and other related maters. The client agencies, on the other hand, are given the opportunity to suggest modifications and enhancement on existing products according to their needs.

Product Information Seminars -   Upon invitation, the PS conducts product information seminars to provide government agencies with information on product types, efficient and economic usage of supplies and materials, and alternative product types, including the management thereof. The PS staff are regular resource speakers in seminars on product information given by the Chamber of Commerce and Industry and other private organizations and government offices.

Accomplishments for the 2006

In 2006, PS registered an actual sales amounting to P2.74B. Agency Procurement Requests (APR) for common and non-common stocks received amounted to P2.3B or a total of 10,354 APRs. Out of these APRs, PS was able to deliver a total of 20,097 Delivery Receipts with an aggregate amount of P1.9B.

Awards on public biddings conducted in 2006 amounted to P1.16B. Of these awards, stock items accounted for 30%, while the reaming 70% are supplementary items.

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PC ng Bayan

Through partnerships with some government organizations such as the Philippine Government Employees Association (PGEA), the PS marketed and promoted the "PC ng Bayan" a cheap way for government employees to acquire personal computers. Sales of this product made-up 15% of the depot sales.

Implementation of a Government Electronic Procurement System (PhilGEPS)

The Procurement Service continued the promotion and marketing of the PhilGEPS as the central portal for government procurement. The Phase I of the system which consisted of the Public Tender Board, the Electronic Catalog and Supplier Registry was formally launched on September 4, 2006.

As of December 31, 2006 there are now 5,099 government agencies and 21,585 suppliers registered. For wider dissemination of information, the system has also been utilized to post 289,681 Bid Notices and 39,859 Award Notices.

Capability Development on Procurement in Government

To support the development of government personnel's capability to perform procurement functions, the PS has conducted training for the following:

Table 1 – Trained Government Personnel on Procurement

	2006
Agency Personnel	10,138
Budget Officers	658
Auditors	474
BAC Officials	2,962

Implementation of Republic Act 9184

PS continuously collaborates with the Government Procurement Policy Board-Technical Support Office (GPPB-TSO) to monitor agency compliance with Republic Act 9184. A rollout of the trainer's training on the Generic Procurement Manual opened last August 2006. By end of 2006, a total of 14,850 LGU officials have been trained on RA 9184 and 12,121 on the use of the Philippine Bidding Documents

Expansion Program

On October 2006, PS expanded its depot operations when it opened the PS Butuan depot. The facility was the fourth operating outlet in the Mindanao region apart from Davao, Cagayan de Oro and Koronadal. As of 2006, PS operates a total of 13 depots with overall total sales of P460.8M.

Budget

For 2006, the agency has a total budget of Php210.7 million in 2006. Table 2 shows that PS total budget increased by 38% from 2005. This is mostly due to the almost 50% increase in MOOE.
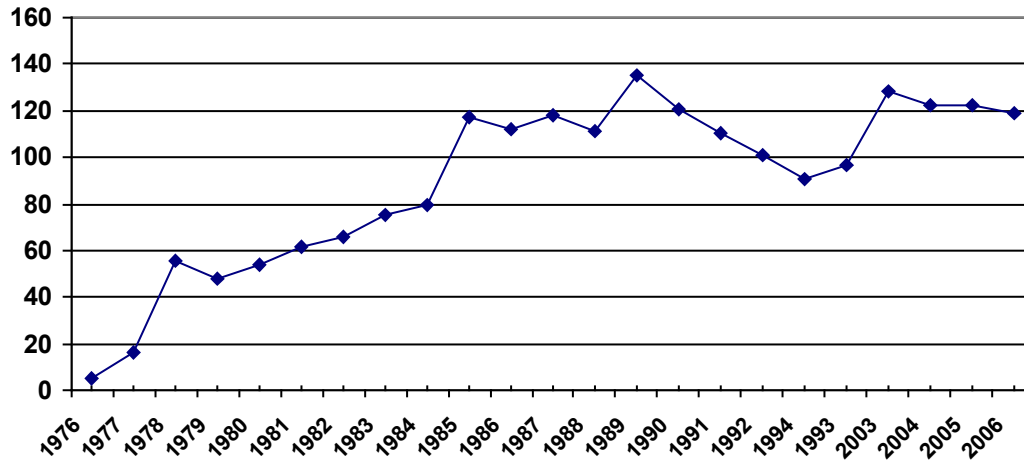
Table 2. PS Budget, 2005-2006

	2005	2006
Personnel Services	38.5M	44.5M
Maintenance and Other Operation Expenses (MOOE)	71.5M	108.9M
Capital Outlay	43.2M	57.3M
TOTAL	153.2M	210.7M

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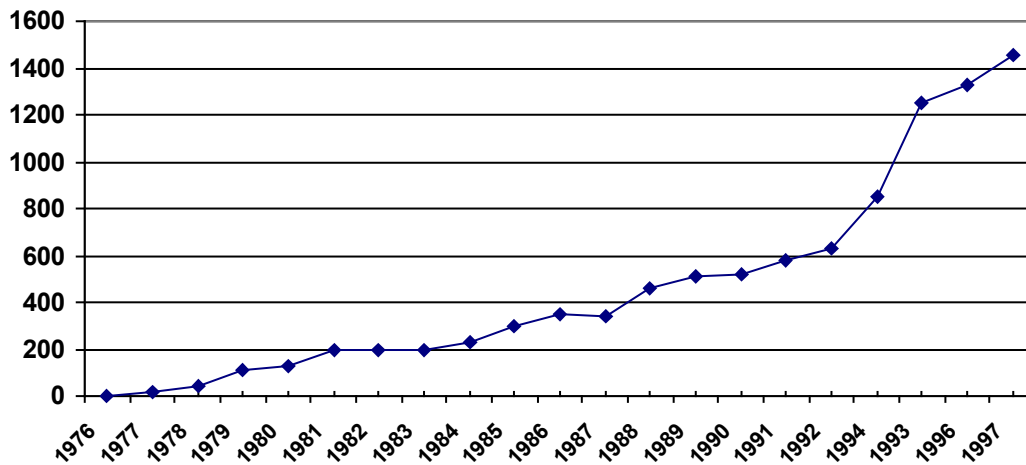
Relevant Statistics

Number of Employees 1976 - 2006

Manpower

From 1976 to 2006, the number of employees of PS increased on an average of 26%. To complement its shortage of manpower, PS hire Job Order (JO) or non-regular employees engaged for a certain period (i.e. 3 – 6 months).

Number of Clients/Accounts 1976 - 1997
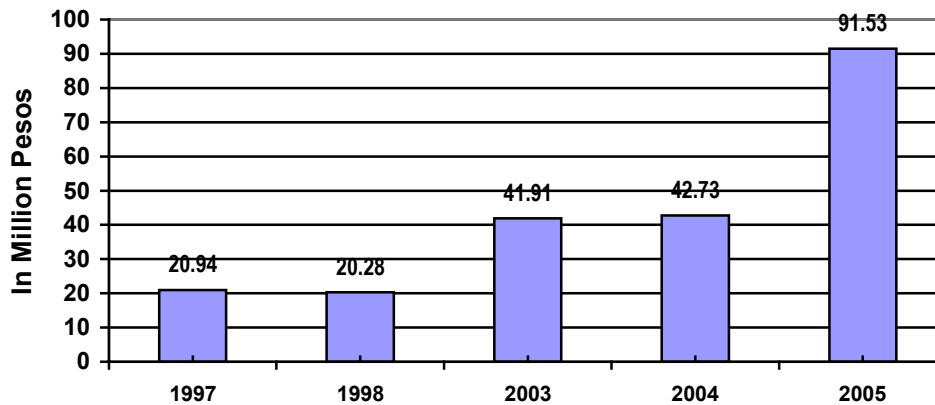

Number of Clients/ Accounts

There has been a significant increase in the number of clients/accounts handle by PS. Particularly in 2004, client/accounts handle by PS increased by ----. This is due to the issuance of RA 9184 which, reiterated the PS's task for a centralized procurement of commonly used Goods for the government in accordance with Letters of Instruction No. 755 and Executive Order No. 359, series of 1989 as well as PS's responsibility in the integrated procurement system together with the GPPB and IABAC.

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Net Income from Operations

Income

In 1997 and 1998, the net income of PS on average was about P20 million pesos. However, in 2003 and 2004 the average net income of PS increased by almost a 100% with an average of P42.3 million. In 2005, PS net income increased by more than 300% from its 1997-1998 level with P91.5 million.

Future Directions

Creation and Implementation of an Electronic Procurement System (EPS)

The Electronic Procurement System (EPS) will enable PS to provide a number of services that are internet-based and which include: a Public Tender Board for procurement notices; a catalogue and virtual store for PS transactions with government agencies; and a supplier's registry to provide agencies a common source list of accredited suppliers to support invitation to bids.

The implementation of the Electronic Procurement System will benefit the government in the form of more efficient and streamlined business processes and a more efficient use of personnel resources. Furthermore, the system will provide significant opportunities for the government to implement procurement standards, cost controls, transparency and economic development policies.

Establishment of Supermarket-Style Center

To upgrade the efficiency and effectiveness of the PS system, a supermarket will be established to ensure the immediate availability of quality items to end-users agencies at the lowest prices.

Upgrading of the PS Computerized System

The PS together with BISS has developed Computerized System which improved the integration of activities among divisions of PS. Documents are captured electronically and distributed to various work stations resulting to reduced processing time of requisitions and increased productivity. Prompted by increasing transactions brought about by expanded clientele, PS is now in the process of upgrading the above system.

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III. CORRUPTION RESISTANCE REVIEW

Integrity Development Assessment (IDA)

The Integrity Development Assessment (IDA), the first activity under the Corruption Resistance Review, is a guided self-assessment that provides set standards or levels that each agency can assess itself do as regards its effort to develop integrity in the workplace. It helps the agency identify the necessary steps in achieving a certain level of systems integrity. It provides a basis for the examination of agency operations against measures that prevents any opportunity for corruption. These agency operations are categorized as the 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: Planning, Bidding, Selection, Delivery and Inspection
7. Financial Management: Budgeting, Accounting, Cash Handling
8. Whistleblowing, Internal Reporting and Investigation
9. Corruption Risk Management
10. Interface with External Environment

For each dimension, agencies can assess their levels of achievement vis-à-vis a five-point scale. The assessment yields possible steps agencies can undertake to advance to the next level. Improvement in the levels of an agency's institutional integrity redounds to limiting opportunities for corrupt transactions, reducing gains from corruption, increasing the probability of detection and paying penalties, and increasing the magnitude of penalties for corrupt behavior (based on the World Bank four-point framework to reduce corruption vulnerabilities).

IDA Participants

The IDA was conducted in a focused group discussion (FGD) participated in by selected members of the management whose primary responsibility is to determine the level of the agency's efforts at corruption prevention along the ten (10) dimensions mentioned earlier. The group included, but not limited to, the following:

1. Finance/Budget Officer
2. Internal Auditor
3. Planning Officer
4. Procurement Officer
5. Property Officer
6. HRD Officer
7. Head/s of Operations
8. Senior Employee in the Operations Department (someone who directly interacts with clients)
9. Officer of the Employees' Association
10. Member of the Grievance Committee
11. Chairman of the Bids and Awards Committee
12. Identified stakeholder (optional)

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The Five-Point IDA Scale

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 consistent 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. The measures also signify employment of incentives and disincentives/sanctions.

- Measures under *level 4* indicate seamless integration of organizational systems and processes in the agency. The agency likewise conducts periodic analysis of data available to them to improve systems integrity and operational effectiveness.

- Measures under *level 5* correspond to best practices and cycles of improvement, 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 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 rate of 3 suggests that the agency has advanced in enforcing policies and procedures that build integrity on operations including a employment of a system of incentives and disincentives, while an average rate of 4 connotes that the agency have seamlessly integrate its various organizational processes. This indicates a more developed system, with a set or procedures that attempts to alter behavior and deepen ethical culture. An average rate 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 discuss among themselves and decide on the appropriate rating for the agency. For example, it is possible for an

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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 the 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.

Conduct of IDA in PS

The IDA was conducted on February 21, 2007 at the PHILG-EPS Office at the 25th Flr., Raffles Bldg., Emerald Avenue, Pasig City. It was participated in the PS Executive Director, two Managers, seven Division Chiefs, a representative form the IABAC secretariat and the Director of the PHILG-EPS.

The IDA session was facilitated by the PS Assessment Team composed of four (4) assessors. One (1) from the Development Academy of the Philippines, one (1) from the Office of the Ombudsman, one (1) from the Commission on Audit and one (1) from the PS as an internal assessor.

During the IDA, the assigned team leader provided a briefing on the project and the guide for the IDA session. Each participant was asked to give his/her rating and discuss the basis for his/her rating. The participants were asked to come up with a consensus rating for each dimension. The deployment score is provided for the final consensus rating per dimension.

Survey of Employees

The survey of employees was administered to a total of 100 employees from PS Head Office, PhilPHILG-EPS and the Depot office in UP Diliman. It used the proportionate, stratified random sampling with a 95% confidence level.

The survey, which was conducted on February 19-20 at the PS head office Procurement Service Complex RR Road, Cristobal Street Paco,Manila, is a means to check the deployment of integrity building measures and solicit feedback from employees on:

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

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

Indicators Research

Validation of the ratings was done during the first field visit through observations, document reviews to collection of backgrounds and other pertinent organizational information. Additional information was requested for after ratings were calibrated. Team meetings were held to come up with validated ratings for each site to be able to get a final rating for each dimension.

The results of the assessment are found in the ensuing section.

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A. Integrity Development Assessment

1. LEADERSHIP

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

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

Rating	Levels of Achievement
1	• 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 responsibilities are integrated in management functions
5	• The agency reviews the effectiveness of its leadership organization in enhancing integrity in the organization • Results of the review are used to strengthen the agency's leadership organization and system

The PS Leadership

The PS is headed its Chief Executive Officer and concurrent Chief Operating Officer who is an Executive Director IV who assumes responsibility for all activities inherent to the Office and provides general supervision, direction and control over the work of all employees to ensure the effective accomplishment of delegated work. The Operations Manager provides direct supervision and coordination over the operational activities of the office. The Financial, Administrative and Technical Support Manager provides direct supervision over the activities of the Finance, Administrative and Planning and Technical Support Divisions. A division chief who supervises daily operations heads each division.

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Rating

Individual ratings of IDA participants are as follows:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	0	4	5	3	0	0	12
Percentage of Pax	0%	33%	42%	25%	0%	0%	100%

The IDA participants arrived at a consensus rating of two (2) and gave a deployment score of 50%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
LEADERSHIP	2	50%	1	50%

Validation

The participants believe that the organization does not have a culture of corruption and assume that their staffs have good values, thus senior leaders said that they concentrate more in making employees understand the value of efficiency. Senior leaders tend to focus policies and strategies that improve efficiency including streamlining of processes and procedures.

Since the PS is under the DBM, it has adopted the DBM personnel handbook that contains the Code of Conduct. The senior leaders inform and encourage their staff to follow the DBM Code of Conduct by issuing an office order to deploy the personnel handbook to all employees. Disciplining and reminding staff to advocate good conduct are being done occasionally through the issuances of office memorandums and through informal meetings.

In every division, the Division Chief is on top of discouraging staff from engaging in corrupt practices and they remind staff to refrain from doing these during staff meetings. Also, organizational values, short and longer-term directions, and performance expectations are likewise discussed.

During the IDA workshop, senior leaders have raised that they themselves may not have a common understanding on what is(are) a corrupt practice(s). Thus the level of deployment varies.

Though most of the senior leaders have been trained on anti-corruption, PS in its early stage of developing strategies to fight corruption only has a few officers appointed as anti-corruption point persons. There is no specific group or unit within the organization responsible to spearhead integrity development.

Based on the survey and on key informant's interview, it was observed that employees of PS generally trust their senior leaders. Employees look up to their leaders as a source of guidance and direction. Since most of the senior leaders have been with the PS or DBM (its parent agency) for more than 5 years, subordinates recognize their specialized and empirical knowledge of the agency's business, which is procurement. As such, senior leaders are seen to be role models for integrity.

The articulation to staff of the importance to be ethical in their work may seem to be inadequate. As senior leaders assume that their subordinates have good moral values, dialogues on topics relating to integrity development are not often brought up. Discouraging staffs from engaging in corrupt practices, mostly done verbally during staff meetings and often in an informal manner is seen to be insufficient.

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Though the functional chart provides guidance with regards to the accountabilities of the functional units in attaining the organizations directions and improving efficiency, more specific authorities and accountabilities of the senior leaders to discourage staff from engaging in corrupt practices should be provided.

Without a clear strategy and individual responsibility for each and every senior leader, the manner by which proactive promotion of integrity to the staff varies. Though at present, there are persons appointed (adhoc) for random anti-corruption activities such as the IDR project, there is no clearly defined authority that will steer the agency's integrity program, which is needed to ensure its sustainability.

Survey Results

The survey results for PS on leadership indicate employees **moderately agree** that their senior leaders do not abuse their authority. They also **moderately agree** that the senior leaders in their agency inspire them to be professionals.

Statement	Rating
20. Managers in our agency do not abuse their authority.	**1.94**
21. Managers in our agency inspire employees to be professional.	**2.06**

When asked for suggestion on how to improve further the leadership's contribution in PS, 27% raised that the leaders should encourage unity and cooperation for all in handling affairs of the office. This can be done by leading by example and through better supervision of employees in a fair and trustworthy manner.

Of the total respondents, 18% suggested the conduct of annual assessment of corruption and the communication of general plans or guidelines to fight corruption to subordinates. This can be done through more trainings, meetings and team building activities. On the other hand, 12.5% said that rules and regulations should be strictly in implemented while 8% called for more transparency in all transactions.

Next Steps/Recommendations

The assessment team believes that aside form efficiency targets the PS strategic plan should include *integrity* related strategic goals and objectives. Furthermore, policies focusing on *integrity* for high corruption risk areas should be issued.

Just like in any program, there is a need to identify a champion who shall be accountable to ensure sustainability of anti-corruption programs within PS. Thus, there is a need to designate a senior leader to steer the agency's integrity program whose authority shall be regular and clearly defined.

Lastly, continuous training and orientation for senior leaders on corruption prevention and detection is recommended.

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2. CODE OF CONDUCT

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

Rating	Levels of Achievement
1	• The agency has a general code of conduct (RA 6713) • The agency monitors annual submission of SALN and as well as disclosures of business interest and financial connection of its officials and staff
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's 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 officials and staff • Results of the review are used to strengthen the agency's Code of Conduct

The PS Code Of Conduct

To guide DBM employees in the enactment of their duties and responsibilities, a DBM Personnel Handbook was in issued on March 2003 to familiarize employees on DBM's major policies, rules and regulations for their day-to-day activities. The hand book has been disseminated department wide including the DBM attached agencies and PS. The PS adopted the DBM Personnel handbook and deployed it across all employees through an office order.

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Assessment

Individual ratings of IDA participants are as follows:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	2	10	0	0	0	0	12
Percentage of Pax	16%	84%	0%	0%	0%	0%	100%

The IDA participants arrived at a consensus rating of one (1) and gave a deployment score of 50%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
CODE OF CONDUCT	1	50%	1	50%

The participants agreed that there is a need to have a customized Code of Conduct for PS to guide employees as to what are ethically acceptable/non-acceptable practices and situations of conflicts of interest that are relevant to the nature of work unique to PS.

PS only requires regular employees to submit SALN as required by the Civil Service Commission. Job Order (JO) type of employees are not required to submit their SALN.

The submission is clearly monitored but review and analysis of employee's connections to businesses that have interest in procurement are not being done.

Though the DBM Personnel Handbook was deployed to all employees, there has not been enough dissemination of the handbook after 2003. It was noted that employees might be aware of the existence of the handbook, but many especially the new ones who entered PS after 2003 were not aware of the contents of the handbook.

The DBM personnel handbook contains references for employees about their rights and privileges, work conduct, responsibilities and obligations as employees of DBM. However, these are not customized to the PS's nature of work particularly on the appropriate conduct of a PS employee with regards to dealing with suppliers and contractors.

The PS adopts the guidelines provided for in Republic Act 9184 for behavior of employees in the procurement process. Though regular employees consistently submit the SALN annually, there may be a need to orient them on the proper way of filing-up the SALN. Senior officers themselves have articulated this during the IDA.

The non-requirement of SALN submission from JOs takes away the opportunity to track or monitor the integrity or conflict of interest a newly hired employees may have with regards to the operations of PS.

Survey Results

Among those surveyed, only 73.74% agreed that the PS has an agency code of conduct. Respondents moderately agree (1.85) that the written code of conduct is being followed by the agency.

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Employees moderately agree (2.00) that the orientation on the code of conduct and other corruption prevention measures are adequately provided. They also moderately agree that violators of the code of conduct are punished.

When asked if they have submitted their SALN, only 56.70% said that they have submitted. The low response rate may be due to the high percentage of Job Order (JO) employees among the respondent (53%) who are not required to submit a SALN.

Statement	Rating	
11. Does your agency have a written code of conduct?	**YES**	**NO**
	73.74%	**26.26%**
12. A written code of ethical conduct is being followed in our agency.	**1.85**	
13. Adequate orientation on the code of conduct and other corruption prevention measures are provided in our agency.	**2.00**	
14. Those who violate the code of conduct are punished.	**2.02**	
15. Did you submit your Statement of Assets and Liabilities and Net Worth (SALN) for 2005?	**YES**	**NO**
	56.70%	**43.3%**

Next Steps/Recommendations

To provide clear guidelines and 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 PS, a customized code of conduct may need to be developed and be part of the agencies anti corruption strategies. This shall provide PS employees clear guidelines on how to proceed in their daily tasks should they encounter ethical dilemmas.

There should be a plan to promote the ethical behavior among employees. Thus, continuous seminars/orientation on PS standard of ethics should be provided taking off from the provisions of the DBM Personnel Handbook and possibly the soon to be developed PS Code of Conduct.

Furthermore, there is a need to include a certain degree of responsibility and *integrity* requirements in the Terms of Reference for non-regular employees. Specifically they may be asked to submit their SALN upon hiring and disclose any existence of potential conflict of interest should they be employed by PS.

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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 are 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 in preventing corruption and enhancing integrity • Results of the review are used to tighten the agency's policy on solicitation and acceptance of the gifts and benefits

The PS Gifts And Benefits Policy

During the IDA, the participants said that PS does not have any clear policy with regards to the receipt and solicitation of gifts and benefits given, be it to individuals or the agency.

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Assessment

Individual ratings of IDA participants are as follows:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	12	0	0	0	0	0	12
Percentage of Pax	100%	0%	0%	0%	0%	0%	100%

The IDA participants arrived at a consensus rating of zero (0) and gave a deployment score of 0%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
GIFTS AND BENEFITS POLICY	0	0	1	0

Participants in the IDA shared that it is a reality in PS for suppliers to give gifts during special occasions such as birthdays, Christmas, Chinese New Year and special holidays. Gifts such as t-shirts, pens and umbrellas are given to all employees. During birthdays of senior officials, suppliers provide food such as cakes and "pansit". However, during Christmas, suppliers tend to give bigger gifts like appliances. The agency uses these big gifts as raffle items during the PS Christmas party.

The participants further mentioned that without a policy on gift giving, employees are having difficulty determining if the amount acceptable for the small itemed gifts given by suppliers are considered to be corrupt.

Overall Assessor's rating

The DBM Personnel Handbook enunciates the prohibition on solicitation or acceptance of gifts under RA 6713.

> *Prohibited acts and transactions*.
> 4. Solicitations or acceptance of gifts. Public officials and employees shall not solicit or accept directly or indirectly, anything of material value from a person other than a member of their family or a relative, in the course of their official duties or any transaction, even on the occasion of a family celebration or national festivity like Christmas, whether or not the gift is given in anticipation of, or in exchange for a favor or may affect the normal functions of their office.
> *(DBM Personnel Handbook Page 63, #4 Prohibited acts and transactions)*

The assessment team gave the PS a rating of one (1) since there is an existing policy, but with zero percent (0%) deployment due to the noticeable discrepancy between the level of knowledge among employees and management. The above-mentioned provision of the DBM personnel handbook is seen to be insufficient despite adverse prevalent opinion against the practice of gift giving as seen in the results of the survey of employees. The policy does not clearly define the value or acceptable amount considered to be of material value.

Furthermore, there is a need for a program to disseminate information to suppliers on the prohibition of giving gifts. This is to avoid the creation of a sense of obligation that may compromise the official/employees honesty and impartiality.

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Survey Results

The survey results showed that 23.23% of employees agreed that the agency has a policy on receiving gift and benefits from suppliers. Those who said YES, also said that they highly agree (1.73) that the employees are made aware of the policy. The results indicate a discrepancy between the management and employees knowledge on the agencies gift giving policy.

Employees moderately agree (1.90) that the transacting public and suppliers know the policy of our agency on solicitation and receiving of gifts.

When asked if *"How much do you think is an acceptable personal gift from the transacting public or suppliers?"* 60% of the employees agreed to a **NO GIFT POLICY**. Of the 40% who responded, **P10,000** was the highest amount given.

Statement	Rating	
	YES	**NO**
16. Does your agency have a written policy on solicitation and gifts?	**23.23%**	**76.77%**
17. The employees in our agency are made aware of the policy on solicitation and receiving of gifts.	**1.73**	
18. The transacting public and suppliers know the policy of our agency on solicitation and receiving of gifts.	**1.90**	

19. How much do you think is an acceptable personal gift to you from the transacting public or suppliers?

Amount	No. of Responses
0	60
< 100	10
100	13
200	3
300	3
400	1
500	4
1,000	3
2,000	1
10,000	2

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Next Steps/Recommendations

Since it is part of the Filipino culture to give gifts, the PS needs to develop a stringent policy on gift giving. The policy should contain parameters that would clearly define specific guidelines that would not make the culture of gift-giving a corrupt practice. Examples are maintaining a registry of gifts, determination of insignificant value of a gift, guidelines on acceptance of gifts during holidays, birthdays and/or special occasions.

The PS may benchmark with the policies of other government agencies. It also needs to develop an information campaign to disseminate the policy to the public, suppliers and other agency stakeholders.

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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's 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 the 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 • Basis of decisions on promotion and movement of personnel that deviate from the recommendations of the Board are documented • The agency conducts random checks of the decisions of the Boards • The agency has a post employment policy for resigning/retiring personnel
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

The PS Human Resource Management
The agency has written guidelines for recruitment and promotion of personnel. The PS Merit Promotion Plan was established based on the merit principle in the advancement of its employees. The selection and promotion of employees is based on performance, education and trainings, experience and outstanding accomplishments, potential and peer rating.

The PS-Personnel Selection Board (PSB) is composed of the Chief Administrative Officer, All Division Chiefs and employee representatives from the first level and second level.

Job descriptions and qualification standards for all positions being followed are taken from the CSC guidelines.

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Assessment

Individual ratings of IDA participants:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	1	7	4	0	0	0	12
Percentage of Pax	8%	58%	33%	0%	0%	0%	100%

The IDA participants arrived at a consensus rating of two (2) and gave a deployment score of 70%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
HUMAN RESOURCE MANAGEMENT	2	70%	1	50%

Validation

Since members of the PS-PSB are composed of the division chiefs of the different units, it is often assumed that they are already aware of the guidelines for promotion. New members of the board are not provided with proper orientation, if there are new members, most often, orientation is done informally the same with members of the PSB Secretariat. Nevertheless, there have been some efforts to disseminate the guidelines such as posting it on the bulletin board but these are not done proactively.

There are written guidelines for recruitment and promotion of personnel in PS however, these are not applicable to JO employees. JO employees in PS also perform critical functions such as the evaluation of bids, coordination with suppliers, inspection and delivery of goods. It is important that these JOs will take in a certain level of accountability just the same with other regular employees of the same position. This is to ensure the integrity of the quality of service rendered by JOs.

The procedure for hiring personnel in PS was seen to be weak, particularly in the dissemination and publication of vacancy for hiring of employees. Though RA 7041 and the CSC MC 40 excludes the publication of job vacancy for coterminous or even project based positions, there is a need for PS to widen its dissemination for hiring in order to attract an extensive pool of qualified applicants fro selection as it employs measures to prevent entry of corrupt employees or to shield the process form political interventions. Thorough review of the qualifications of JO applicants is needed since their employment usually provides them an advantage in the hiring as regular employee of PS.

Furthermore, tighter controls and guidelines are needed to address the agencies tolerance on irregular "recommendations" and wide discretion in the procurement of service particularly for JOs. To ensure that no other parties with conflict of interest in PS would take advantage of the hiring process, there might be a need to include a background investigation of applicants.

Though the composition of the PSB are the same members for the past consecutive years, there is still a need for occasional re-orientation on the guidelines for promotion. Informal orientation or the assumption that board members understood the guidelines may lead to differing interpretations of the guidelines. In convening the PSB, revisiting performance may be conducted to serve as basis for the refinement of guidelines and tightening of processes.

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The survey of employees identified nepotism as the top form of corruption in PS, though this still needs to be verified, the definition of nepotism is limited and may not include recommendation of allied agencies (e.g. DBM officials).

Survey Results

Employees moderately agreed that the agency follows a recruitment process in hiring its personnel. However, when asked if the process is free from external influences, employees slightly agreed (2.30).

Statement	Rating
23. The process for recruitment in our agency follows a set of criteria.	**2.01**
24. The process for promotions in our agency is free from external influences.	**2.30**

Next Steps

The following actions may be considered to improve PS recruitment and promotion processes:

- To beef-up personnel with regular employees rather than contractual or JOs
- Formulate guidelines for hiring of JOs
- To involve PSB in hiring JO applicants
- Include integrity measures in the contract (e.g. declaration of assets or conflict of interest, bond for sensitive positions)
- Follow Civil Service policy on hiring employees (e.g. publication of vacancy, provide equal opportunities to all from within or out of PS)
- Training and orientation of the PSB
- To develop a policy with expanded definition of Nepotism
- Develop a policy regulating recommendations for hiring and promotion

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5.   PERFORMANCE MANAGEMENT

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

Performance management ensures that agency goals are met since regular monitoring can increase the likelihood of spotting unproductive activities of employees. Efficient and effective units or agencies do not only save time and resources, but they are more resistant to corruption. Performance management can also address possible negligence 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 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's annual reports are made available to the public to account for what the agency has accomplished vis-a-vis its targets.
4	• The agency links staff performance ratings with the attainment of the 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

The PS Performance Management

The PS has a clear organizational goal of assisting government in the judicious use and management of its fiscal resources. On performance evaluation and management of its personnel, the agency adheres and complies with the basic performance evaluation policies and procedures required by the Civil Service Commission (CSC). The agency utilizes performance evaluation rating tools prescribed by the CSC. These forms include the Personal Data Sheets (PDS), Performance Evaluation Rating (PER) and Asset and Liabilities.

Agency annual reports are collated by the Planning Division and are made available to the public upon request. These reports contain the accomplishments of the agency, which are basically the Operational Performance of PS as well as the implementation of other activities such as the Phil-GEPS, report of the expansion program through the Regional Depots, and report on the implementation of RA 9184.

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Assessment

Individual ratings of IDA participants:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	7	3	2	0	0	0	12
Percentage of Pax	58%	25%	17%	0%	0%	0%	100%

The IDA participants arrived at a consensus rating of one (1) and gave a deployment score of 20%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
PERFORMANCE MANAGEMENT	1	20%	1	20%

During the IDA, the participants rated the agency with a rating of one (1) with 20% deployment. They mentioned that the agency's organizational goals, annual targets and performance indicators are just recently defined and is still being cascaded.

Annual targets of the agency are clearly defined in the agency's strategic plan. Weekly meetings of the operations group are being conducted with the agency's financial adviser. During these meetings each group's financial performance are being reviewed vis-à-vis targets. Discussions on causes of meeting or failing to meet targets are deliberated and specific actions to address the causes are identified for immediate action by the concerned unit or group.

The agency rewards outstanding performances by groups and individuals through the Program on Awards and Incentives for Service Excellence (PRAISE). It should be noted that the PS-PRAISE provides an Exemplary Behavior Award based on the norms of RA 6713. As such awardees shall be automatically be nominated to the *Dangal ng Bayan* Award.

The Assessment Team sees the need for PS to provide more regular training program for performance evaluation in order to achieve level 2.

Though the individual performance targets and evaluation system also provides incentives for individual with exemplary behavior, the use of the Personal Data Sheet and Performance Rating, as bases for review may be insufficient. Individuals may need to be required provide periodic accomplishment reports vis-à-vis goals and targets in order to achieve level 3.

By including an *integrity* criterion in its performance evaluation, PS may be able to achieve level 4.

Survey Results

Survey respondents highly agreed that their performance targets are clear to them. Employees moderately agree that they are receiving feedback regarding their performance, though only 46% said that they have individual performance targets set by their superiors.

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With regards to incentives, employees moderately agree that the agency rewards outstanding performance. However, they also moderately agree that employees are given the yearly performance bonus regardless of how they have performed.

Statement	Rating	
26. My performance targets are clear to me	1.75	
27. Outstanding performance is rewarded in our agency.	2.16	
28. The employees in our agency are regularly provided feedback regarding their performance.	1.98	
29. The employees of our agency are given the yearly performance bonus regardless of how they performed.	2.06	
30. I am satisfied with my job.	1.80	
31. Do you have a personal performance target set by your superior for 2006?	YES	NO
	48%	52%

Next Steps/Recommendation: to achieve level three

- Develop a more comprehensive and customized individual and unit performance targets and evaluation system
- Include *integrity* in performance evaluation
- Train leaders and personnel on performance evaluation and management

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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 • Third party observers are invited to witness the 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 the 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 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

The PS Procurement Management

The Procurement Service (PS) was created on October 18, 1978 by virtue of Letter of Instructions (LOI) No. 755 which directed the establishment of an integrated procurement system for the national government and its instrumentalities. The mechanics of the PS system were earlier tested and validated from 1976 to 1978 in an experimental implementation of a centralized form of procurement on a limited basis.

On July 28, 1987 the President issued Executive Order No. 285 reiterating the mandate of LOI 755 by abolishing the General Services Administration and transferring the procurement and price monitoring functions of the Supply Coordination Office to the PS. As such PS was mandated to operationalize a government-wide procurement system for common-use office supplies and to monitor the prices for common0use supplies, materials and equipment.

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Subsequently, on June 02, 1989 the President issued Executive Order No. 359, which prescribed the systematic expansion of the PS through a network of regional depots under a governing Procurement Policy Board. EO 359 also stipulated the guidelines and operating procedures of EO 285 in which all national government agencies including State Universities and Colleges and Government Owned and Controlled corporations are required to procure common use supplies, materials and equipment from PS. Subsequent Executive Orders (i.e EO 322, 262 and 40) further expanded the mandate and functions of PS which is mainly procurement related.

As with its long span of experience in procurement, PS possesses an advanced and specialized knowledge on the procurement process.

Assessment

Individual ratings of IDA participants:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	0	4	5	3	0	0	12
Percentage of Pax	0%	33%	42%	25%	0%	0%	100%

The IDA participants arrived at a consensus rating of three (3) and gave a deployment score of 90%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
PROCUREMENT MANAGEMENT	3	90%	3	60%

The Procurement Service executes the awards issued by the Inter-Agency Bids and Awards Committee (IABAC) composed of the DBM, DOF, DTI, the client-agency for whom a major bid is called (if applicable) and the PS Director in an ex-officio capacity. Observers from the private sector are also invited during IABAC meetings, these are from COA, PICPA, Procurement Watch and the Makati Business Club. PS personnel, mostly division chief of the different Operating and Support Units are tasked to assist the IABAC as Resource Persons, in the conduct of bids and other related activities such as the reviewing and awarding of contracts for the procurement of common and non-common goods as well as supplementary items needed by government agencies.

IABAC meetings conducted every Tuesday and Thursday are properly documented by the IABAC secretariat that primarily are PS personnel. The IABAC secretariat also keeps a record and monitors the procurement activities and milestones of the IABAC for proper reporting when required.

As a proponent of RA 9184, the agency's procurement procedures strictly adhere to the requirements of the law. It is noticeable in the results of the survey that there is a high degree of awareness (61%) among employees of the Government Procurement Act.

Through the PhilGEPS, PS maintains a single and centralized electronic portal for all procurement opportunities. As such all the procurement for Goods and General Support Services, Civil Works or Infrastructure Projects and Consulting Services are posted in the system as mandated under Republic Act 9184.

PS also maintains a centralized list of prices which are accessible in the DBM-PS website, the GPPB website as well as the Phil-GEPS site. To ensure the "competitiveness" of PS purchases pursuant to its mandate, a price monitoring system and mechanism was established.

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There are existing guidelines and clear process flows for each type of procurement process, starting form the request for items to be purchased; to the bidding, review and awarding of contract; to the delivery and inspection of goods; until the acceptance by the end user and payment to the supplier. PS employs a rigid scientific inspection process and uses the National Product Standards of the DTI as a guidance document inspection. There is a clear guideline in the processing of payments to suppliers.

Monitoring of suppliers delivery performance are strictly imposed. For such delinquency, PS automatically imposes a fine of .01% of sales.

Though suppliers are penalized for late deliveries the agency does not strictly impose a "Black Listing" policy. Suppliers constantly penalized for late deliveries are not given any other sanction should they be habitual in delivering items late. Furthermore, suppliers with rejected items delivered are often given an appeal to return or replace the items. For constantly poor performing suppliers, there is a need to impose more severe penalties than fines or penalties. A monitoring system on the performance of suppliers against obligation should be installed as well as imposing a uniform policy on the disqualification of bidders. Furthermore, publishing the list of "Black Listed" suppliers need to be enforced in order to share this information to other government agencies.

There is no standard process in communicating results or findings of bidding to suppliers and client agencies. Thus there is an information risk within the procurement process, which could lead to favoritism, lack of transparency and pre-mature divulging of results/findings or critical information by extracting considerations from suppliers or vise-versa.

There is a need to ensure and promote the integrity of the IABAC, TWG, secretariat and employees involved in the procurement process. This is to ensure the public of the reliability and trustworthiness of the procurement process in all its stages. Thus, the need for a Customized code of Conduct is imperative. The code should include guidelines and regulations on the relationship of employees interfacing constantly with suppliers and client agencies

The voluminous transaction of PS would require a strong inventory and warehouse management system. The present computerized Enhanced Warehouse Management System of EWMS was designed to assist PS in tracking the input and output of goods from suppliers to end users. The EWMS needs to be modified to accommodate the specific peculiarities of the procurement process of PS. Its inability to reconcile actual inventory of items leads to inadequate information for critical decisions (e.g. quantity of stocks, stocks to be delivered to clients).

The lack of adequate information of actual inventory, may lead to over or under request of items to purchased. There is a need for constant coordination between the Agency Service Division, the Purchasing and the Warehousing Division, lack of coordination may also lead to overloaded warehouse space.

Survey Results

Respondents generally agreed with concerns on Procurement Management. Moderately positive net ratings to highly positive net ratings for all factors were recorded. A 1.55 rating was recorded for procurement in the agency following the procedures stipulated under the Procurement Law. No significant difference in responses was noted.

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Statement	Rating	
	YES	NO
36. Are you aware of the new Procurement Law or RA 9184?	61%	39%
37. Procurement in our agency follows the procedures as stipulated under the Procurement Law or RA 9184.	1.55	
38. Bids and Awards Committee (BAC) decisions are impartial.	1.75	
39. Non-performing suppliers are blacklisted.	1.92	
40. Relevant personnel are well trained on the entire procurement process – from bidding to inspection/utilization.	1.81	

Next Steps/Recommendation

Recommendations of the assessment can be classified into three major categories namely; i) policy; ii) communication and iii) delivery.

Policy

- There may be a need to survey IABAC decisions on disqualification for review and reference. This is to ensure consistency of decision by the body in the future.

- There is need to develop policy to ensure integrity of TWG, IABAC, Secretariat, Inspection Team operations. This includes polices on ethics and interface with suppliers. Suppliers have requested that they be informed through formal communication of results of the bidding process. Additional queries or follow-up to suppliers should also be documented and done in an official manner so as to reduce doubts with regards to the review of bids and inspection results. Furthermore, the accessibility of critical units such as the TWG office may need to be secured. A logbook for visitors going in and out of the TWG premises may need to be in place to monitor official transactions with the office.

- Develop policy to disclose potential conflict of interest among the TWG, IABAC and Secretariat

- Regular monitoring of existing inventories to determine real time stock level

- Integrate measures for greater accountability on non-regular PS personnel involved in procurement process

- Strictly enforce policy of "Black Listing" suppliers and disseminate information to other government agencies

- To disseminate best practice on schedules of actions payment

Communication

- Promote and enhance mechanics of G-EPS for wider dissemination of information
- Develop for formal, prompt and effective communication of bidding results to suppliers
- Develop guidelines on prohibition on deviation on the standard procedure of communication
- Develop guidelines divulging information to suppliers
    - Notice of bidding
    - Evaluation and bidding results
    - Inspection results

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- o Availability of check payment
- o Classified information
- Develop integrity policy on interface with suppliers

Delivery

- Promote and enhance mechanics of G-EPS for wider dissemination of information
- Adequate space for stocks
- Develop policy on delivered stocks which cannot be kept in warehouse
- Enhance recording system of inventory
    - o secured access to stock cards
    - o late entries
    - o Conduct monthly inventory audit of (e. g. balance of entries in stock card and weekly report

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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, collections) 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 action 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 other financial risks are minimized if not totally eliminated • The agency's financial performance is analyzed 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

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The PS Financial Management

The PS does not receive any allotment under the General Appropriations Act. However, it may use the service fees earned from procurement operations to defray its financial requirements as authorized under Section 4(e) of E.O 359. However, this amount should not exceed five percent (5%) of the value of supplies, materials and equipment procured and supplied to the agencies concerned.

The PS financial system adopts the prescribed government budgeting and accounting guidelines such as the New Government Accounting System (NGAS) and the DBM budget guidelines. The Finance Division (FD) is responsible for providing the office with services relating to budgeting, cashiering and accounting prepare financial reports and others, such as statement of receipts, daily cash position, monthly income statement and cash flow statement.

Assessment

Individual ratings of IDA participants:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	1	1	1	8	1	0	12
Percentage of Pax	8%	8%	8%	67%	8%	0%	100%

The IDA participants arrived at a consensus rating of three (3) and gave a deployment score of 90%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
FINANCIAL MANAGEMENT	3	90%	3	60%

The participants during the IDA gave a rating of 3 for financial management system with 90% deployment during the IDA conducted. There was a discussion on the deployment of bullet no. 3 regarding the conduct of random audit with reports and recommendations for action provided to management. During the validation activity of the team, it was observed that there was no system in place nor was there an assigned staff to perform this specific function. There is however, an audit which is conducted at the end of the year. There are also roving inspectors at the warehouse who sign the transaction on the movement of inventory. Their reports however, are not as what was conceptualized in bullet no. 3 which, include recommendations for action to be provided to management.

In addition to the attainment of level 3 rating in financial performance, PS has already achieved the following criteria on level 4:

- The financial performance review of PS, which is done up to the depot level, is constantly monitored. An Asst. Secretary from DBM who acts as the PS financial adviser performs conducts the weekly review together with the different division heads of PS. The financial performance is also analyzed vis-à-vis accomplishment of targets to assess the organization's cost-effectiveness.
- PS employs a computerized accounting system (FACT) for its financial transactions. Entry of data in this computerized system is limited to authorized personnel with defined accountability. It is also password protected.

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- Financial reports including COA Annual Audit Reports are available for public inspection. According to the 2006 COA report, there is no un-liquidated cash advances.
- Further review of the COA report shows that PS is able to immediately address COA audit findings. However, there is a recurring issue on the COA finding pertaining to the payment of management service fee to DBM. The COA observes that there seemed to be duplication of function between the GPPB and the DBM over the supervision of PS. The PS have substantially explained their position on the matter, but nevertheless, such condition still exist.

Based on the above-mentioned findings, the assessment team gave PS a rating of 3. The FACT system which is the DOS- based computerized accounting system that perform the recording and reporting of PS financial transactions need to be upgraded and integrated with the computerization of the Inventory system which is the Enhanced Warehouse Management System (EWMS). This integration would fully satisfy the first bullet in the level 4 rating which requires among others, an computer system which integrates the financial system with the warehouse inventory system.

Should PS fully integrated the two systems discussed above, it is possible for them to attain level 4 rating in this dimension since validation has shown that the other criteria were already satisfied in this level.

There is also a need to strengthen the deployment of bullet no. 3 on level 3 on the conduct of random audit with reports and recommendation for action to be provided to management.

Survey Results

Statement	Rating	
32. Are you aware of the Financial Management Systems in your agency?	**YES**	**NO**
	37.37%	**62.63%**
33. The management scrutinizes our agency spending.	**1.61**	
34. Financial statements and audit reports of our agency are accessible.	**1.86**	
35. Employees know who and where to report irregularities in financial transactions.	**1.90**	

Next Steps/Recommendations

o Maintain working systems and adherence to government rules
o Review system – Integration of the control system to provide security (e.g. access codes) and ensure that fraud and other financial risks are minimized if not totally eliminated

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8. 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 and 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 all 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 investigation of reported corruption and tracks complaints/cases until final action is taken • The agency keeps full and complete record 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

The PS Internal Reporting And Investigation

PS has no existing policy on internal reporting and investigation, however, it conducts investigations on reported irregularities committed by officers and employees by forming special task force to do the investigation.

A recently office order, (no. 187-07 dated July 4, 2007) was issued to reconstitute the PS-DAC.

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Assessment

Individual ratings of IDA participants:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	11	1	0	0	0	0	12
Percentage of Pax	92%	8%	0%	0%	0%	0%	100%

The IDA participants arrived at a consensus rating of zero (0) and gave a deployment score of 0%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
INTERNAL REPORTING AND INVESTIGATION	0	0	0	0

Though there is no policy on internal reporting, employees of PS trust their management to act on reports of irregularities. As provided for in the DBM personnel handbook, a Disciplinary Action Committee (DAC) in PS was created based on DBM Office Order 199-87 dated September 22, 1987.

The DAC is tasked to receive and investigate complaints against all DBM officials and employees for offenses arising from, among others:

- Undue fraternization with, and/or solicitation of favors from clientele agencies/offices or individuals transacting business with the DBM;
- Neglect of duties and responsibilities and unnecessary delays of action on papers;
- Other conducts unbecoming of a staff member of DBM and bringing dishonor and indignity to the Office; and
- All other offenses punishable under CSC laws, rules and regulations.
- After proper investigation, the DAC shall recommend the imposition of the appropriate penalty.

Though fraternization with, and/or solicitation of favors from agencies/offices or individuals transacting business are mentioned in the DBM handbook, there is no provision on specific acts that need disciplinary actions.

Survey Results

Respondents gave a **moderately positive net agreement** on the first three statements concerning internal or reporting of corrupt activities. They agreed that PS employees are encouraged to report corrupt and unethical behavior, guidelines to employees for reporting corruption and unethical behavior are clear, and that reports of employees on such behaviors and activities are investigated. However, for the fourth statement that "employees who report corrupt behavior are protected" 38% of the respondents said that they are not sure about the statement.

This is an indication of the need to address the issue of protecting employees who reports acts of corruption and unethical behaviors within the organization.

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Statement	Rating
42. Employees are encouraged to report corrupt and unethical behavior within the agency.	2.07
43. Guidelines to employees for reporting corruption and unethical behavior are clear.	2.15
44. Reports of employees on corrupt behavior are investigated.	1.99
45. Employees who report corrupt behavior are protected.	2.18

Next Steps/Recommendations

The Assessment team recommends that PS should develop a policy on internal reporting pursuant to DBM Office Order 199-87. Furthermore, the newly reconstituted DAC should be fully activated.

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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 implement able 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 the identified risks • Time and resources are allocated, and managers are given clear tasks of implementing and monitoring the corruption risk management/corruption prevention plan • Employees are encouraged and rewarded for identifying responses to corruption risks
4	• The agency's corruption risk management/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 to 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

The PS Corruption Risk Management

The participants in the IDA recognize the need for internal audit as a means to detect and prevent corruption however an internal audit unit does not exist in PS.

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Assessment

Individual ratings of IDA participants:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	11	1	0	0	0	0	12
Percentage of Pax	92%	8%	0%	0%	0%	0%	100%

The IDA participants arrived at a consensus rating of zero (0) and gave a deployment score of 0%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
CORRUPTION RISK MANAGEMENT	0	0	0	0

The agency has identified operations and functions vulnerable to corruption as and has issued some office orders to reduce red-tape and improve processes (e.g. office order 124-05: authorized signatories to vouchers and checks).

As strength for this dimension, the team recognizes that employees of PS are trained to detect fraud in the procurement process based on compliance with RA 9184. However, as verified by the survey, not all employees are skilled to detect fraud and corruption, thus there is a need to establish an internal audit unit with capable personnel. Though the management recognizes the need for an internal audit as a vital factor for prevention and detection of fraud, recognition should not stop in accepting and admitting without identifying specific actions.

Though the agency has identified its high-risk operations and has streamlined some of its function to reduce red-tape, there a need for a policy specifying responsible units/persons to identify and address high risk areas on corruption, particularly those pertaining to internal audit functions.

Survey

Employees moderately agree that their agency implements measures to identify potential fraud and corruption. Employees slightly agree that the current system of operations of the agency, which is procurement, is difficult to corrupt. Employees also slightly agree to both statements of the agencies' capability to prevent and detect fraud.

Statement	Rating
47. Our agency implements measures to identify potential fraud and corruption.	1.97
48. It is difficult to corrupt our current system of operations.	2.13
49. Employees in our agency are trained to prevent fraud.	2.20
50. Employees in our agency are trained to detect fraud.	2.23
51. Our agency is successful in fighting corruption.	1.96

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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, followed by Abuse of power and Neglgence of duty. Ranking of types of corruption in terms of their perceived likelihood of occurrence in the agency are disscused in the Survey Results section.

Rank	Types of Corruption	Net Rating	Likelihood
1	Nepotism/Favoritism	2.44	High
2	Abuse of discretion/power	1.93	Medium
3	Negligence of duty	1.87	Medium
4	Disclosure of confidential information	1.86	Medium
5	Accepting bribes	1.76	Medium

Of the total respondents there where three (3) who reported that they experienced and reported a corrupt or unethical behavior in the organization. Of the three cases, one was resolved within a week of reporting while the remaining 2 was no yet resolved. This could attribute to the highly negative response on the satisfaction regarding the agency's investigation mechanism.

Net Ratings for Corruption Reporting by Site

STATEMENTS	AGENCY TOTAL
72. How satisfied or dissatisfied were you with your agency's reporting mechanism?	2.50
73. How satisfied or dissatisfied were you with your agency's investigation mechanism?	3.50

Next Steps/Recommendations

It is recommended that a Risk Management unit be created to focus not only on efficiency of operation but also on the *integrity* dimension or on the prevention and detection of fraud and corruption.

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10.   MANAGING 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 (conspicuous) areas. • The agency employs systems to avoid long queues and prevent "facilitators" of transactions • Employees are given training on how to handle queries and complaints
3	• The agency has a mechanism to check that the published rules, procedures, and standards are being met (e.g. client complaints/feedback mechanism, service charter) • Relevant personnel are given training on how to handle and resolve complaints • Managers monitor compliance with service standards and ensure that transactions are isolated from undue interference (i.e. patronage, bribery)
4	• The agency has 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

The PS Managing Interface with External Environment

As the operational arm of the government-wide procurement system, PS customers are government agencies seeking assistance on procurement. Procurement may be classified as common-use (e.g. office supplies) and non-common use items (e.g. ammunitions for DND).

The Agency Servicing Division (ASD) receives and initiates the processing of all agency requests. It coordinates with client-agencies on all matters pertinent to procurement requirements and maintain up-to-date information on agency order/request status and stock availability. The Purchasing Division (PD) is in charge of all purchasing activities. It coordinates with suppliers, sends out invitations to bid and prepares purchase orders. The Inspection Division (ID) is responsible for the inspection, testing and evaluation of deliveries made by suppliers to see to it that the desired quality is obtained. The Warehousing and Delivery Division (WDD) stores, maintains and manages the stocks at the PS Warehouse. It is also responsible for the delivery of goods to requesting agencies.

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Prices of common-use items are posted by PS in the PhilGEPS website. This is to provide clients with information. PS is committed to provide quality service to its customers by ensuring that items purchased are priced accordingly and comply with Philippine National Standards..

Assessment

The IDA participants gave a rating of two (2) with 50% deployment for the dimension on managing interface with external environment. Information on the services, policies, systems and procedures of PS can be easily accessible from the bulletin boards, PS, PhilG-EPS and GPPB website. PS also publishes monthly journals for the transacting public. Client agencies can also easily access prices of stock items trough phone, fax and internet.

To avoid long queues, a "fast lane" has been provided for client agencies.

Selected employees have been trained to handle queries and complaints such as telephone courtesy. Though there are some who have not attended formal training, the PS staff are capable to explain or handle queries related to processes and procedures.

Though there is no written policy, employees are aware that disclosing information to the public and even documents should first be clarified from the division head before these can be released to the public.

Individual ratings of IDA participants:

Rating	(0)	(1)	(2)	(3)	(4)	(5)	Total
No. of Pax	9	3	0	0	0	0	12
Percentage of Pax	75%	25%	0%	0%	0%	0%	100%

The IDA participants arrived at a consensus rating of two (2) and gave a deployment score of 50%.

Dimension	Agency Rating	Deployment Score	Validated Rating	Validated Deployment Score
MANAGING INTERFACE WITH EXTERNAL ENVIRONMENT	2	50%	1	50%

The PhilG-EPS enabled a number of internet-based services which improved the accessibility of certain PS services. These are: Public Tender Board for procurement notices; supplier registry to provided agencies a common source list of accredited suppliers; and catalogue of stock items and prices. As such this facilitated a quicker and faster flow of transactions between PS and its customers and stakeholders.

Due to voluminous transaction of agencies withdrawing supplies, PS opened a "fast lane" to respond to the need of client agencies that have come from distance areas or provinces. This has been instituted to avoid long queues.

AS an additional validation activity, the team conducted a focus group discussion (FGD) with selected suppliers. During the FGD, most suppliers pointed out that the need to provide information regarding results of the bidding is inadequate. Some suppliers have experienced receiving the information that they have been awarded the

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project upon the receipt of the Purchase Order. Though the G-EPS is operational and is being used for disseminating information, its promotion and propagation to suppliers may need to be strengthened.

There is a lack of feedback mechanism to determine the requirements, expectations and preference of customers. Among the top customer complaints as perceived by the employees pertain to low quality, wrong or late deliveries and unavailability of items.

Though employees are trained and knowledgeable in answering queries pertaining to process and procedures, a few are trained in customer's satisfaction and handling. This includes training for specific skills such as conflict handling, listening, telephone etiquette and grooming,.

To achieve a high level of customer satisfaction, it is best for the PS to strive to meet the expectations of the customer. One way of managing customer's expectation is by keeping them informed of the process of the service or of the product itself. To facilitate the flow of transactions, flowcharts for each process have been designed to make the public and process owners understand the step by step flow of activity, however, these needs to be posted in conspicuous areas accessible to clients and stakeholders such as waiting areas or the PS lobby.

Survey Results

Respondents gave a **moderately positive net agreement** on the first three statements concerning Managing Interface with External Environment. Moderately positive net agreements were recorded for all statements except for a slightly positive net agreement for action toward employee complaint and feedback.

STATEMENTS	AGENCY TOTAL
45. Overall, operations in our agency are clear and easily understood. *(Sa pangkalahatan, madaling maunawaan at malinaw ang pagpapatakbo dito sa aming ahensya.)*	1.88
46. 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.)*	1.97
47. 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.)*	1.85
48. 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.)*	2.22

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Among the top three (3) common complaints of customers as identified by the respondents are the following:

Rank	COMMON COMPLAINTS	Percent of Total Respondents
1	Quality of items/supplies, low quality items, product specifications, madaling masirang supplies, cheap but poor quality, defective products returned to agency, substandard products	25.00%
2	Out of stock supplies, insufficient supplies, late delivery of supplies, delayed delivery of supplies	17.86%
3	Slow processing of papers, delay on processing checks for suppliers, registration and issuance of certificate of registration to GEPS, wrong attachments to papers causing delays	9.82%

Next Steps/Recommendations

- The assessment team then recommends the following:
- Strengthen communication and feedback mechanism
- Develop internal capabilities to handle clients
- Simplify work flow charts using conventional language

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B. Survey Results

1.0   Respondent Profile

A total of 100 respondents were interviewed from the Procurement Service (PS) coming from the Central Office.

1.1 Education

Respondents of the survey were highly educated. Half of the respondents have at least a college degree (52.00%), with 7.00% of the employees with post-graduate degrees (MA/MS). Eighteen percent (18.00%) of the employees attained vocational education.

Education Profile
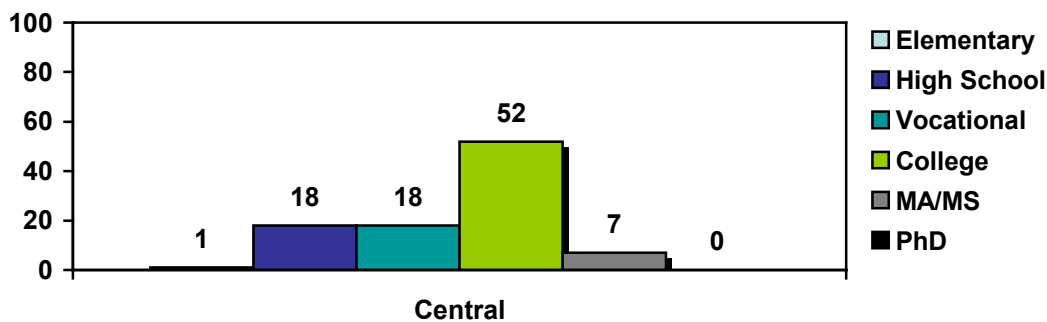
1.2 Work Profile

Most of the respondents occupy non-supervisory positions (82.00%l) with only five percent (5.00%) of permanent status. Bulk of the respondents were of job order type (53.00%) and 42.00% of contractual status.
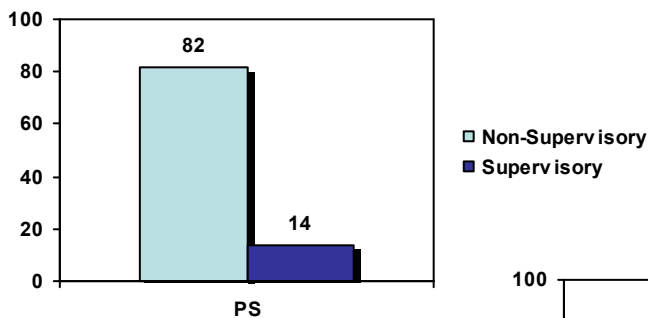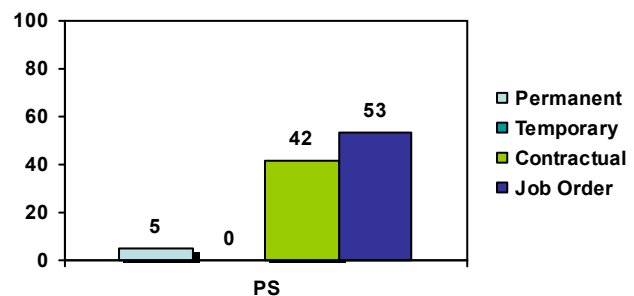
In terms of scope of work, 63.00% of respondents from PS Central Office were involved in central activities while 15.00% in regional, and 11.00% in city operations. The remaining 6.00% were involved in provincial operations.

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SCOPE OF WORK
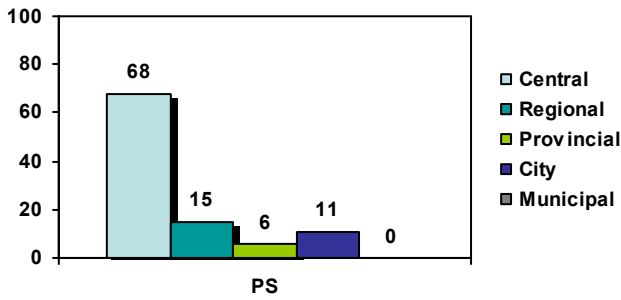
YEARS OF WORK
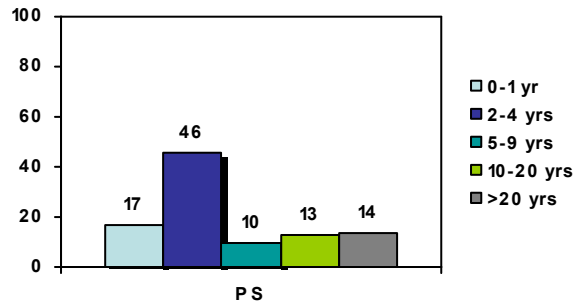
Almost fifty percent the respondents (46.00%) have been in active service for 2-4 years, twenty-seven percent (27.00%) have been working in PS for more than ten years, 17.00% have been in service for less than a year and 10.00% of the respondents have been in service for 5-9 years.

Table 4. Work Profile Distribution by Description and by Site

Description of Work		Number of Respondents
POSITION	Supervisory	14
	Non-Supervisory	82
STATUS	Permanent	5
	Temporary	0
	Contractual	42
	Job Order	53
SCOPE	Central	68
	Regional	15
	Provincial	6
	City	11
	Municipal	0
YEARS	0-1 yr	17
	2-4 yrs	46
	5-9 yrs	10
	10-20 yrs	13
	>20 yrs	14
TOTAL RESPONDENTS		**100**

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2.0   Results and analysis

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. Whistle blowing, 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.

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 of the four sites. 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.

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a. Leadership and Organizational culture

Moderately positive net agreements pertaining to leadership concerns were observed at the Procurement Service. Managers are perceived not abusive of their authority and that managers inspire their employees to be professional. No significant differences in responses were noted.
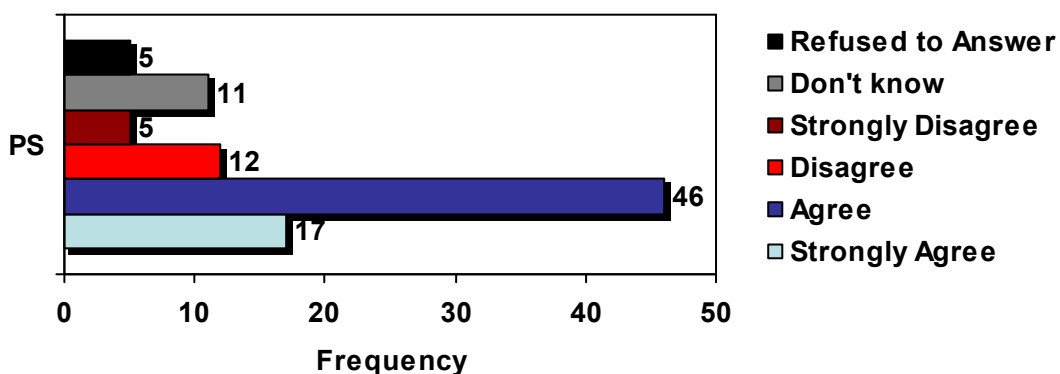
Table 5.1 Net Ratings for Leadership

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.)*	1.94
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.)*	2.06

Statement 1

Statement 2

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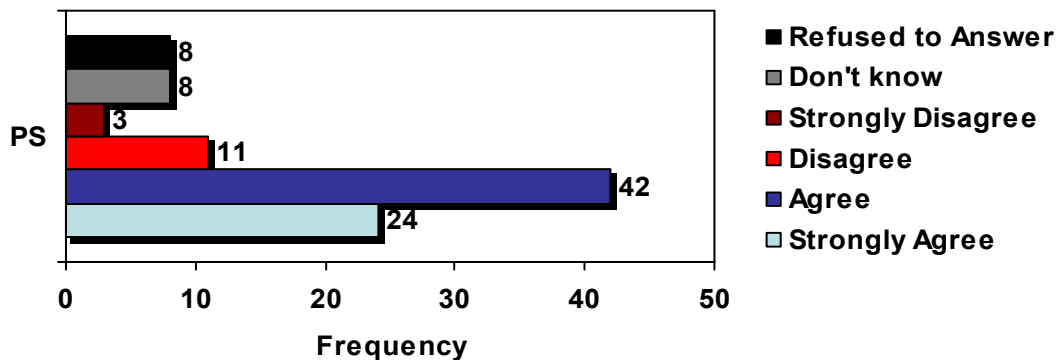
Question 3: What can you suggest to improve the leadership's contribution in preventing corruption in your agency?

Table 5.2 Suggestions to improve the leadership's contribution in preventing corruption in your agency include:

Suggestions	Frequency	Percent of Responses (%)
Leadership by example, unity of all, encourage cooperation, supervise employees better, honesty of leaders, personally handle affairs of the office, be fair, trust	28	26.92%
Implement annual assessment of corruption, more trainings, meetings, communicate with subordinates, set up general plans or guidelines to fight corruption, attend seminars, team building	19	18.27%
Follow rules and regulations, be strict in implementing rules and regulations, no wide discretion, punish offenders	13	12.50%
Transparency in all transactions, walang pagnanakaw, trabaho lang	8	7.69%
Increase salary, proper compensation as to their productivity and performance in job	6	5.77%
Do not allow suppliers to give gifts	3	2.88%
Hire professionals only	1	0.96%

Moderately positive net agreements bordering on slightly positive net agreements were recorded for all statements regarding organizational culture. Among the statements, highest net agreement was recorded for the lines of communication being open. Significant difference in responses was observed only in Statement 5 in terms of educational background. Employees who do not have college degrees tend to disagree that employees are involved in decision making.

Table 5.3 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.)*	2.12
5. Employees are involved in making decisions. *(Ang mga empleyado ay kasali sa mga pagdedesisyon.)*	2.20
6. Lines of communication are open. *(Bukas ang mga linya ng komunikasyon.)*	1.98

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Statement 4

Legend:
- Refused to Answer
- Don't know
- Strongly Disagree
- Disagree
- Agree
- Strongly Agree

PS values: Refused to Answer 2, Don't know 16, Strongly Disagree 4, Disagree 15, Agree 45, Strongly Agree 14

Statement 5

Legend:
- Refused to Answer
- Don't know
- Strongly Disagree
- Disagree
- Agree
- Strongly Agree

PS values: Refused to Answer 2, Don't know 16, Strongly Disagree 1, Disagree 22, Agree 43, Strongly Agree 12

Statement 6

Legend:
- Refused to Answer
- Don't know
- Strongly Disagree
- Disagree
- Agree
- Strongly Agree

PS values: Refused to Answer 3, Don't know 11, Strongly Disagree 2, Disagree 10, Agree 53, Strongly Agree 17

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Question 7: What can you suggest to improve the responsibility of your employees?

Table 5.4 Suggestions to improve the responsibility of employees were:

Suggestions	Frequency	Percent of Responses (%)
Sapat na benepisyo at salary, give benefits, recognize good performance, additional benefits and incentives, recognition for achievements or give merits	31	29.25%
Do work properly, do DTR honestly, honesty, no under the table negotiations, transparency, maging matapat sa trabaho, fear of God	18	16.98%
Open communication, trustworthiness, promote honesty, cooperation, trainings and seminars	15	14.15%
Motivate employees, positive reinforcement, seminars and meetings, give trainings, leadership by example, equal treatment to employees, trust employees	14	13.21%
Give security of tenure para hindi magloko, employee regularization	6	5.66%
Follow rules and regulations, implement rules and regulations regularly	5	4.72%
Magbigay ng makina	1	0.94%
Wag magnakaw	1	0.94%

b. Code of Conduct

Majority of the total respondents (74%) cited that the agency has a written code of conduct while 26% replied No.

Table 5.5 Question 8: Does your agency have a written code of conduct?

	Central
YES	74
NO	26
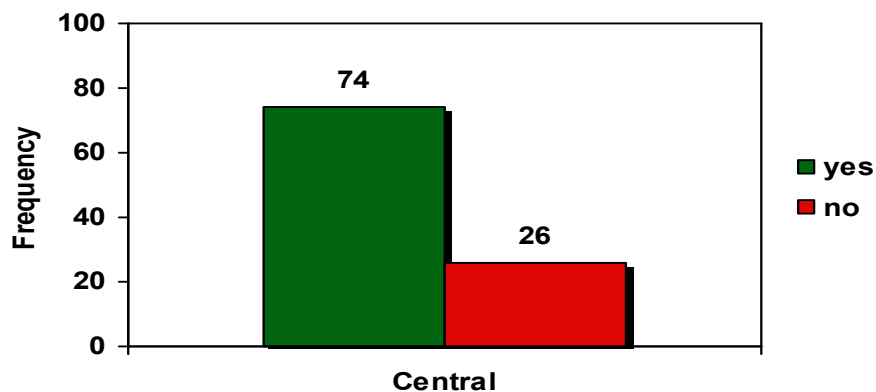
Moderately positive net agreements were observed across Central office for statements on code of conduct. Significant difference in responses were observed only in Statement 10 wherein negative net agreements were observed mainly from non-supervisory personnel.

Table 5.6 Net Rating for Code of Conduct

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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.)*	1.85
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.)*	2.00
11. Those who violate the code of conduct are punished. *(Napaparusahan ang mga lumalabag sa mga panuntunan ng wastong asal o gawi.)*	2.02

Statement 9
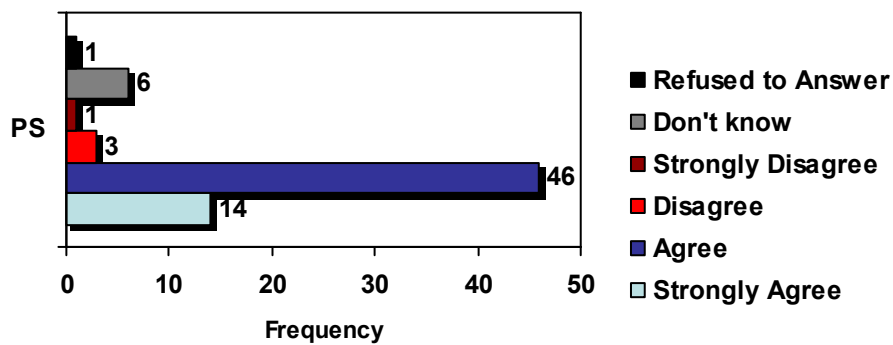
Statement 10

Statement 11

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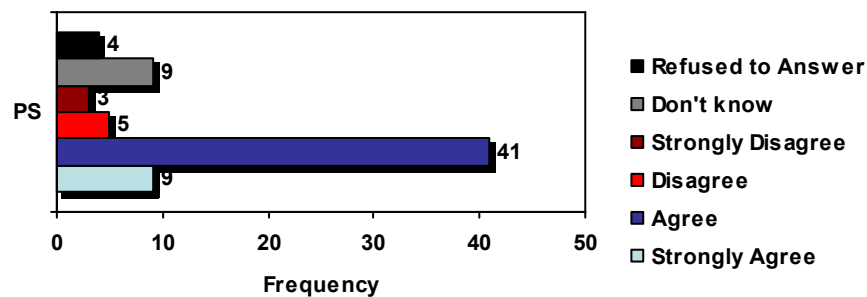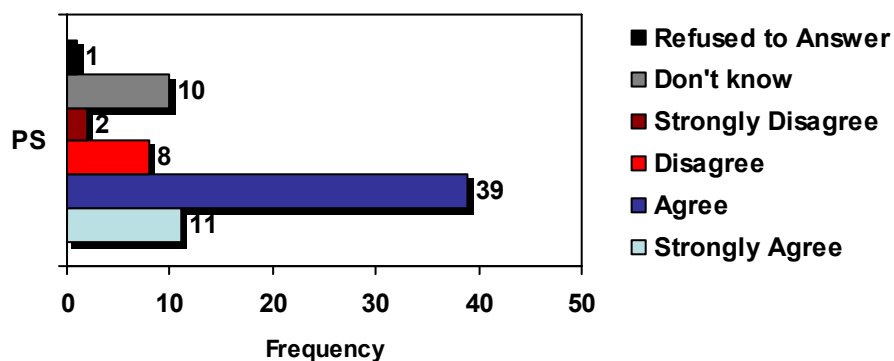
c. Gifts and Benefits

Fifty seven percent (57%) of all respondents reported to have submitted their SALN for 2005. The other 43% reported not having their SALN collected by the HRD.

With regards to the knowledge of the agency's written gifts and benefits policy, the Central office showed negative response. Seventy seven percent (77%) of the respondents responded that a written gifts and benefits policy was not existent in their agency.

Table 5.7 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	57%
	NO	43%
13. Does your agency have a written gifts and benefits policy?	YES	23%
	NO	77%

Question 12

Question 13

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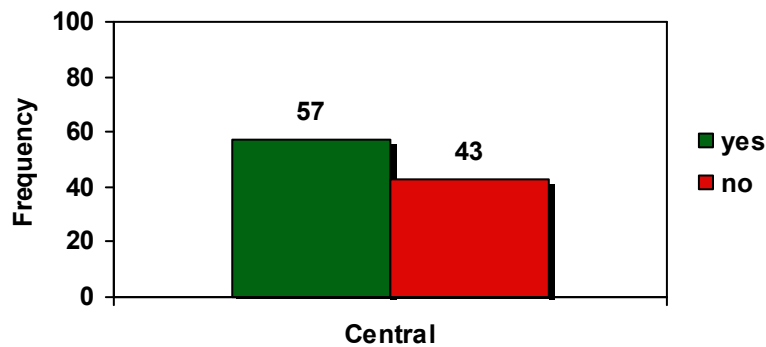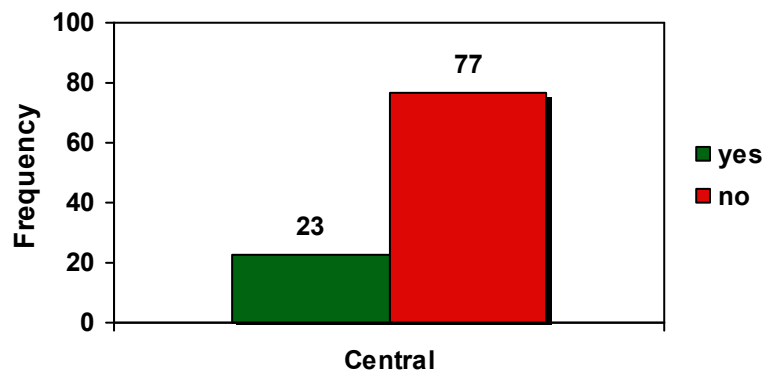
A highly positive net agreement was recorded for employees being made aware of the policy on solicitation and receiving gifts in the agency. A moderately positive net response on the other hand was recorded on the knowledge of the transacting public and the suppliers of the agency policy on gifts and benefits. Significant difference was observed in both statements in terms of educational attainment. Negative agreement was observed from college graduates.

Table 5.8 Net Ratings for Gifts and Benefits by Site

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.)*	1.73
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.)*	1.90

Statement 14

Statement 15

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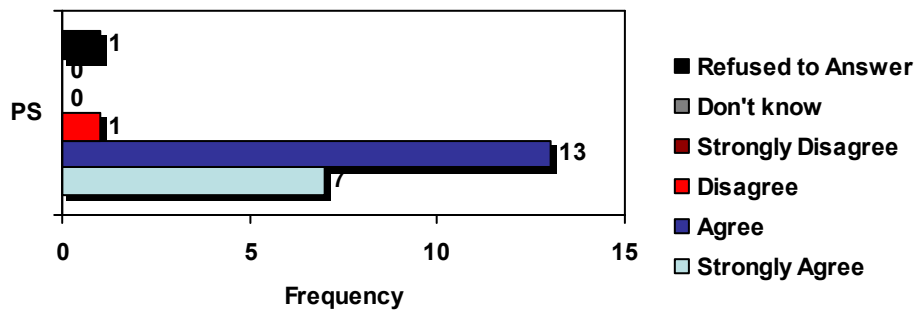
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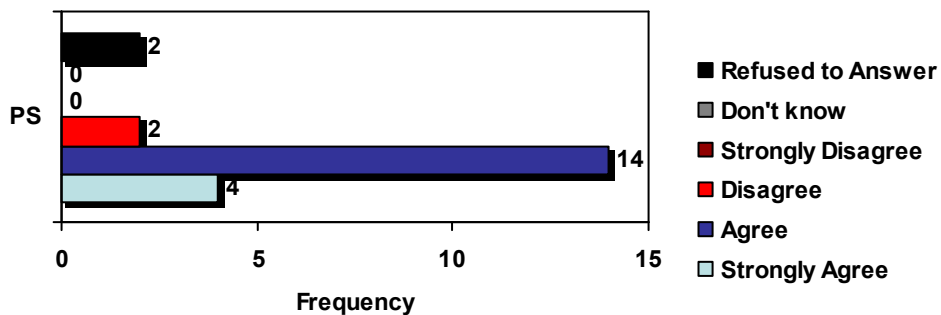
Question 16. How much do you think is an acceptable personal gift to you?

When asked how much they think is an acceptable personal gift, sixty percent (60.00%) responded that no cash gift is necessary for them to render their duties as government servants. However, those who did answer to a specific amount ranged from a low of less than P100-500, a mid-value of P1000-P2000 and a high value of P10,000.

Table 5.9 Values for Monetary Personal Gifts

Amount	No. of Responses
0	60
< 100	10
100	13
200	3
300	3
400	1
500	4
1000	3
2000	1
10000	2
TOTAL	100

d. Human Resources Development

PS Central office recorded moderately positive net agreement regarding the processes for recruitment and promotions following a set of criteria. A slightly positive response was recorded on the process of recruitment and promotions being free from external influences. No significant differences in responses were noted.

Table 5.10 Net Ratings for Human Resource Development

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.)*	2.01
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.)*	2.30

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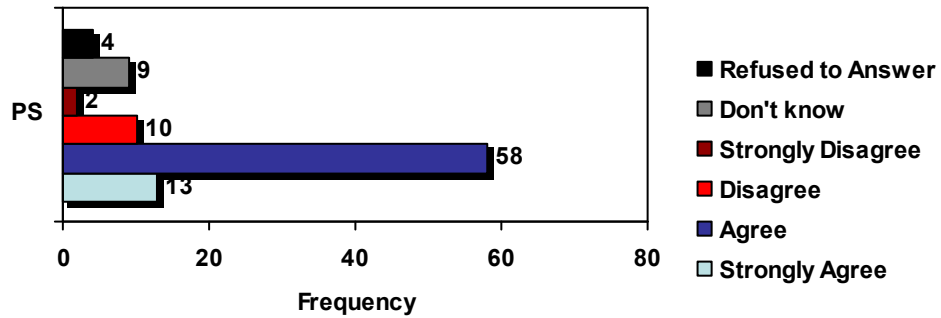
Statement 17

Statement 18
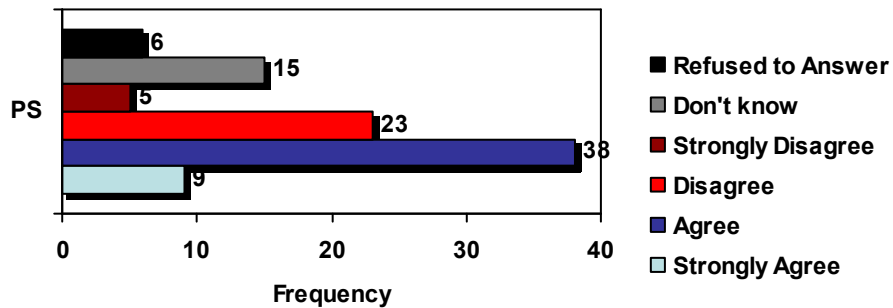
Question 19: What can you suggest to improve the process of recruitment and promotion in your agency?

Table 5.11 Suggestions to improve the process of recruitment and promotion include the following

Suggestions	Frequency	Percent of Responses (%)
Examine qualifications thoroughly, hiring/promoting of only qualified and skilled individuals, follow rules and regulations on recruitment and promotion, strengthen merit and promotion plan, super-screening of applicants, walang application shortcut, consider skills and achievements	43	40.95%
Publish job openings and requirements, transparency	6	5.71%
Evaluate employees yearly, consultation sa lahat, set manual for hiring, seminars/training, performance evaluation every quarter	6	5.71%
Focus on performance and not just on a simple exam result	5	4.76%
Seniority rule in promotion (in terms of length of service)	5	4.76%
Walang palakasan system, favoritism, kamag-anak system	4	3.81%
Magandang samahan	2	1.90%
Provide examination for a specific position	1	0.95%
Prioritize contractual in filling up vacancies	1	0.95%

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e. Performance Management

Moderately positive net ratings were observed with regards to performance management concerns. A highly positive rating was recorded with regards to clarity of individual performance targets while job satisfaction bordered on a moderately positive net rating.

Significant differences in responses were observed in Statement 20 and 21. Negative net agreements were observed among non-supervisory personnel for giving of yearly performance bonuses. Job satisfaction was observed to be higher from among those who have served the agency for at least 5 years. Negative net agreements came mostly from those who have been with the agency between 2-4 years.

Table 5.12 Net Ratings for Performance Management

STATEMENTS	AGENCY TOTAL
20. My performance targets are clear to me. *(Malinaw sa akin ang performance targets ko.)*	1.75
21. Outstanding performance is rewarded in our agency. *(Ginagantimpalaan sa aming ahensya ang mga taong may bukod tanging pagganap sa kanyang tungkulin.)*	2.16
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.)*	1.98
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.)*	2.06
24. I am satisfied with my job. *(Ako ay nasisiyahan sa aking trabaho.)*	1.80

Statement 20

Statement 21

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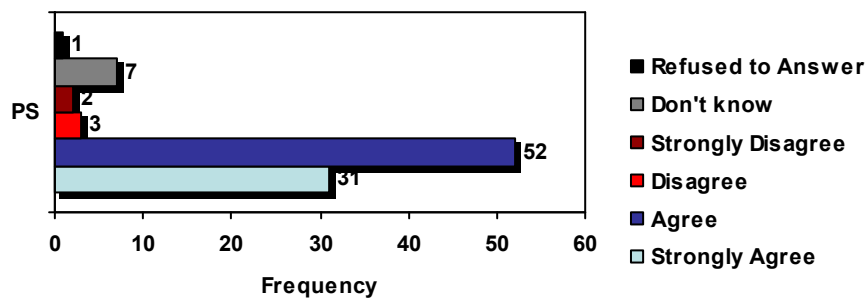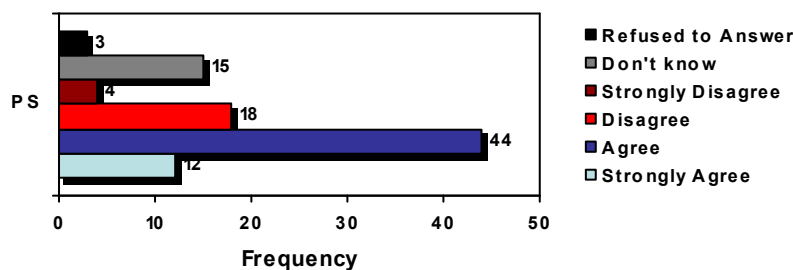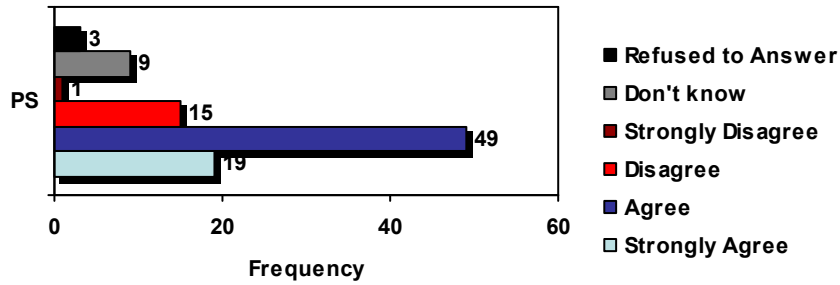
Statement 22

Statement 23
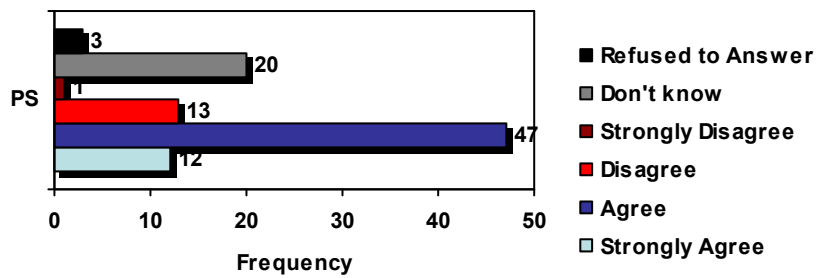
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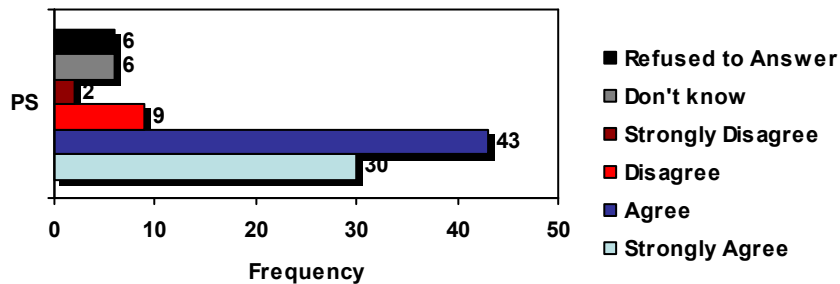
Setting of personal performance targets was practiced by less than fifty percent (48%) of the respondents of the survey. Fifty-two percent (52%) replied No.

Table 5.13 (Question 25) Do you have a personal performance target set by your superior for 2005?

	Central
YES	48
NO	52

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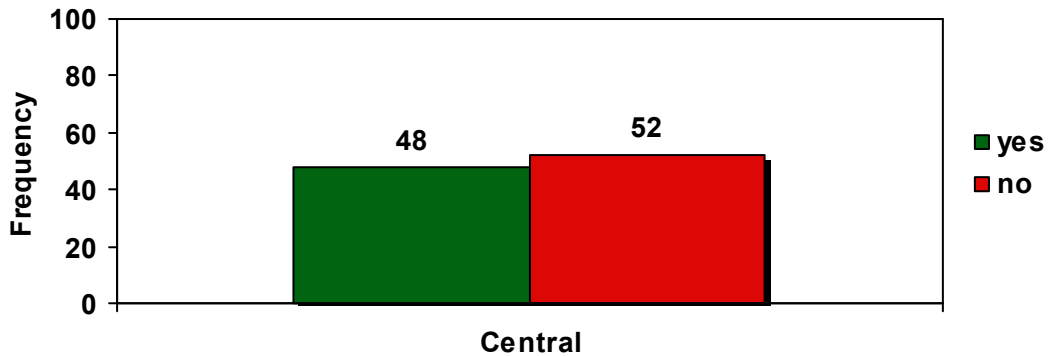
Question 25

f.   Procurement Management

More than sixty percent (61%) of the respondents of the survey were aware of the new Procurement Law or RA 9184.

Table 5.14 (Question 26) Are you aware of the new Procurement Law or RA 9184?

	Central
YES	61
NO	39

Question 26
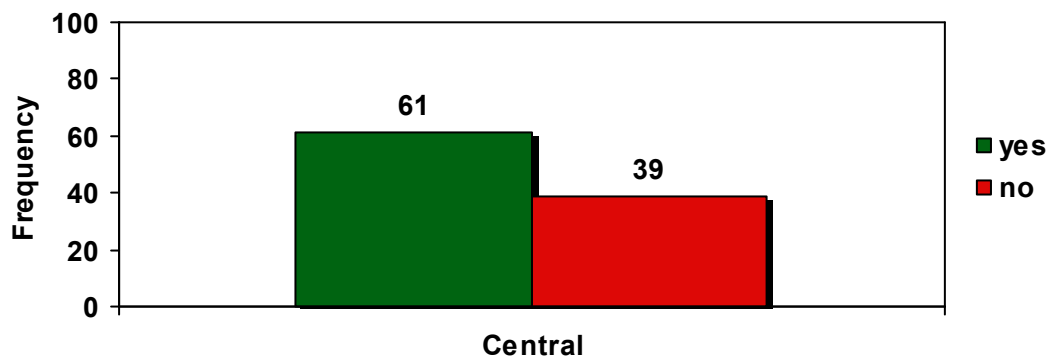
Respondents generally agreed with concerns on Procurement Management. Moderately positive net ratings to highly positive net ratings for all factors were recorded. A 1.55 rating was recorded for procurement in the agency following the procedures stipulated under the Procurement Law. No significant difference in responses was noted.

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Table 5.15 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).*	1.55
28. BAC decisions are impartial.*(Walang kinikilingan ang BAC sa kanilang mga desisyon.)*	1.75
29. Non-performing suppliers are blacklisted. *(Ang mga umaabuso at di matinong suppliers ay iniaalis sa talaan ng maaring magkaroon ng transaksyon muli.)*	1.92
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.)*	1.81

Statement 27
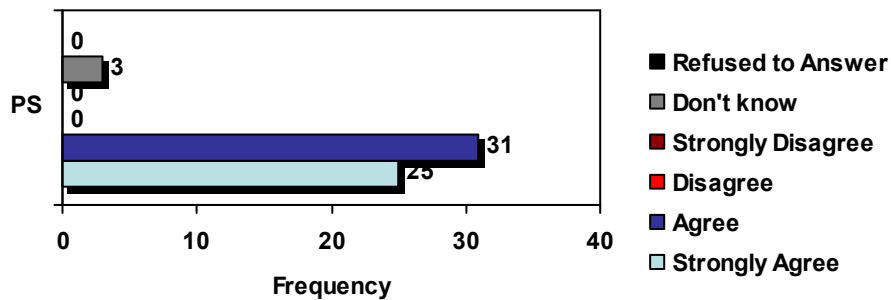
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Statement 29

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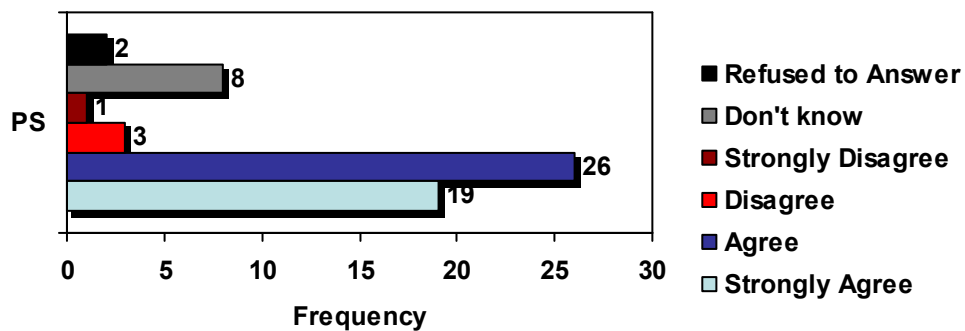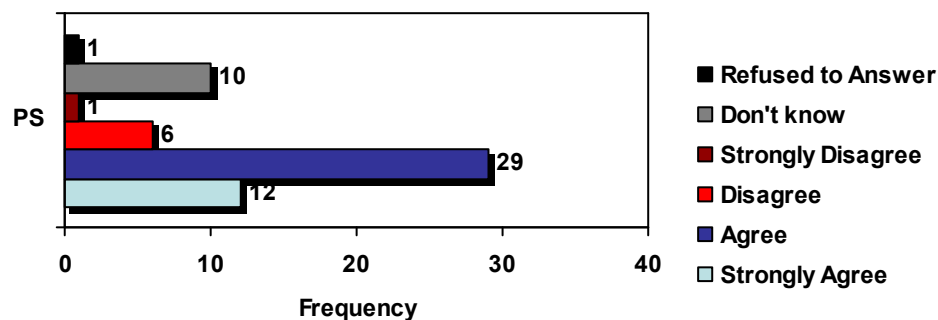
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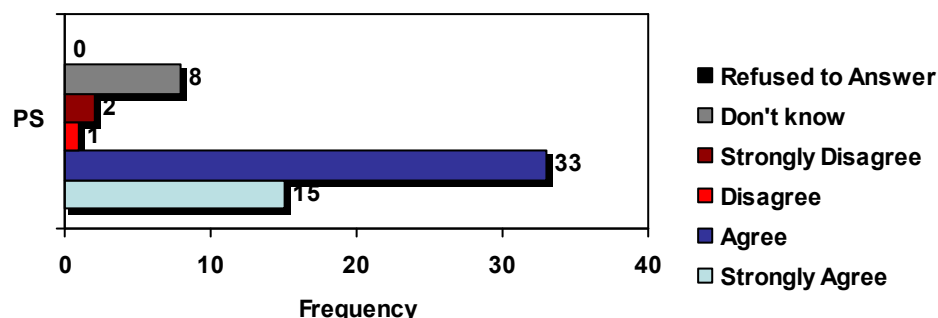
Question 31: What can you say to improve the procurement process? –

Table 5.16 Suggestions to improve the procurement process include:

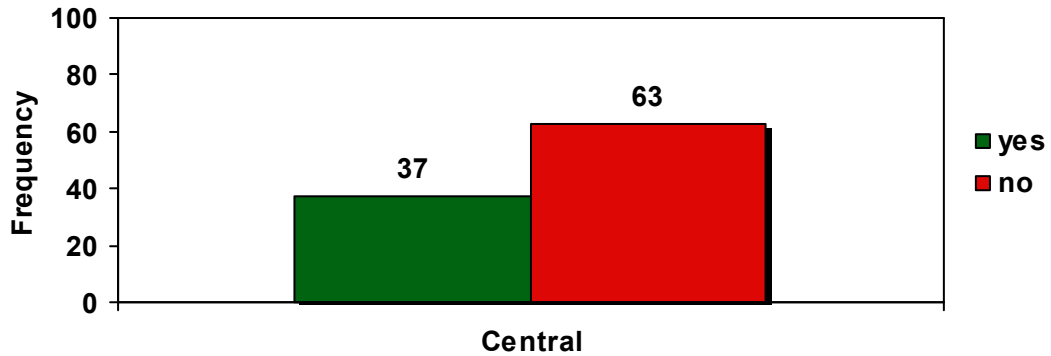| Suggestions	Frequency	Percent of Responses (%)
Magkaisa, honesty, integrity issue, just serve the needs of the people, no corruption, dedicated sa trabaho	16	15.09%
Transparency in all processes, follow rules and regulations, no favoritism, free from external influences, no -gift-giving from suppliers	14	13.21%
Educate employees on process of procurement, trainings for staffs, more seminars for staffs	10	9.43%
Continuously follow RA 9184, continuous monitoring	8	7.55%
Superior product quality, improve quality of products being procured, quality but reasonably priced products, kilatisin ang suppliers	6	5.66%
Improve website contents - products, prices, agencies information, integrate IT in procurement process - automate system	4	3.77%
Palitan ang ibang boss at hire qualified personnel only, right salary for personnel	4	3.77%
Faster evaluation for faster amendment	2	1.89%
Limit failed biddings	1	0.94%
Stop doing PO if there's no warehouse space	1	0.94%
Retail selling for those who cannot afford wholesale	1	0.94%
Simplify the process, less technical	1	0.94%

g. Financial Management

More than sixty percent (63%) were unaware of the Financial Management Systems in their agency.

Table 5.17 (Question 32) Are you aware of the Financial Management Systems in your agency?

	Central
YES	37
NO	63

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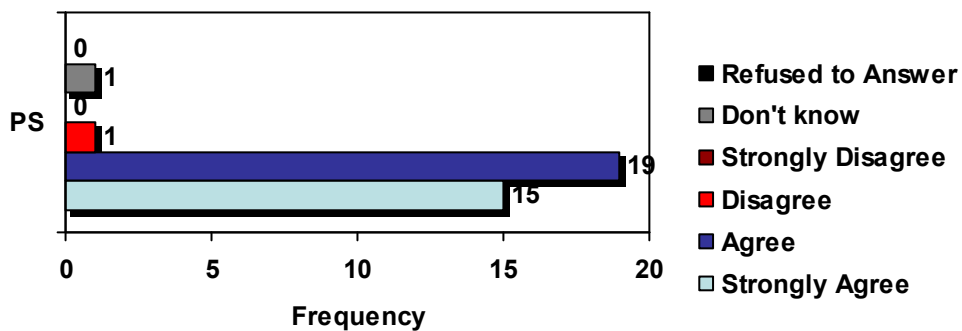
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Question 32

Moderately positive to highly positive net agreements were recorded for statements concerning financial management. PS central office signified highly positive agreement that the agency's management scrutinizes its spending however showing significant difference in responses among respondents in terms of years of service. Employees with less than 10 years of service tend to rate higher than those who have been with the agency for more than 10 years.
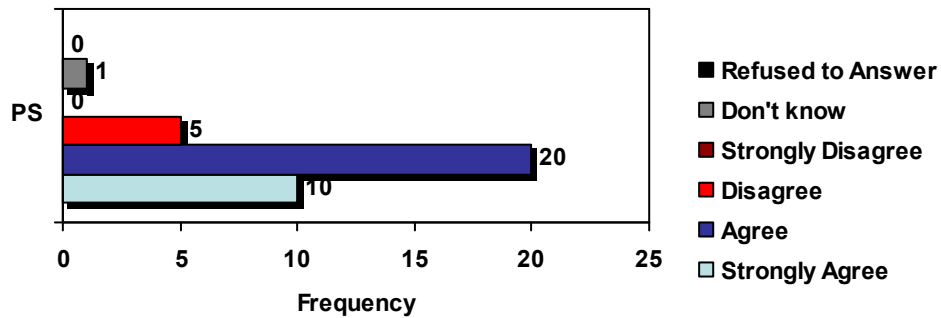
Table 5.18. Net Ratings for Financial Management

STATEMENTS	AGENCY TOTAL
33. The management scrutinizes our agency spending. (*Binubusisi ng aming pamunuan ang gastusin sa aming ahensya*).	1.61
34. Financial statements and audit reports of our agency are accessible.(*Madaling makakuha ng mga financial statements at audit reports dito sa aming ahensya.*)	1.86
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.*)	1.90

Statement 33

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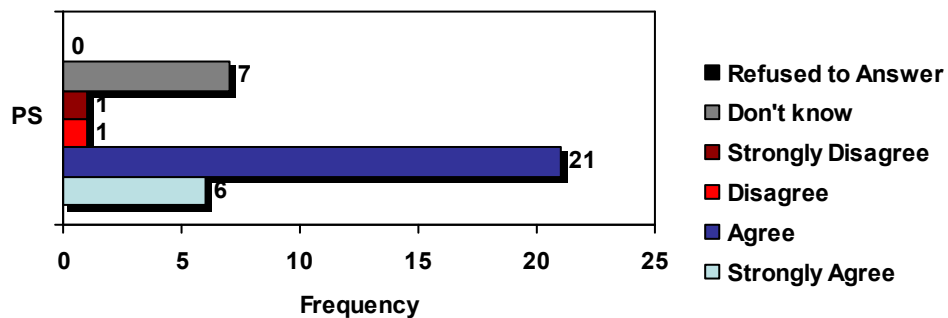For discussion purposes only, not for quotation.

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Statement 34

Statement 35

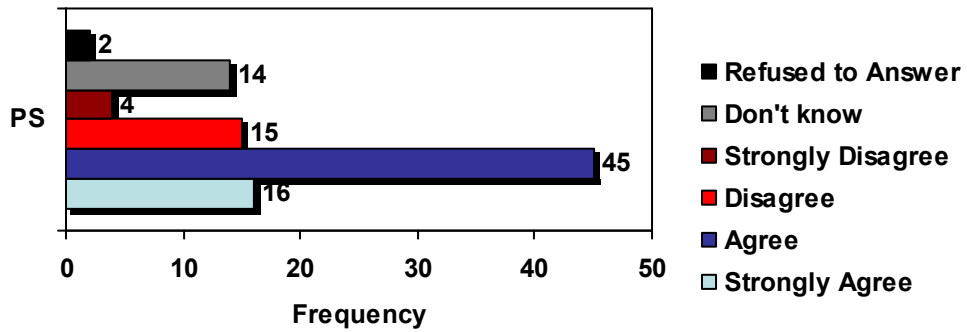### h. Whistleblowing, Internal reporting and investigation

Moderately positive net ratings were observed with regards to whistle blowing, internal reporting and investigation. While the highest rating was recorded for the investigation on reports of corrupt behavior, protection of employees who report corrupt behavior incurred the lowest rating although still in moderate positive agreement. Significant differences in responses were observed for the latter. Negative ratings for protection of employees who report corrupt behavior were likely from those who have served for less than 5 years.

Table 5.19. Net Ratings for Whistle blowing, Internal Reporting and Investigation
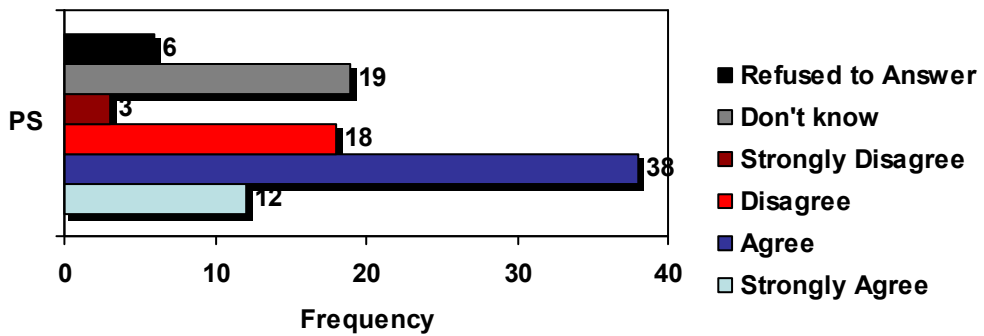
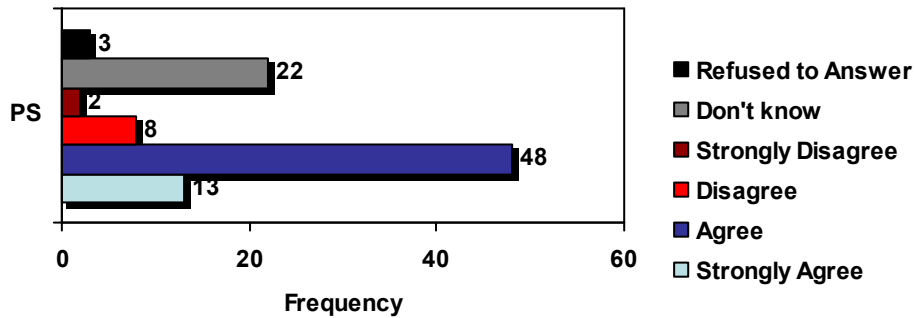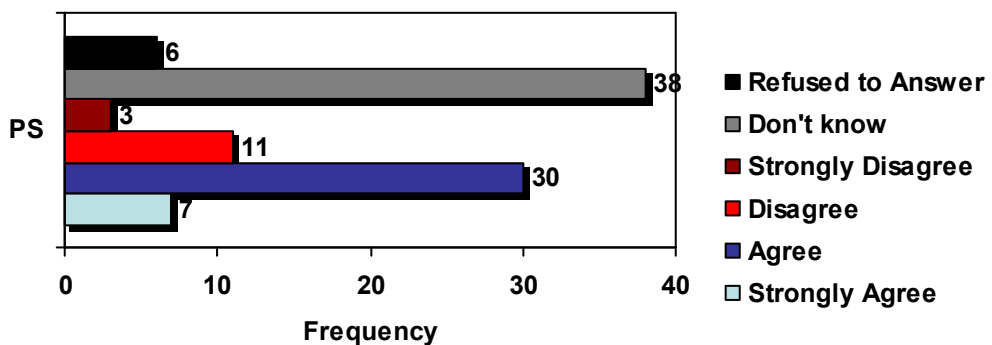| STATEMENTS	AGENCY TOTAL
36. Employees are encouraged to report corrupt and unethical behavior. *(Ang mga empleyado ay hinihikayat na isumbong ang mga katiwalian at maling asal sa aming ahensiya.)*	2.07
37. Guidelines for reporting corruption and unethical behavior are clear. *(Malinaw ang mga gabay 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.)*	1.99
39. Employees who report corrupt behavior are protected. *(Ang mga kawaning nagsusumbong ng katiwalian ay binibigyan ng proteksyon.)*	2.18

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Statement 36

Refused to Answer 2
Don't know 14
Strongly Disagree 4
Disagree 15
Agree 45
Strongly Agree 16

Statement 37

Refused to Answer 6
Don't know 19
Strongly Disagree 3
Disagree 18
Agree 38
Strongly Agree 12

Statement 38

Refused to Answer 3
Don't know 22
Strongly Disagree 2
Disagree 8
Agree 48
Strongly Agree 13

Statement 39

Refused to Answer 6
Don't know 38
Strongly Disagree 3
Disagree 11
Agree 30
Strongly Agree 7

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

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

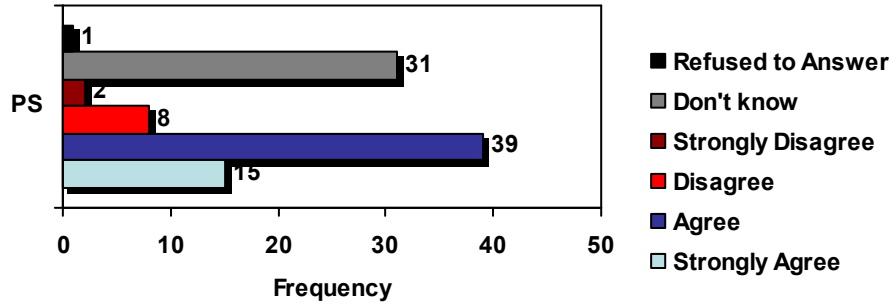| Suggestions	Frequency	Percent of Responses (%)
Educate employees on internal reporting procedure, trainings and seminars, maglagay ng suggestion box, complete monitoring, properly inform employees on internal reporting, internal audit/control	29	27.62%
Isumbong sa ahensya, be confident in reporting to authorities	16	15.24%
Act immediately on all concerns, create an independent and fair investigating body, give due process, evidences must be presented properly	13	12.38%
Security of tenure and safety if magrereport ako, support for whistleblowers, confidentiality of report and reporter	8	7.62%
Proper implementation of internal reporting process, follow rules and regulations strictly	6	5.71%
Avoid accepting gifts from suppliers, walang lagay	1	0.95%
Easier process of internal reporting	1	0.95%

i. Corruption Risk Management

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 moderate positive net agreement that the agency is successful in fighting corruption. No significant differences in responses were noted.

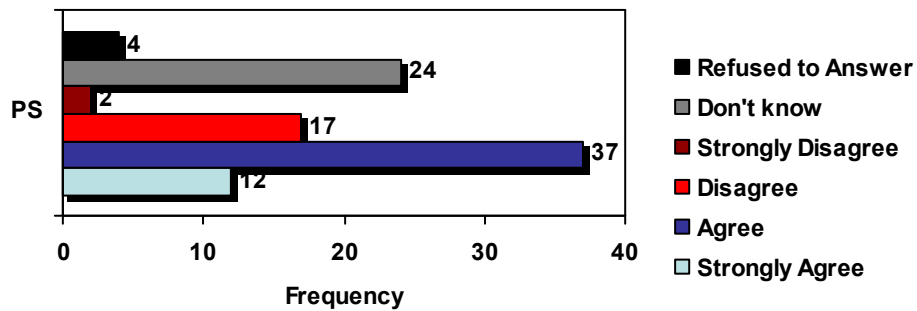Table 5.21 Net Ratings for Corruption Risk Management

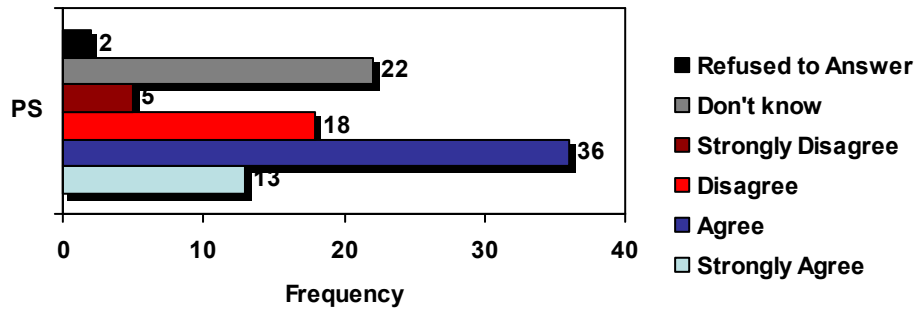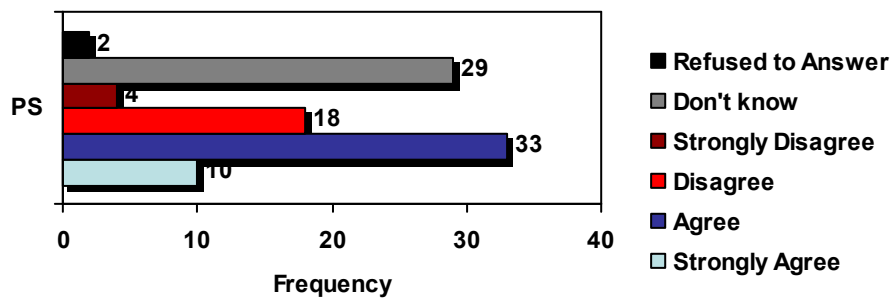| STATEMENTS	AGENCY TOTAL
40. Our agency implements measures to identify potential fraud and corruption. *(Nagsasagawa ng mga paraan ang aming ahensiya upang malaman kung saan may posibilidad magkaroon ng pandaraya at katiwalian.)*	1.97
41. It is difficult to corrupt our current system of operations. *(May angkop na mga pananggalang upang mapigilan ang katiwalian o pangungurakot dito sa aming ahensiya.)*	2.13
42. 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.)*	2.20
43. 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.)*	2.23
44. Our agency is successful in fighting corruption. *(Ang aming ahensiya ay matagumpay sa pagsugpo sa katiwalian.)*	1.96

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Statement 40

Statement 41

Statement 42

Statement 43

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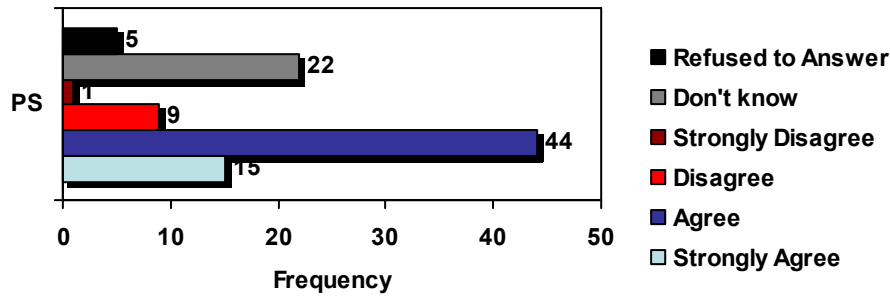For discussion purposes only, not for quotation.

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Statement 44

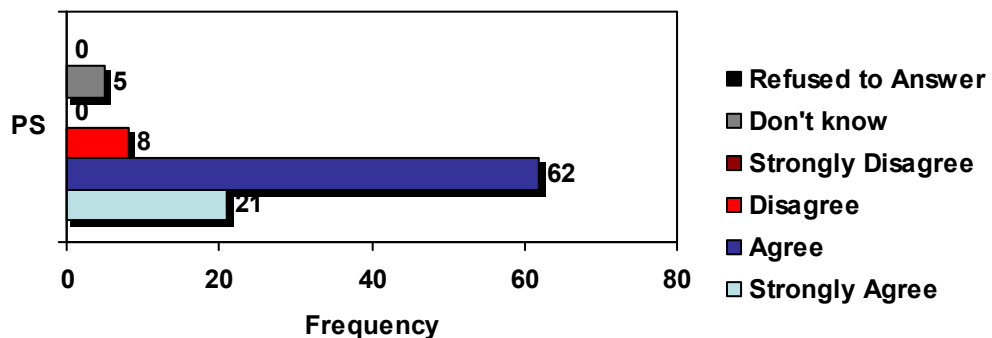### j. Interface with the External Environment

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

Significant differences in responses were observed for Statements 45 and 47 in terms of educational background. Employees who have served for at least 5 years tend to rate more positively regarding clarity of overall agency operations and that complaints and feedback of clients are acted upon.

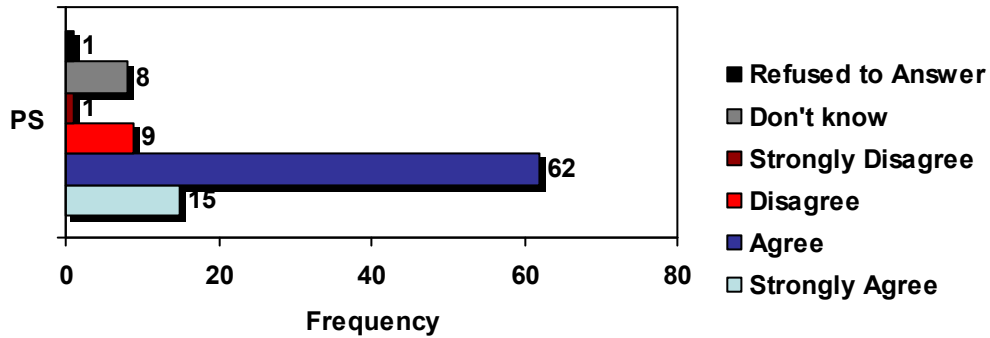Table 5.22 Net Ratings for Interface with the External Environment

STATEMENTS	AGENCY TOTAL
49. Overall, operations in our agency are clear and easily understood. *(Sa pangkalahatan, madaling maunawaan at malinaw ang pagpapatakbo dito sa aming ahensya.)*	1.88
50. 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.)*	1.97
51. 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.)*	1.85
52. 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.)*	2.22

Statement 45

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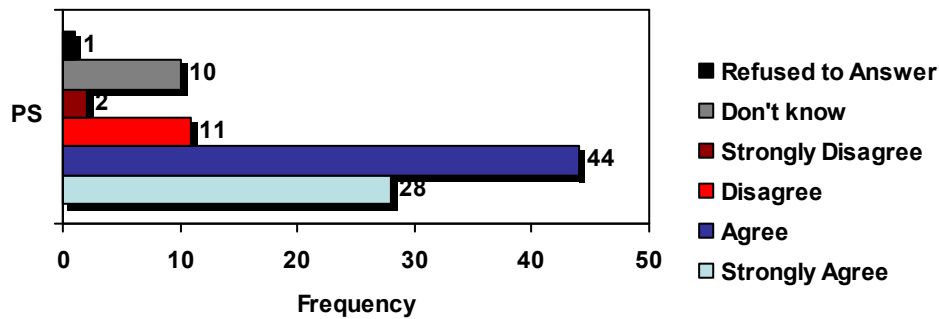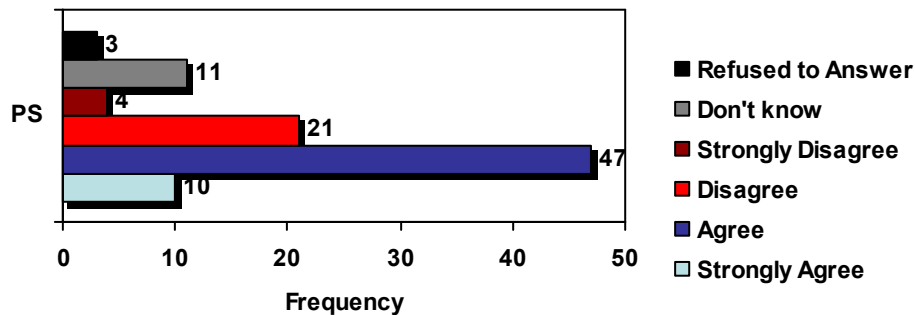For discussion purposes only, not for quotation.

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Statement 46

Statement 47

Statement 48

Question 49: What are the common complaints of your agency's clients?

Twenty five percent (25%) of the respondents indicated that the most common complaints of their clients were associated with the substandard products and low quality items. Nearly eighteen percent (17.86%) of complaints were associated with insufficiency of supplies and delayed delivery of supplies. A 9.82% response was reported for complaints on slow /delayed processing of paper, wrong attachments and registration and issuance of certificate of registration to GEPS. Mismatching and incomplete deliveries (6.25%), undeveloped inventory system, long bidding process, bidding favoritism (6.25%), lack of manpower (3.57%), updates on accounts and prices (2.68%) and website update (0.89%) were also mentioned.

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Table 5.23 Common Complaints from Clients

COMMON COMPLAINTS	Frequency	Percent of Total Respondents
Quality of items/supplies, low quality items, product specifications, madaling masirang supplies, cheap but poor quality, defective products returned to agency, substandard products	28	25.00%
Out of stock supplies, insufficient supplies, late delivery of supplies, delayed delivery of supplies	20	17.86%
Slow processing of papers, delay on processing checks for suppliers, registration and issuance of certificate of registration to GEPS, wrong attachments to papers causing delays	11	9.82%
Mismatched delivery in terms of quantity and quality, incomplete deliveries	7	6.25%
Mahigpit at masalimuot na patakaran, long bidding process, bidding favoritism, change in process, process of granting bids to suppliers, still undeveloped inventory system, communication between PS and agencies	7	6.25%
Slow processing due to lack manpower in warehouse, insufficient manpower (kulang in some areas)	4	3.57%
Salary of employees (kulang)	3	2.68%
Problem with updating the reconciled accounts, problem with updating prices	3	2.68%
Not updated website	1	0.89%

Question 50: What can you suggest to improve the services of your agency?

Table 5.24 Suggestions to improve the services of the agency were:

Suggestions	Frequency	Percent of Responses (%)
Loyalty and patience, discipline, continue serving the people, honesty, cooperation, dedication to work, transparency	23	21.70%
Additional manpower to serve faster and better, more trainers for PILGEPS seminars, hire right people for the right job	13	12.26%
Put a big process flowchart at the entrance to aid everybody, information dissemination using pamphlet and commercials about GEPS for promotion, information dissemination regarding price changes, trainings for employees, manual for procurement process	12	11.32%
Close monitoring of supplies to avoid out of stock, IT integration to the system for real-time tracking and updating	12	11.32%
Improve quality of delivered items, log all customer complaints to find solution	5	4.72%
Improve internal system of operation to lessen delays, faster bidding process, magkaroon ng sistema para mapadali ang lahat	5	4.72%
Walang palakasan, be fair in decision making, implement rules and regulations	5	4.72%

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Suggestions	Frequency	Percent of Responses (%)
Bigger facility, bigger warehouse, bigger parking space, improve the facilities	5	4.72%
Faster delivery of items to customers, quick service response, listen to complaints of clients, inform management of concerns	4	3.77%
Increase salary	2	1.89%

k. 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:

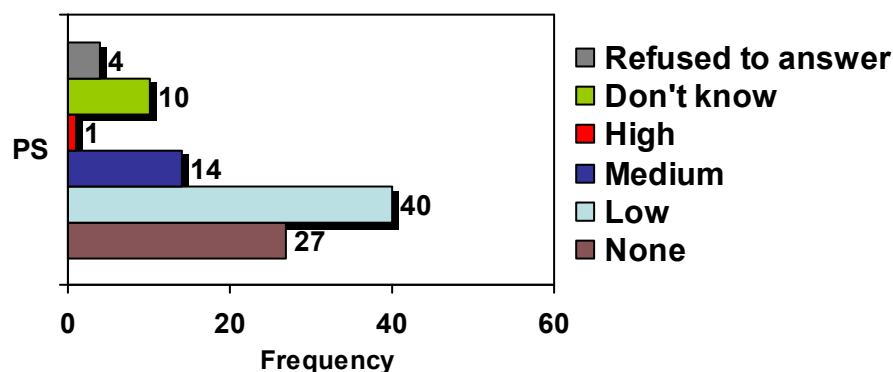Table 5.25 Ratings on the Types of Corruption and their Likelihood

Types of Corruption	Net Rating	Likelihood
Nepotism/Favoritism	2.44	High
Abuse of discretion/power	1.93	Medium
Negligence of duty	1.87	Medium
Disclosure of confidential informations	1.86	Medium
Accepting bribes	1.76	Medium
Corruption of Filipino values e.g. pakikisama, hiya, etc	1.72	Medium
Collusion with suppliers	1.64	Low
Illegal use of public funds or property	1.57	Low
Collusion with Bids and Awards Committee (BAC) members	1.56	Low
Theft of public resources	1.47	Low
Falsification of documents	1.45	Low
Overpricing of bids	1.32	Low
Unauthorized collection of funds	1.30	Low
Tolerance of fixers	1.29	Low
Forgery or fraud	1.27	Low

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Table 5.26 Net Ratings for Types of Corruption

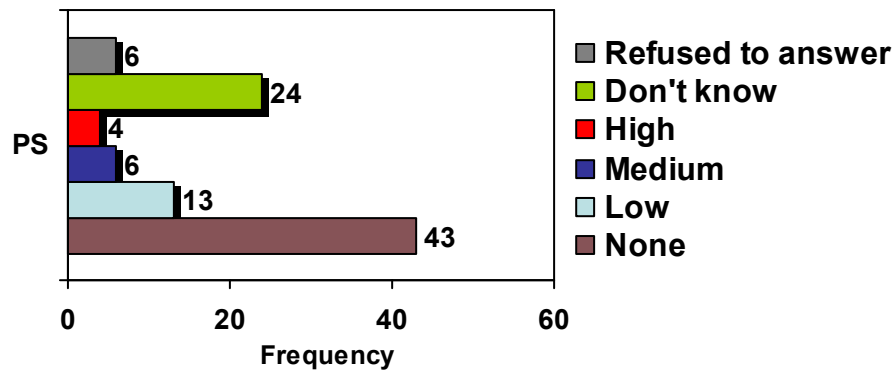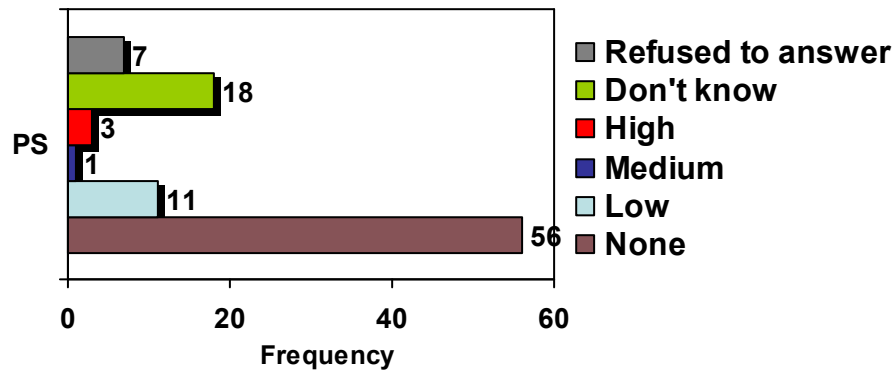| Type of Corruption	AGENCY TOTAL
52. Negligence of duty *(Pagpapabaya sa tungkulin)*	1.87
53. Falsification of documents *(Pamemeke ng mga dokumento)*	1.45
54. Illegal use of public funds or property *(Illegal na paggamit ng pera o anumang pag-aari ng gobyerno)*	1.57
55. Unauthorized collection of funds *(Walang pahintulot na pangongolekta ng pera)*	1.30
56. Nepotism/Favoritism *(Nepotismo o Pagkakaroon ng mga paborito)*	2.44
57. Disclosure of confidential information *(Pagbibigay ng mga lihim na impormasyon)*	1.86
58. Collusion with BAC members *(Pakikipagsabwatan sa mga miyembro ng BAC)*	1.56
59. Overpricing of bids (Pagdagdag sa presyo ng mga bids)	1.32
60. Collusion with suppliers (Pakikipagsabwatan sa mga supplier upang itaas ang presyo at kumita ng iligal)	1.64
61. Forgery or fraud (Pamemeke ng pirma at pandaraya)	1.27
62. Theft of public resources *(Pagnanakaw ng anumang pag-aaring pampubliko)*	1.47
63. Accepting bribes (Pagtanggap ng mga suhol)	1.76
64. Abuse of discretion/power (Pag-*abuso* ng kapangyarihan sa pagpapasya)	1.93
65. Corruption of Filipino values e.g. pakikisama, hiya, etc *(Paglalapastangan* ng pagpapahalagang Filipino)	1.72
66. Tolerance of Fixers *(Pagsawalng-bahala ng mga fixers)*	1.29

Negligence of Duty

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Falsification of Documents

- Refused to answer — 3
- Don't know — 24
- High — 2
- Medium — 4
- Low — 19
- None — 44

Frequency

Illegal Use of Public Funds or Property

- Refused to answer — 6
- Don't know — 24
- High — 4
- Medium — 6
- Low — 13
- None — 43

Frequency

Unauthorized Collection of Funds

- Refused to answer — 7
- Don't know — 18
- High — 3
- Medium — 1
- Low — 11
- None — 56

Frequency

Favoritism/Nepotism

- Refused to answer — 3
- Don't know — 16
- High — 18
- Medium — 17
- Low — 24
- None — 18

Frequency

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Disclosure of Confidential Information

PS
- Refused to answer: 2
- Don't know: 26
- High: 7
- Medium: 8
- Low: 23
- None: 30

Frequency

Collusion with BAC Members

PS
- Refused to answer: 5
- Don't know: 30
- High: 2
- Medium: 7
- Low: 15
- None: 37

Frequency

Overpricing of Bids

PS
- Refused to answer: 8
- Don't know: 31
- High: 1
- Medium: 2
- Low: 12
- None: 42

Frequency

Collusion with Suppliers

PS
- Refused to answer: 3
- Don't know: 37
- High: 4
- Medium: 5
- Low: 15
- None: 32

Frequency

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Forgery or Fraud

- Refused to answer: 1
- Don't know: 32
- High: 2
- Medium: 2
- Low: 8
- None: 51

Theft of Public Resources

- Refused to answer: 1
- Don't know: 27
- High: 2
- Medium: 3
- Low: 21
- None: 42

Accepting Bribes

- Refused to answer: 4
- Don't know: 29
- High: 6
- Medium: 8
- Low: 16
- None: 33

Abuse of Discretion/Power

- Refused to answer: 6
- Don't know: 19
- High: 6
- Medium: 12
- Low: 24
- None: 29

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Corruption of Filipino Values

Tolerance of Fixers

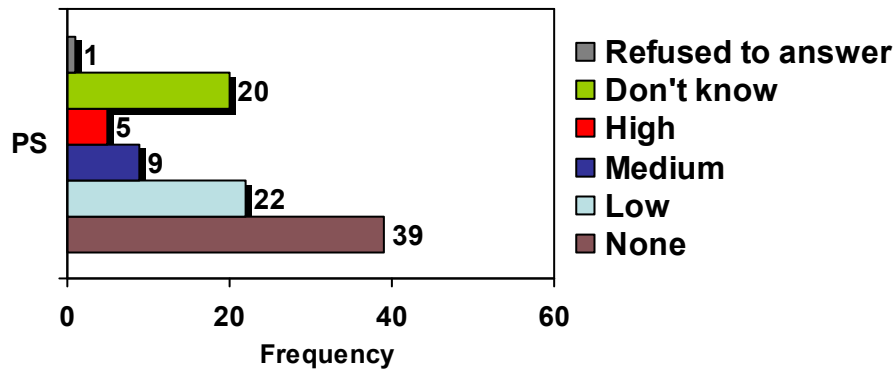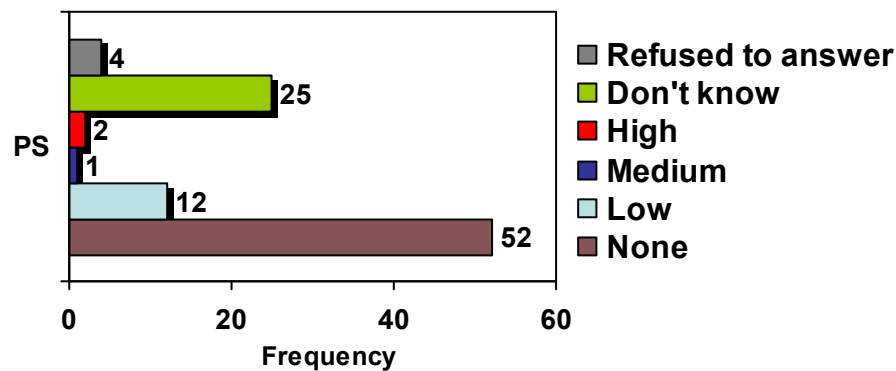Question 68: What can you suggest to prevent corruption?

Table 5.27 Suggestions to prevent corruption include:

Suggestions	Frequency	Percent of Respondses (%)
Honesty and dedication to work, integrity, makuntento sa kung anong meron, wag pasuhol	28	26.42%
Monitoring, more information for employees about corruption, lifestyle check, have a corruption risk management plan, risk assessment, boost morale of employees	17	16.04%
Rotation of work to avoid familiarization with clients, separate work with personals, no preferential treatment to any suppliers, equal treatment to all suppliers, walang kaikaibigan dapat, stop favoritism	10	9.43%
Good, competitive salary and benefits, employee regularization	7	6.60%
Punish offenders to set an example, give due process	7	6.60%
100% transparency	5	4.72%
Improve and strictly follow agency rules and regulations	5	4.72%
Policy on pagtanggap ng regalo	1	0.94%

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I.   ATTITUDES REGARDING CORRUPTION REPORTING

Only a few (3/100 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 5.28 (Question 69). Have you experienced reporting a corrupt or
unethical behavior that you have witnessed?

	Central
YES	3
NO	97
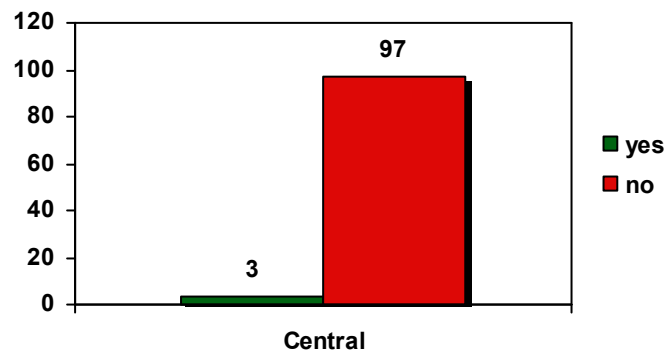
Question 70: When did this happen?

Table 5.29 No. of Cases Reported by Respondents

Year	No. of Responses
Matagal na	1
Last year	2
TOTAL	**3**

Question 71: How long did it take before it was resolved?
Out of the three reported cases only one was resolved, and was done within a week. Two were still unresolved.

Table 5.30 Resolution Time of Reported Cases

Resolution Time	No. of cases
Unresolved	2
1 week	1
TOTAL	**3**

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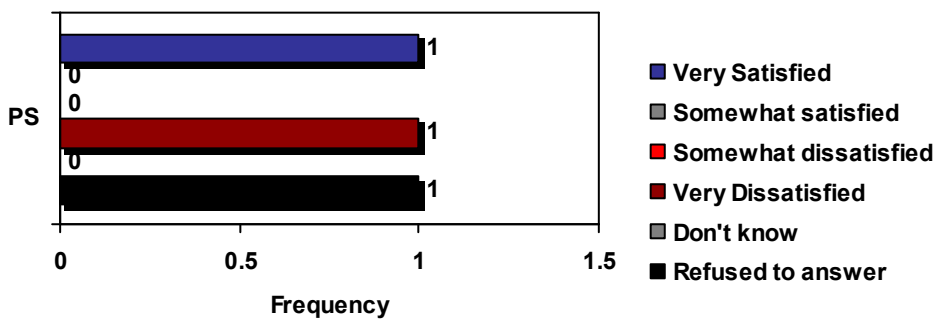For discussion purposes only, not for quotation.

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Respondents cited a split opinion on the satisfaction on the agency's reporting mechanism. A highly negative response on the satisfaction on the agency's investigation mechanism was reported. No significant difference in responses could be obtained due to the low sample size.

Table 5.31   Net Ratings for Corruption Reporting by Site

STATEMENTS	AGENCY TOTAL
72. How satisfied or dissatisfied were you with your agency's reporting mechanism?	2.50
73. How satisfied or dissatisfied were you with your agency's investigation mechanism?	3.50

Statement 72

Statement 73

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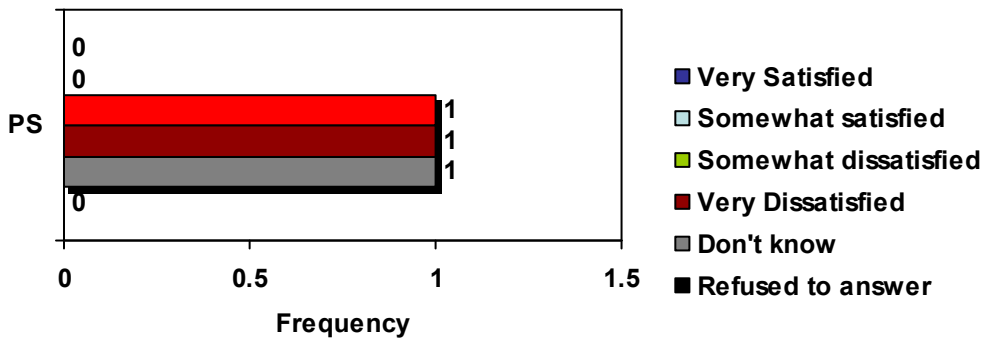
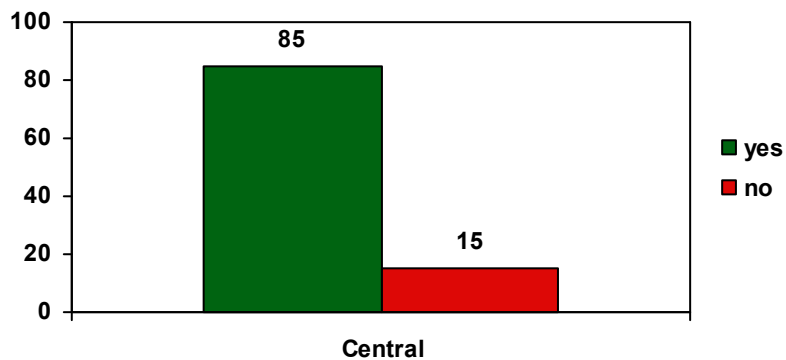*Question 74: Why are these your answers in Q72 & Q73?*

Table 5.32 Reasons cited why respondents were Satisfied and Dissatisfied with the reporting and investigation mechanism of their agency were:

Reasons	Frequency
VERY SATISFIED	
Kasi nung sinabi ko ito inaksyonan ng boss ko at ipinatanggal sa trabaho	1
VERY DISSATISFIED/SOMEWHAT DISSATISFIED	
Walang nangyari	2

A majority of the respondents indicated that they would report a corrupt and unethical behavior as shown below in the table of responses below. 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 5.33 (Question 75): If you ever witness a corrupt and unethical behavior (again), will you report it?

	Central
YES	85
NO	15

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Question 76: Why is this your answer in Q75?

Table 5.34 Reasons why respondents replied YES to Question 75 are listed as follows:

Reasons why response is YES	Frequency	Percent of Responses (%)
Right thing to do, to protect the image of the agency, it is my responsibility, morally incorrect to do corruption, corruption is against my principle	42	41.57%
To stop or prevent corruption	27	26.97%
To avoid committing the same mistakes, to punish offender	16	15.73%
To call attention of suspect, to give solution	8	7.87%
Incongruent (wala pa akong nakikita)	7	6.74%
Unfair kasi	1	1.12%

Table 5.35 Reasons why respondents replied NO to Question 75 are listed as follows:

Reasons why response is NO	Frequency	Percent of Responses (%)
No pretection, no security, no assurance that case will be resolved	63	62.50%
No reason	25	25.00%
Pagsasabihin ko muna	6	6.25%
Don't know who to report to	6	6.25%

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IV.   CORRUPTION VULNERABILITY ASSESSTMENT

Tool 2 of the Integrity Development Review project is the Corruption Vulnerability Assessment (CVA). Corruption Vulnerability Assessment (CVA) entails a detailed examination of the areas where corruption could occur and not be prevented or detected by the internal controls and systems in place. CVA looks at specific operations and functions with inherent risks of corruption, the general control environment, and the adequacy of existing controls and safeguards. A risk is generally 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 as an element or factor that can induce deceit, malfeasance, or abuse of power or position for private gain. Vulnerability is determined by a combination of factors: (1) significance and likelihood of occurrence of risks identified and (2) condition and sufficiency of internal controls.

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. It must be remembered that CVA does not measure the extent of corruption in an agency. It should be considered as an analytical tool principally aimed to help decision-makers to detect susceptibility of systems, polices and procedures to corruption. The fact-based information that was gathered from systematic assessment can be used by agencies to institute appropriate corrective and preventive measures to deter corruption.

Based on the vulnerabilities identified by the agency or surfaced from the Corruption Resistance Review (CRR), a detailed investigation and risk assessment of selected activities, functions, processes, procedures and/or controls were carried out. The assessment involves process mapping, identification and classification of risks, checking of existing controls and evaluation of adequacy of safeguards.

Description of the CVA Process and its implementation in the agency

The Assessment Team researched on possible areas of focus like PS's mission critical functions and initial findings from the Corruption Resistance Review (CRR). After reviewing the agency's organizational mandate, structure and function, the Team agreed to focusing on the critical process of the two major groups of PS. For the Finance, Administration and Technical Services Group (FATS), the Team selected the hiring process of the General Admin and Support Division. For the Operations Group, the team initially selected the payment to supplier and inspection process. However, since the processes of each unit of the entire Operations Group are highly interrelated, namely the identification and issuance of be purchase order, bidding and purchasing process, inspection of goods, inventory of stock items and payment to supplier, the team agreed to focus on the entire procurement process which is composed of five (5) major sub process.

As the mandate of PS is in the operation of a government-wide procurement system for common-use office supplies, the team agreed to focus on the procurement of common-use items. This is to ensure that PS may act on the IDR recommendations as it is more within the organizations control to implement them..

Reviewing the top seven (7) responses on the probable type of corruption perceived by the employees to be existing in PS, the group prepared the Risk Map to come up with priorities for the CVA. Found below are the results of the Risk mapping done by the team prior to the identification of the CVA areas:

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Risk Mapping: Hiring of New Employees

Risk 5: Selective areas for posting vacancy	**Risk 1:** Lack of check and balance mechanism to ensure that hiring not used for personal gain **Risk 2:** Risk of taking advantage of JO process for special/ conflict of interest by applicant to be hired in the agency
Risk 6: Neglect of Duty (failure to check exam results, failure to process, loss of document)	**Risk 3**: Manipulation of exam results **Risk 4**: Provision of information to favored applicant

LIKELIHOOD

Risk Mapping: Procurement of Goods and Services

Risk 6: Disclosure of Confidential Information (informing preferred suppliers of procurement specs, bidding process and other confidential information)	**Risk 1: Collusion with Suppliers** (between supplier in the contracting, inspection and delivery of items) **Risk 2: Pakikisama** (providing favors to suppliers who have provided special favors before) **Risk 3:** Special/ conflict of interest by applicant to be hired in the agency **Risk 4: Risk of Abuse of Discretion or Power** (preferential treatment to selected suppliers)
	Risk 5: Neglect of Duty (failure to perform responsibilities)

LIKELIHOOD

SIGNIFICANCE

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Selection of the CVA Areas and Assessment Sites

After doing the risk mapping of the possible areas for CVA, the Team agreed to do a CVA for both process. This is primarily because the principal function of the PS is procurement, which constitutes the bulk of its operations as well as its high impact in government and the contracting of employees which is critical for the procurement process. The team chose the following areas to be subjected to CVA:

- Procurement of Common Good Items
- Hiring and regularization of Job Order Personnel

The team proceeded to prepare the CVA worksheet to guide them in the conduct of the CVA.

The team mapped out processes and procedures to be examined. This was done through a review of documents, informant interviews and process observation. The team interviewed relevant personnel as it documented processes observed and practiced in the office. Another review of documents (policy issuances, memo circulars) ensued to support the findings. The team then determined the exposure of processes/procedures activities to the risks and assessed the likelihood of occurrence. This is clearly shown in the CVA Matrix prepared for each area. The team reviewed existing controls and safeguards and evaluated the adequacy and effectiveness of existing safeguards and recommended corrective and preventive measures to address these risks.

The following section describes the CVA areas, the inherent risks of corruption in the PS and in what form they are manifested in the two (2) critical areas identified.

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HIRING AND REGULARIZATION OF JOB ORDER (JO) EMPLOYESS

Background

The Procurement Service (PS) is a key unit under the Department of Budget and Management (DBM). It functions, as the main repository and distribution hub of supplies and equipment needs of most government agencies all over the country. It is therefore an utmost concern for the PS to maintain the highest level of standards in the performance of its duties and functions through a sound and functional HR management system. It is imperative for the Service, through its Personnel Section to obtain only the most qualified individuals who will have a positive impact to the Agency. Moreover, it must ensure that its staff are recognized for exemplary performance and promoted based on merit and strength of qualifications in accordance with the prescribed rules set by the Civil Service Commission and by the Agency's own HR management system.

Since 1976, the Procurement Service has been operating with a modest number of regular employee due to the limited plantilla positions provided to them. Its highest number of employees was in 1989 with 135 regular manpower.

Number of Employees 1976 - 2006
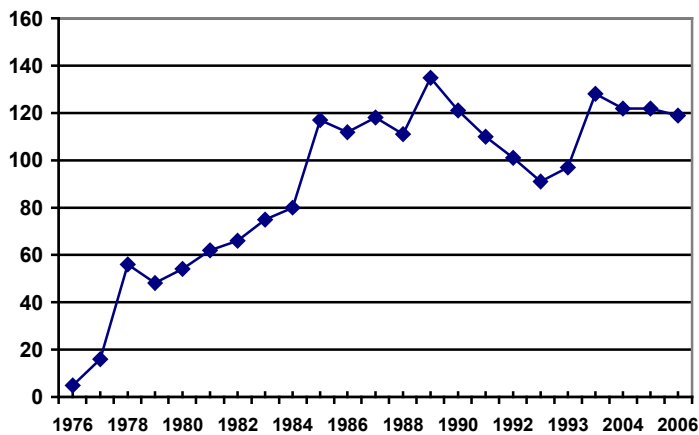
It should be noted that the number of employees from 1990 – 2006 ranged from 91 to 122 despite the increase in the volume of transactions of the agency especially in 2004 when RA 9184 (Government Procurement Act) was ratified. This relegated most procurement transactions in to the DBM-PS. As shown in the graph below, total sales for common and non-common items increased by almost sixty-one percent (61%) in 2006 as compared to 2004.

Sales

☐ **Common Use**   ☐ **None Common use**
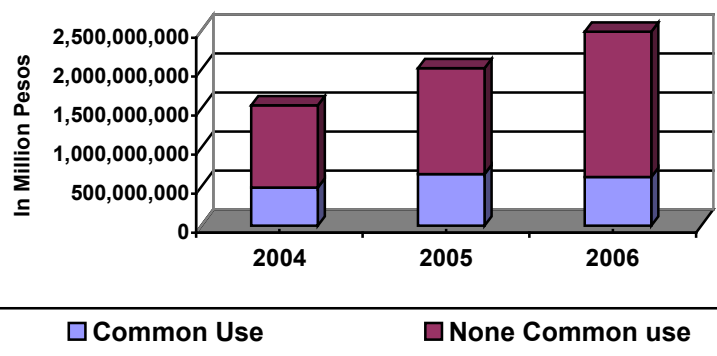
With the on-going rationalization program of the government, PS could not increase its regular employees, thus to complement its shortage of manpower, the PS resorts to hiring Job Order (JO) or non-regular employees. In 2005 and 2006, the number of JO employees increased by 204% and 313% respectively.

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Number of Regular and JO employees
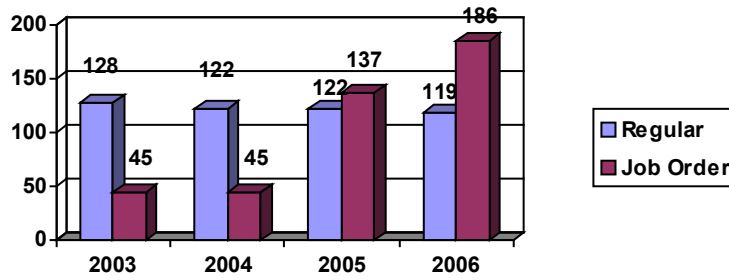
Number of Employees in Operations for 2006

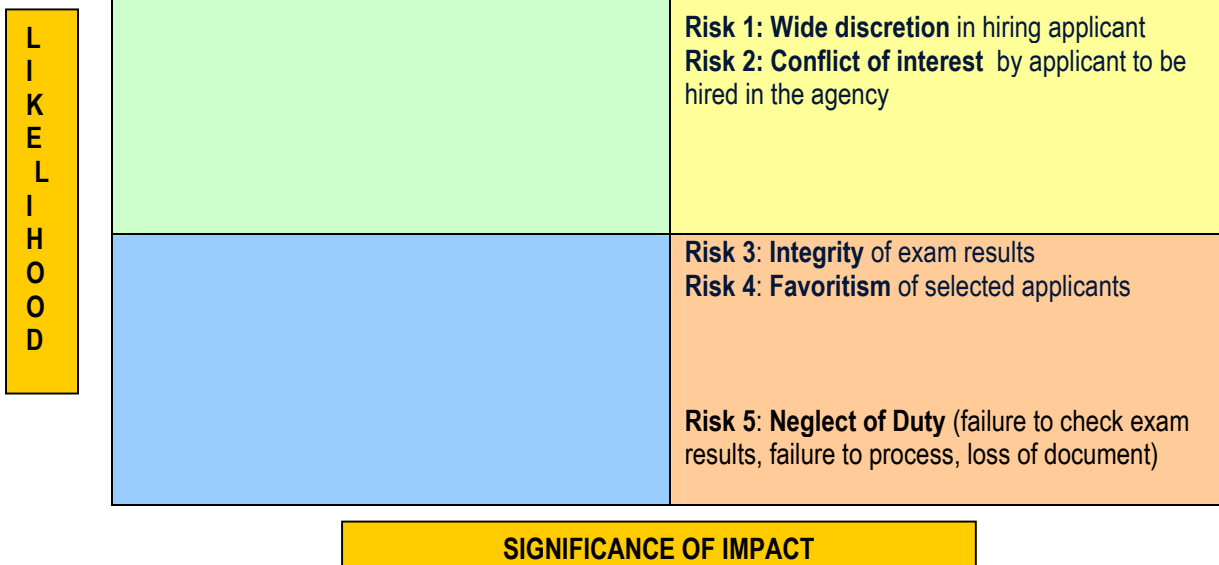|	Operations				Total	
	WADD	Purchase	Inspect	ASD	Number	%
Regular	27	6	9	9	51	47%
Job Order	29	10	9	9	57	53%

For 2006, in the Operations group, 53% of its employees are JO. These employees engaged for certain periods such as 3 to 6 months and are most often renewed after end of contract occupy critical positions such as inspectors, purchasers and storekeepers.

Due to the significant increase in the number of JO employees, the Assessment Team conducted the Corruption Vulnerability Assessment (CVA) of the Human Resource Management within the Procurement Service particularly for the process of recruitment and regularization of JO employees. The Assessment team observed that there the policy on Merit and Promotion for PS is applicable only for Regular employees. There is no guidelines for hiring and regularizing JO.

The following CVA matrix were prepared with the assistance of the staff of the Personnel Section of the Administration Division as well as the Manager of the Finance, Admin and Technical Support Division.

The revised Risk Map for the hiring of new applicants and regularization of JO employees is revised as follows:

Risk Mapping: Hiring of New Employees and Regularization of JOs

LIKELIHOOD

Risk 1: Wide discretion in hiring applicant
Risk 2: Conflict of interest by applicant to be hired in the agency

Risk 3: Integrity of exam results
Risk 4: Favoritism of selected applicants

Risk 5: Neglect of Duty (failure to check exam results, failure to process, loss of document)

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Though there are several inherent risks that are attached to the said function that should be addressed, this section of the report will focus solely on the high risk areas, the controls and safeguards and the team's recommendation/s to make the system more efficient thus delivering better performance in the future.

RISKS

1. Wide Discretion in hiring applicant

Controls/Safeguards
- Exam results are certified by the Head of Personnel
- There are existing Job description and qualification standards for all positions
- There is a probationary stipulation in the contract of JOs

The Assessment Team has observed the lack of written guidelines or policies on several activities that directly affect the outcome of the recruitment and regularization processes. In particular, there are no written guidelines on what circumstances can the respective Division Chiefs submit requests for hiring new personnel aside from the justification of added work and need for additional manpower. Interviews done with staff from Personnel Section indicated that requests for hiring of new personnel are primarily based on the determination of the Division Chief of such need.

A memorandum issued by the Division Chief of the Purchasing Division dated May 12, 2006 contains the request of the former for the hiring of three additional Job Order personnel to their Division. The Division Chief, through the memorandum explained the situation of the Division and its manpower needs. Increasing workload and the resignation of one of the Division's personnel were cited as reasons for the issuance of the request.

It is also observed that there is a lack of check and balance mechanism to ensure that hiring is not used for personal gain. Potential employee undergoes three (3) interviews conducted by the Personnel Admin Staff, Chief of the requesting division and lastly by the FATS manager. Applicants are evaluated in eleven (11) dimensions enumerated in the evaluation form. These are: 1) General Appearance; 2) Manner of speaking; 3) Mental ability; 4) Self confidence; 5) emotional maturity; 6) Maturity Judgment; 7) Stress Tolerance; 8) motivation; 9) potential; 10) Ability to get along others; 11) experience. Interviewers are asked to rate the applicant per dimension in a scale of 1-5 with 1 as outstanding and 5 as poor. It is observed that the evaluation form provides minimal description of each dimension. There is no guide for Interviewers to rate the applicant's ability to fullfill the criteria.

The use of only one form to document each interviewers observation and the lack of guidelines for rating, may lead to possible collusion or influencing among interviewers of the applicant's rating.

2. Conflict of interest by applicant to be hired in the agency

Controls/Safeguards
- Exam results are certified by the Head of Personnel
- There are existing Job description and qualification standards for all positions
- There is an existing policy on merit and promotion for filling up vacant position
- There is a probationary stipulation in the contract of JOs

The Assessment team observed that the hiring process does not have any measures to monitor potential conflicts of interest of applicants to the business operation of PS particularly in the procurement process of government. With the vulnerable process of hiring JOs, there is a high likelihood for this risk to occur. Particularly as it was observed that insiders or JOs are given preference in filling vacant positions.

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Certain positions in PS may have distinct qualifications where conflict of interest may be crucial. There may be a need for a more through review of applicant (i.e. more rigid process of hiring). Upon approval of hiring, successful applicants are requested to fill-up the PS Personnel Data Sheet (PDS). The PDS form is similar to the required form of the Civil Service wherein employees are asked to disclose information regarding relationships with other government employees and offenses or criminal records in the past. The form does not provide information on applicant's potential business conflict of interest in PS.

Though the CSC does not require background investigation for potential hires, this may be needed to distinguish dishonest applicants or those with doubtful integrity background.

AREAS FOR IMPROVEMENT

The passage of the proposed Resolution to institutionalize and implement the criteria in hiring and promotion of PS rank and file personnel is called for.

The Personnel Section of the Administration Division is enjoined to formulate written guidelines for the following:
- Requesting for the hiring of new personnel (JO)
- Approval or disapproval of request for the hiring of new personnel by Head of Personnel Section
- Evaluation and interview of applicants based on identified dimensions/criteria
- Selection and interview of short-listed applicants by the requesting Division Chief
- Declaration of applicant's potential conflicts of interest in PS. There may be a need for a background investigation.

RECOMMENDATIONS

The Agency is enjoined to institutionalize a customized recruitment and regularization policies particularly for JO employees and ensure its strict implementation in accordance with existing rules and regulations set by the Civil Service Commission. This would include guidelines in the conditions for hiring; standard process time and standards in evaluating applicant's qualification. More importantly, PS is strongly encouraged to proactively disseminate guidelines for recruitment and promotion.

The Personnel Selection Board may also be included in the hiring process of JO. This is to lower the risk of wide discretion in the hiring process. To ensure the integrity of all new hired employees as well as the pool pf manpower, JOs may be required to submit their Statement of Assets, Liabilities and Net-worth and to declare potential conflict of interest from the time they are part of the workforce of PS. Furthermore, background investigation of JO applicants may be needed and integrity and accountability dimension may be integrated in the employment contract

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PROCUREMENT OF COMMON GOOD ITEMS
(From Request of Items to Payment to Suppliers)

Background

The issuance of Executive Order 285 bestowed upon the Procurement Service the mandate of operating the government-wide procurement for common-use office supplies. Since then, PS has been continuously fulfilling this mandate to its increasing number of clients and assisting the government in promoting economy, efficiency and effectiveness in the delivery of public services;

Number of Clients/Accounts 1976 - 1997
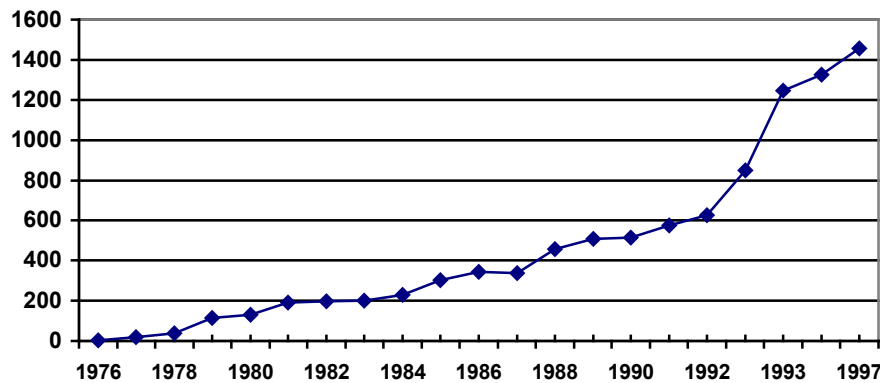
Although the procurement of common good items make up only about 25 – 30 percent of the total sales for PS, the Assessment team selected this as the CVA area due to the ability of PS to act on possible recommendations within the year. The process of the procurement of non-common good items includes some procedures that may not be controllable to PS as it may need to coordinate with its clients.

The process of procurement for common good items begins from the determination of the type and quantity of item to be purchased as determined by the Agency Services Division (ASD). The process would rely heavily on the information provided by the Warehousing Division (WAD) as it would establish the level of stock items on hand. A three (3) month stock level position would trigger the need to purchase the needed stock item.

As in all government procurement, the procurement of common good items is overseen by the Bids and Awards Committee (BAC). However, for the PS its BAC is an Inter-Agency Bids and Awards Committee (IABAC) composed of the DBM, DOF, DTI, the client-agency for whom a major bid is called (if applicable) and the PS Director in ex-officio capacity. To comply with the required private sector observer as stipulated in RA 9184, representatives from PICPA, Procurement Watch and the Makati Business Club are invited to observed during IABAC meetings. The IABAC meets every Tuesday and Thursday and occasionally on Fridays whenever the biddings and agenda the week has not been accomplished.

A technical working group, composed of PS employees (both regular, contractual and JOs) was created just this year to provide technical support to the IABC in its conduct of the review of bids and technical documents submitted by suppliers. Administrative support to the IABAC is provided for by the IABAC secretariat who are also PS employees.

The division chief of the different Operating and Support Units of PS are tasked to assist the IABAC as Resource Persons, in the conduct of bids and other related activities such as the reviewing and awarding of contracts for the procurement of common goods items.

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Once the award for the procurement of a common good item has been approved by the IABAC, the Purchasing Division (PD), prepares the Purchase Order and notifies the WAD to expect the supplier's delivery. The WAD accepts deliveries an checks if these conforms to the quantity stipulated in the PO. The inspectors from the Inspection Division (ID) are responsible for the acceptance and conformance of items with regards to the specifications of the required items.

Acceptance of the ID inspector of the delivered items can be traced and viewed through the Electronic Warehouse Management System (EWMS). Only the ID can encode in-coming stock item information upon the approval of the Inspection C-- Acceptance Report (ICAR). Upon acceptance of the delivered items, processing of payment to suppliers would take only 3 days upon complete submission of required documents.

The CVA matrix for the entire process for the procurement of common good items was prepared with the assistance of the staff from the ASD, PD, ID, WAD and IABAC Secretariat and Technical Working Group. The Assessment team also conducted a Focus Group Discussion with selected suppliers.

The revised Risk Map for the Procurement of Common Good items is revised as follows:

Risk Mapping: Procurement of Common Good items

L I K E L I H O O D	
	Risk 1: Risk of favoring suppliers **Risk 2: Less accountability** of JO (hiring) **Risk 3: Weak inventory** recording system
Risk 8: **Negligence** of duty	**Risk 4: Overpricing** of items **Risk 5: Inconsistent application** of policy **Risk 6: Collusion** among IABAC members **Risk 7: Manipulation** of information

SIGNIFICANCE OF IMPACT

Though there are several inherent risks that are attached to the said function that should be addressed, this section of the report will focus solely on the high risk areas, the controls and safeguards and the team's recommendation/s to make the system more efficient thus delivering better performance in the future.

1. **Risk of favoring suppliers**

Controls/Safeguards
- RA 9184 requires posting of request and result of bidding in the Government Electronic Procurement System (G-EPS) and standard method of informing award of contract
- Suppliers with poor performance in terms of delivery are penalized by paying .01% of the value of the items delivered
- The Inter Agency Bids and Awards Committee (IABAC) is the final approving body for the awarding of contract to the supplier.
- Private sector representatives are invited as observers during IABAC meetings and in the bidding process.

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The assessment team noted some inconsistencies in the application of guidelines of providing advance notices of bidding results to suppliers. During the focus group discussion with suppliers, it was observed that some suppliers complained of not receiving information of the bidding results. One supplier mentioned that they were informed that they were the winning bidder only when the approved purchase Order (PO) or contract was sent them by fax. On the other hand one supplier mentioned that they have not experienced the same situation since they were informed in advance of the results of the bidding process and even received an advance copy of the PO via fax. One supplier discretely informed the team that they are able to receive advance information on stock items to be purchased as re-order or shopping.

Though, these information are widely disseminated through the G-EPS, it was observed that not all suppliers were aware of such function of the G-EPS. As such with this condition, only "favored" or selected suppliers are provided with the information.

The reviews of the qualifications of the suppliers for the IABAC are mostly done by the TWG assigned by PS. The assigned PS-staff evaluates the supplier based on the set criteria as provided for in the guidelines of the RA 9184. Technical reviews of the items to be purchased are evaluated based on the specifications for the purchased items. Results of the review are prepared by the PS staff and are recommended to the IABAC by the TWG head. The wide discretion of the PS staff assigned to the TWG in evaluating suppliers and their product was found to be a vulnerable area for TWG employees to favor certain suppliers. During the focus group discussion, suppliers highlighted the role of the TWG in recommending evaluation results to be very critical in the procurement process.

The role of the inspectors in the procurement process was also found to be a vulnerable area. With the lack of clear guidelines and process for inspection, ID inspectors are prone to be lenient in inspecting and rejecting items from favored suppliers.

Though the PS has a policy for blacklisting suppliers, there has not been a black listed supplier. Though there have been several suppliers penalized for late deliveries and non-acceptance of items delivered. The PS has not closely monitored the performance of these poor performing suppliers. There is no readily available information that would show the over-all performance of the supplier in terms of delivery and acceptance rate performance.

Recommendations

− Develop policy to address communication or information risk especially in divulging information to suppliers. Guidelines on pre-mature dissemination of information needs to be establish and proper distinction between transparent and prudent information should be defined.
− Promote and enhance mechanics of G-EPS for wider dissemination and information to suppliers and stakeholder so as to avoid information risk to selected suppliers
− Develop policy to ensure integrity of TWG (e.g. visitors log book, document contact, invitation or queries to suppliers)
− Follow-up or queries of TWG re: evaluation of suppliers should be formalize by the IABAC
− Strictly enforce policy on "Black Listing" of suppliers

2. Less accountability of JO (hiring)

Controls/Safeguard

• Output of JO noted, attested or approved by division chief and group head

Due to voluminous transactions/work of the PS, JOs or non-regular employees are assigned to critical functions of the procurement process (i.e. negotiation, technical review of suppliers, inspection and inventory).

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Recommendations

With the voluminous transactions of the PS for a critical function such as procurement, the assessment team recommends the need to reinforce PS personnel with regular employees rather than contractual or JOs at least for critical functions such as inspection, review of suppliers and negotiation with suppliers.

Should the above recommendation be improbable, the assessment team suggest the inclusion of an integrity and accountability dimension in contract of JO so as to ensure the reliable and upright behavior from employees. Furthermore, the assessment team recommends the imposition of a security bond for JOs with critical functions to make them liable for their performance.

3. **Weak inventory recording system**

Controls/Safeguard
- Computerized inventory system Electronic Warehouse Management System (EWMS)
- Use of stock cards
- Weekly reporting of real time stock items in warehouse division

Prior to the existence of the EWMS, the PS utilized the Financial Accounting System (FACT) which was an integrated financial and inventory system. Due to the obsolescence of the FACT which was DOS-Based, the inventory system was removed and thus the EWMS was developed to better monitor the inventory of the increasing inventory of items.

The assessment team observed some discrepancy with the data generated by the Electronic Warehouse Mgt. System (EWMS) with that of real time stock in warehouse. Recording in the EWMS was found to be less than the actual real time inventory in the warehouse. The assessment team observed that causes of the discrepancy may due to (but not only) the withdrawal of items by ASD in the EWMS upon request of the agency without actual withdrawal in the warehouse or the transfer of supplies to depot warehouses. This discrepancy in the information could lead to miss information for ASD to request for the purchase of common good items. The over or under request of stock items may lead to inefficient use of government funds.

Furthermore, the inaccurate information provided by the EWMS are the same information provided to the IABAC in its decisions to grant request of suppliers for extension of delivery as well as top the Operations Group Head to request suppliers to hold delivery.

The unclear information may also be the source of the unavailability of critical stock items needed by government agencies as expressed by employees to be one of the complaints of their clients.

Accordingly, such complaints from clients lead to the need for PS to resort to "re-order" or "shopping" mode of procurement of items to ensure availability of items instead of the standard bidding process.

Recommendations
- Adequate warehouse space for stock items
- Develop policy on delivered stocks which cannot be kept in warehouse
- Enhance EWMS and recording system of inventory
- Secure access to stock cards
- Provision for late entries
- Train stockman and storekeeper on inventory management
- Conduct spot audit and monthly audit of data entry in stock cards to ensure balance of entries in stock card

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V.   GENERAL RECOMMENDATIONS

Government service mandates a high degree of ethical standards. PROCUREMENT, the main business of the PS is per se a high corruption risk activity. Thus it requires higher standards even more as it is looked up to by government agencies in the implementation of RA 9184. Premised on these and on the IDR conducted, the team recommend a higher premium on accountability and less discretion of the authorities in the procurement process.

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