Integrity Development Review

DBM-Procurement Service - 16 July 2007

A joint project of the Office of the Ombudsman (OMB), Commission on Audit (COA), Department of Budget and Management (DBM), and the Civil Service Commission (CSC) and implemented by the Development Academy of the Philippines under the EC-OMB Corruption Prevention Project

Assessment Team

**Ms. Ma. Rosario A. Ablan, DAP
(Team Leader)
JOELE EAYTE
CERES REA
EDWARD SADDI
Atty. CEZAR M. TIROL II**

Leadership

	Agency Rating	Deployment Score	Validated Rating
LEADERSHIP	2	50%	2

Strengths
- Specialized & empirical knowledge of the agency's business (procurement)
- Generally senior leaders are trusted by their subordinates; they inspire the employees of PS to be professional

Leadership

Areas for Improvement

– Individual responsibility for senior leader to proactively promote integrity - No clear strategy

– On articulation to staff of the importance to be ethical in their work - Inadequate

– Though there is a person appointed (adhoc) for random corruption activities, there is no clearly defined authority who will steer the agency's integrity program

Recommendation

– Incorporate INTEGRITY in their strategic plans and targets

– Issue INTEGRITY policies on high corruption risk areas of their respective offices

– Appoint a senior leader to steer the agency's integrity program whose authority shall be regular and clearly defined

Code of Conduct

	Agency Rating	Deployment Score	Validated Rating
Code of Conduct	1	50%	1

Strengths

– Follows the DBM Personnel Handbook deployed to all employees (updated in 2003)

– Regularly monitors submission of Statement of Assets Liabilities and Net worth (SALN) of regular employees

– Adopts the guidelines of RA 9184 for behavior of employees in procurement process

AREAS for Improvement

– On Code of Conduct- not yet customized

– Employment contracts of non-regular employees
  (JO)
  - it lacks INTEGRITY and ACCOUNTABILITY provision
  - They are not required to submit SALN

– Orientation on filling-up the SALN- inadequate

– On Deployment of DBM personnel handbook –
  Many employees, especially the new employees
  were not aware of the DBM personnel handbook

Recommendation

– Develop customized Code of Conduct for PS with emphasis on employee-supplier/contractors relationship

– Need to include higher degree of responsibility and INTEGRITY requirements in the Terms of Reference for JO employees
  - submit SALN
  - Declaration of conflict of interest

– Provide orientation seminar in the filling-up of the SALN

– Provide seminars on PS Standard of Ethics taking up the DBM Personnel Handbook and possible PS Code of Conduct

Gifts and Benefits

	Agency Rating	Deployment Score	Validated Rating
Gifts and Benefits	0	0%	1 0 deployment

Strengths
The DBM Personnel Handbook echoes the prohibition on solicitation or acceptance of gifts under RA 6713

Gifts and Benefits

Survey Results

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

- Areas for Improvement
  - Policy on gift giving - Insufficient despite adverse prevalent opinion against the practice of gift giving

  - On information for suppliers on the prohibition of giving gifts- insufficient

  - On Value of employees on accepting gifts during holidays and/or after procurement process- Need to be redirected to conform with existing laws

  - Employee-supplier contact- Needs to be regulated and controlled

- Recommendation
  - Develop a more stringent policy on gift giving
    - Registry of gifts
    - Determination of insignificant value of gift
    - Acceptance of gifts during holidays, birthdays and/or special occasions
  - Information dissemination for the public to know policies on giving gifts

Gift Policy

HR: Recruitment, Selection and Promotion

	Agency Rating	Deployment Score	Validated Rating
HR	2	70%	1

Strengths

- Existence of guidelines for promotion
- Existence of Promotions and Selection Board with rank and file representatives
- Draft resolution on an updated policy on hiring of new employees and promotion
- Clear descriptions and qualification standards for regular positions

- Areas for Improvement
  - Training and orientation of the PSB - Inadequate
  - On Human resources hired- most employees are Job Orders (JO). They have less accountability than regular employees.
  - Weak procedures on hiring of personnel
    - Publication for hiring of employees
    - Wide discretion in the procurement of service (JO)
    - No background investigation on applicants
  - On policy against Nepotism – the definition is limited and may not include recommendation of allied agencies (e.g. DBM officials)
  - In hiring: Tolerance on irregular "recommendations"

Recommendations
– To beef-up personnel with regular employees rather than 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

Performance Management

	Agency Rating	Deployment Score	Validated Rating
Performance Mgt	1	20%	1

Strengths

- Conducts weekly meeting to evaluate operation/ performance outputs
- Goals and annual targets are defined in strat plan
- Existence of reward system (PRAISE)

- Areas for Improvement
  - On program of training provided for performance evaluation and management- lacks regular training (to achieve level 2)

  - Individual performance targets and evaluation system – insufficient (to achieve 3)

  - Criterion in performance evaluation – Lack INTEGRITY as a dimension (to achieve 4)

- Recommendation: to achieve level three
  - Develop a more comprehensive and customized <u>individual and unit</u> performance targets and evaluation system
  - Include <u>INTEGRITY</u> in performance evaluation
  - <u>Train</u> leaders and personnel on performance evaluation and management

Procurement Management

	Agency Rating	Deployment Score	Validated Rating
Procurement Management	3	70%	3
			40-60 deployment

Procurement Management

Strengths

- ➢ Advanced & specialized knowledge on procurement process

- ➢ Agency's procurement procedures adhere to the requirements of RA 9184

- ➢ BAC decisions and minutes of meetings are recorded

- ➢ Computerized process Gov't. Electronic Procurement System (G-EPS)
- ➢ Sanction late deliveries of suppliers

- ➢ Rigid inspection procedure

- ➢ Existence of review policy on price monitoring system

Areas for Improvement

– **On sanctions against poor performing suppliers :**
  - Late delivery- Inadequate
  - Rejected delivery- Inadequate
 - There must be Black listing of supplier

– **Bidding Process**
  - Uniform policy on disqualification of bidders

– **Monitoring system on the performance of suppliers against obligation**

Areas for Improvement
- **Receipt of Delivered Supplies**
  - Lack of warehouse space
  - Inadequate system on delivered or stock on hand
- **Policy to address communication or information risk e.g. favoritism, transparency, pre-mature divulging of results/findings**
  - No standard process
  - No identified responsible person
  - No prohibition
  - Need to educate clientele on cyber communication
- **Promotion of Integrity with IABAC, TWG, secretariat and employees**
  - Customized code of Conduct
  - Regulated relationship with clientele
  - On possible conflict of interest
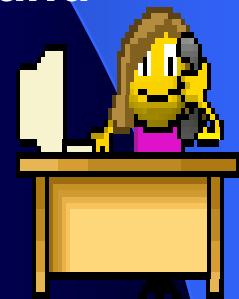
Recommendation

- **Policy**
  - Survey of IABAC decisions on disqualification for review and reference
  - Develop policy to ensure integrity of TWG, IABAC, Secretariat, Inspection Team operations
    - Ethics
    - Location of office
    - Visitors log book
    - Document contact/invitation or queries to suppliers
    - Gift policy
  - Develop policy to declare conflict of interest
  - 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
  - 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
    - Availability of check payment
    - Classified information
  - Develop integrity policy on interface with suppliers

- Delivery
  - Adequate space for stocks
  - Develop policy on delivered stocks which cannot be kept in warehouse
  - Enhance recording system of inventory
    - secured access to stock cards
    - late entries
    - Conduct monthly inventory audit of (e. g. balance of entries in stock card and weekly report

Financial Management

	Agency Rating	Deployment Score	Validated Rating
Financial Management	3	90%	3

Strengths

- Follows all government rules and guidelines and has adequate system on financial management
- Financial performance is analyzed vis-à-vis accomplishment of its targets to assess the organization's cost-effectiveness up to the depot level
- Immediately addresses COA audit findings
- No <u>unliquidated</u> expenses per 2006 COA report

- Area of Improvements
  - DOS base system (FACT)
    - needs to be upgraded

- Recommendation
  - Maintain working systems and adherence to government rules
  - 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

Whistleblowing & Internal Reporting

	Agency Rating	Deployment Score	Validated Rating
Whistleblowing & Internal Reporting	0	0%	1 0 deployment

Strengths

– Employees trust management in acting on reports of irregularities

– DBM Office Order 199-87 dated September 22, 1987

- Existence of Disciplinary Action Committee

- Area of improvement
  - DBM Office Order 199-87
    - Dated September 22, 1987
    - Not sufficiently disseminated
    - Though fraternization with, and/or solicitation of favors from agencies/offices or individuals transacting business are mentioned, there is no provision on specific acts that may constitute the same
  - Policy on whistle blowing and internal reporting- none
  - DAC – need to activate

- Recommendations
  - Develop PS policy pursuant to DBM Office Order 199-87
    - Need to activate the DAC
  - Develop a policy on whistle blowing and internal reporting

Corruption Risk Management

	Agency Rating	Deployment Score	Validated Rating
Corruption Risk Management	0	0%	0

Strengths

– Employees are trained to detect fraud in the procurement process or if there is no compliance with RA 9184

AREA OF IMPROVEMENTS

- No policy specifying an office or person responsible for identifying and addressing high risk areas on corruption

Recommendation

- Creation of Risk Management unit that focuses not only on efficiency of operation but also on INTEGRITY dimension

Interface with the External Environment

	Agency Rating	Deployment Score	Validated Rating
Interface with the External Environment	2	50%	1

Strengths

– Operational and interactive website

– Existence of G-EPS

– Provision of fast lane for customers

– G-EPS staff are trained to handle queries and complaints

– Work flow charts of operations are in place

- AREA for IMPROVEMENT
  - Inadequate propagation of G-EPS to suppliers
  - Lack of feedback mechanism from clients
  - Most employees lack training on customer relations
  - Complicated flow charts

- Recommendations
  - Strengthen communication and feedback mechanism
  - Develop internal capabilities to handle clients
 - Simplify work flow charts using conventional language

IDA Rating

| Dimension	Rating/Deployments
1. Leadership	2 – 50%
2. Code of Conduct	1 – 50%
3. Gifts and Benefits Policy	1 - 0%
4. Human Resource Management	1 - 70%
5. Performance Management	1 - 20%
6. Procurement Management	3 - 40% -60%
7. Financial Management	3 – 90%
8. Whistleblowing, Internal Reporting and Investigation	1 – 0%
9. Corruption Risk Management	0 – 0%
10. Managing Interface with External Environment	1 – 50%

Corruption Vulnerability Assessment (2nd Stage)

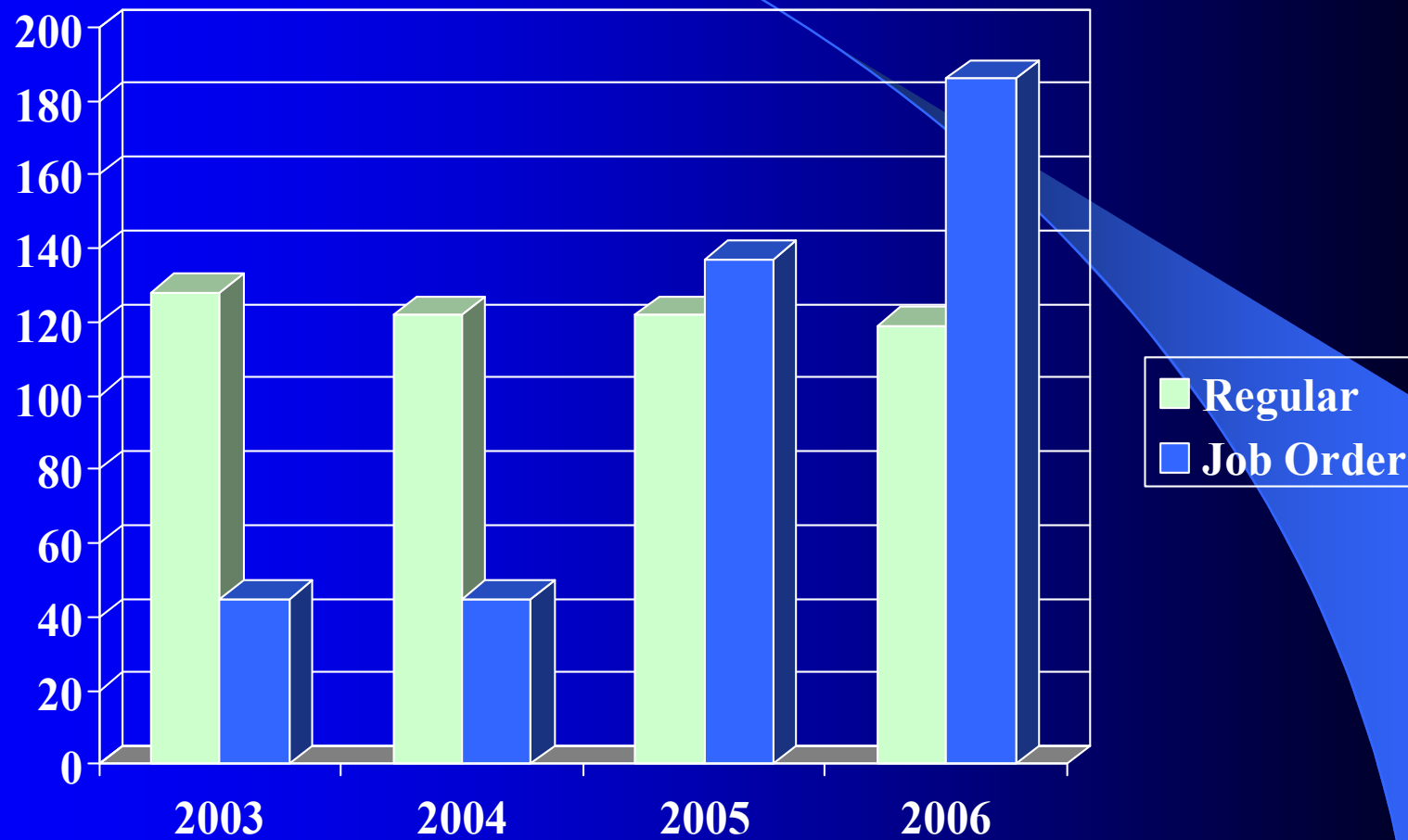# CVA Area1: Hiring of New Employees

Number of Employees 1976 - 2006
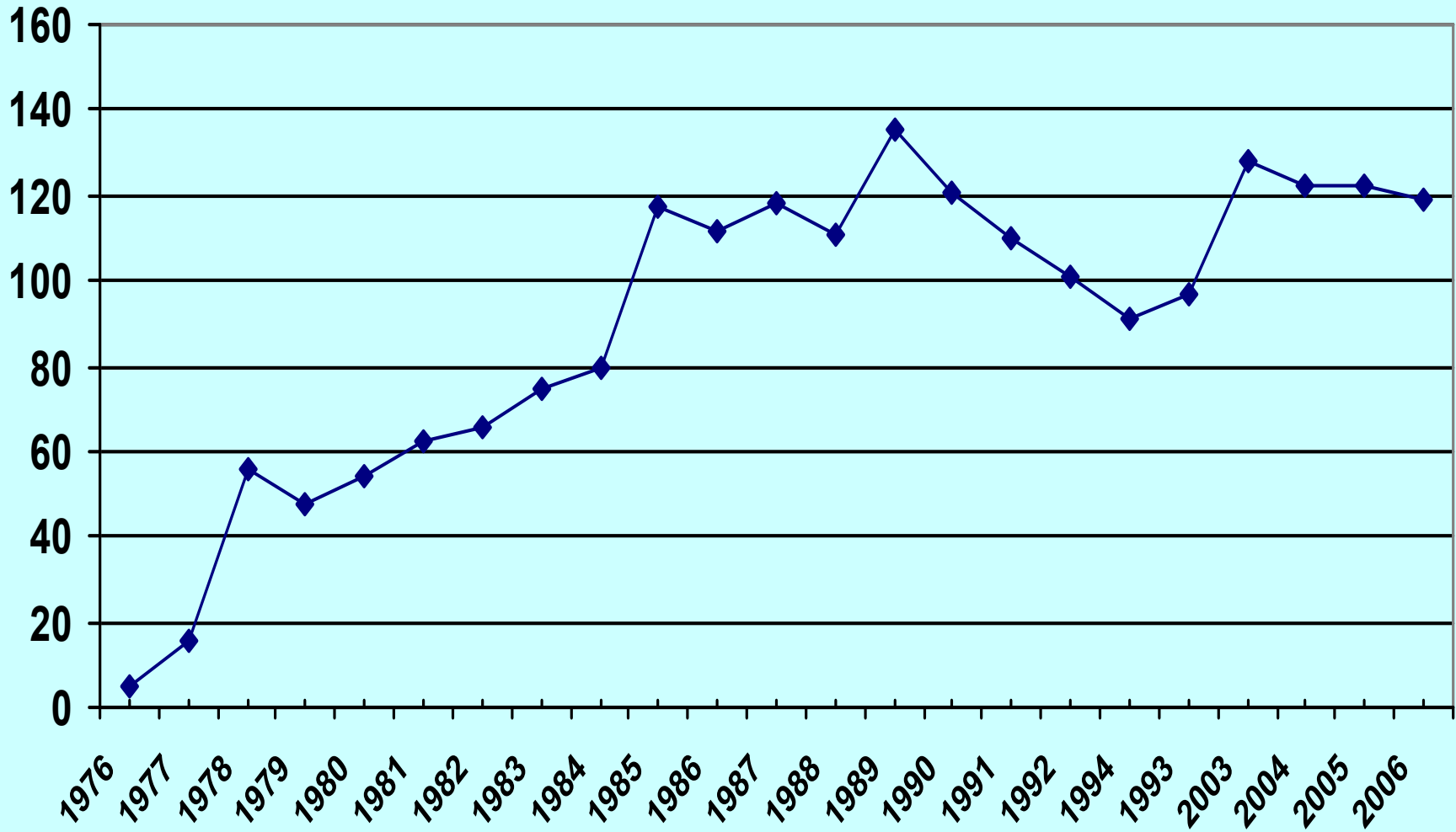
CVA Area1: Hiring of New Employees
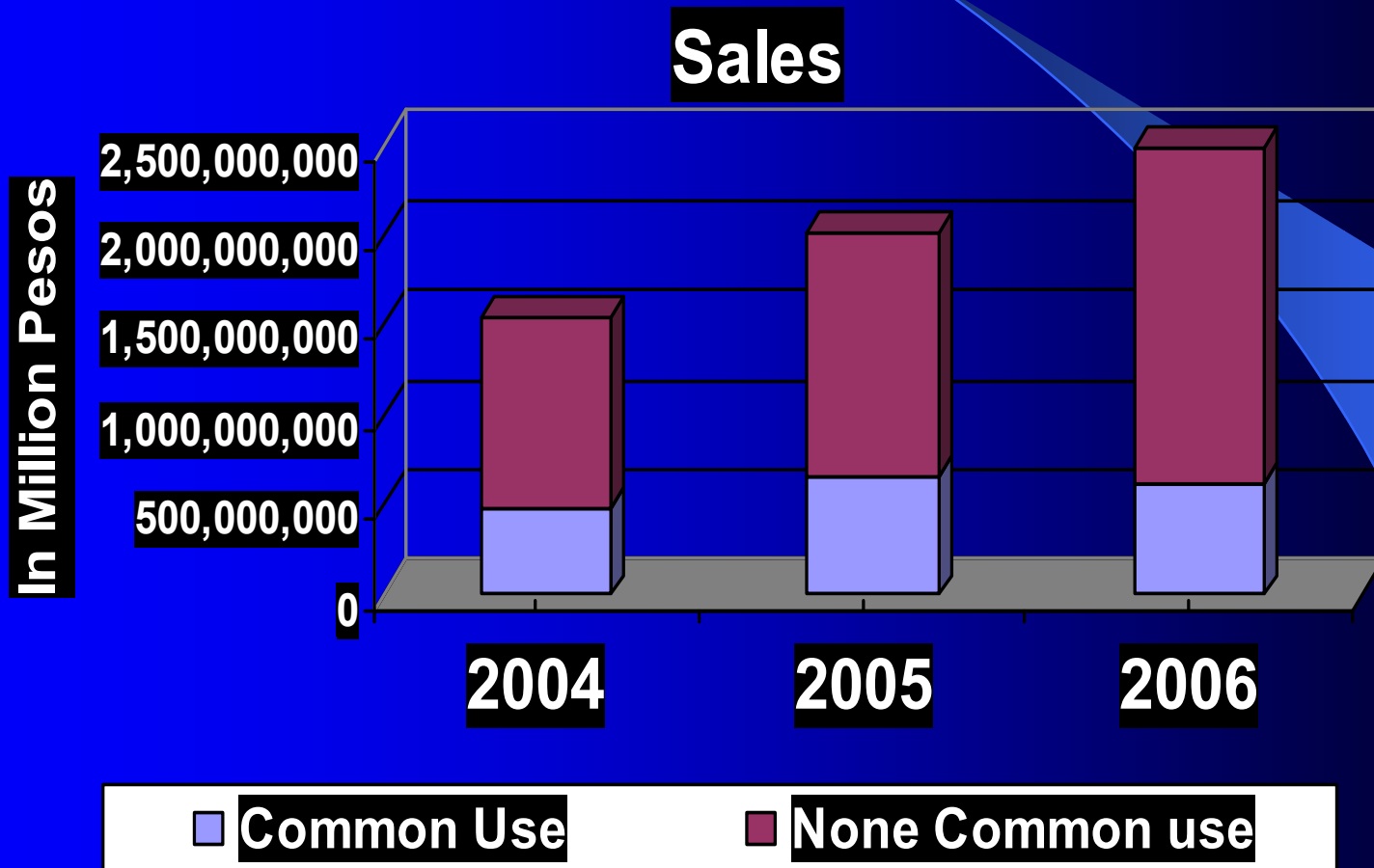
CVA Area1: Hiring of New Employees

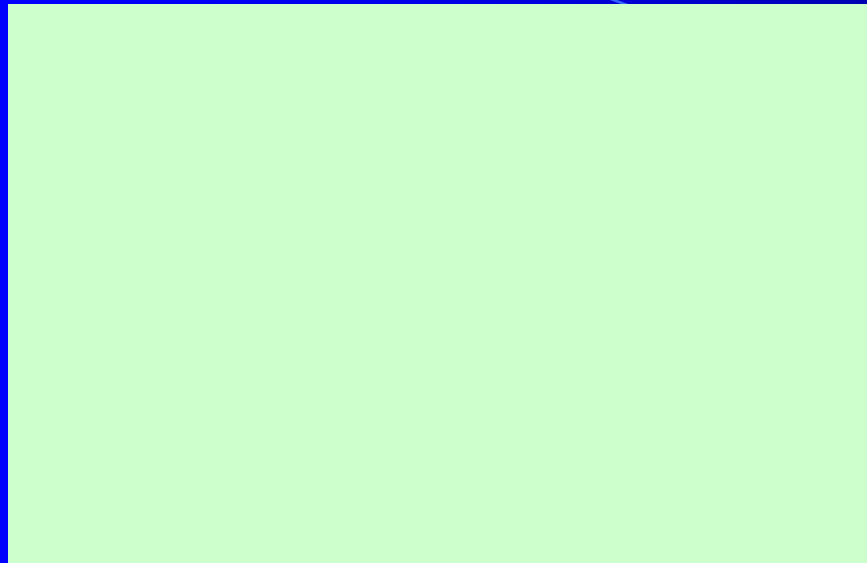# CVA Area1: Hiring of New Employees

Number of Employees 2006

	Operations			
	WADD	**Purchase**	**Inspect**	**ASD**
Regular	27	6	9	9
Job Order	29	10	9	9

RISK MAP: Hiring of New Employees

Process 1: Hiring of New Employees

Risk 1: Wide discretion in hiring applicants (JO)

➢ Lack of check and balance mechanism to ensure that hiring not used for personal gain

➢ Limited coverage for disseminating information of vacancy following CSC guidelines

➢ Potential employee undergoes three (3) interviews conducted by the Personnel Admin Staff , Chief of the requesting division and lastly by the FATS manager

➢ Rating by all interviewers are in one form thus it is possible to influence each other's rating

➢ Policy on Merit and Promotion applicable only for Regular employees, no guidelines for hiring JO

Process 1: Hiring of New Employees

Controls/Safeguards

- ➤ Exam results certified by Head of Personnel
- ➤ Existence of Job description and qualification standards
- ➤ Probationary stipulation in the contract

Process 1: Hiring of New Employees

Recommendations

➢ Formulate guidelines for hiring JO

➢ Publication of vacancy

➢ Develop standards in evaluating applicants qualification

➢ Proactively disseminate guidelines to all

➢ **Institutionalize a customized recruitment and regularization policy in accordance with existing rules and regulations set by the Civil Service Commission and ensure strict implementation**

Risk 2: Conflict of interest by applicant to be hired by the agency

➢ Insiders or JOs are given preference in filling vacant positions

Controls/Safeguards

➢ Exam results certified by Head of Personnel

➢ Existence of Job description and qualification standards

➢ Existence of policy on merit and promotion for filling up vacant position

➢ Probationary stipulation in the contract of JO prior to regular appointment

Recommendations

➢ Formulate guidelines for hiring JO

➢ Include Personnel Selection Board in hiring process of JO

➢ Require JO to submit SALN and declare potential conflict of interest

➢ Conduct background investigation of JO applicant

➢ **Include integrity and accountability dimension in contract for JO**

Process 2: Procurement of Common Good Items

➢ EO 285 – Operation of a government-wide procurement system for common-use office supplies
- ➢ Mandate
- ➢ Can act on IDR recommendations
- ➢ Controllable

RISK MAP: Procurement of Common Good items

Likelihood of Occurrence — High / - ↑

Risk 1: Risk of favoring suppliers

Risk 2: Less accountability of JO (hiring)

Risk 3: Weak inventory recording system

Risk 4: Overpricing of items

Risk 5: Inconsistent application of policy

Risk 8: Negligence of duty

Risk 6: Collusion among IABAC members

Risk 7 Manipulation of information

Low → High

Significance of Impact

Process 2: Procurement of Common Good Items

Risk 1: Risk of favoring suppliers

- ➤ Advance notices and classified information given to favored suppliers

- ➤ Unregulated contact with suppliers

- ➤ Leniency in evaluation by TWG

- ➤ Leniency in inspection and rejection

- ➤ Exemption from blacklisting

Process 2: Procurement of Common Good Items

Controls/Safeguards

➢ RA 9184 requires posting of request and result of bidding in Gov't Electronic Procurement System (G-EPS) and standard method of informing award of contract

➢ Penalizing poor performance in terms of delivery

➢ Final approval by Inter Agency Bids and Awards Committee (IABAC).

➢ Private sector representatives observe IABAC meetings

Process 2: Procurement of Common Good Items

Recommendations

➢ Develop policy to address communication or information risk (e.g. transparency, pre-mature divulging of information)

➢ Promote and enhance mechanics of G-EPS for wider dissemination and information

➢ 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

Process 2: Procurement of Common Good Items

Risk 3: Less accountability of JO (hiring)

➢ Due to voluminous transactions/work, JOs assigned to critical functions need accountability

Controls/Safeguard

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

Recommendations

➢ To beef-up personnel with regular employees rather than contractual or JOs

➢ Include integrity and accountability dimension in contract of JO

➢ Impose security bond for JOs with critical functions

Process 2: Procurement of Common Good Items

Risk 4: Weak inventory recording system

➢ Over/under request of stock items lead to inefficient use of government funds

➢ There is a discrepancy with the data generated by the Electronic Warehouse Mgt. System (EWMS) with that of real time stock in warehouse

➢ Inaccurate information for IABAC decision to grant request for extension of delivery by suppliers

➢ Inaccurate information for Operations Group Head to request suppliers to hold delivery

➢ Unavailability of critical stock items

➢ Resort to "re-order" or "shopping" mode of procurement of items instead of standard bidding process

Process 2: Procurement of Common Good Items

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

Recommendations
- Adequate warehouse space for stock
- 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

Government service mandates a high degree of ethical standards. PROCUREMENT, the main business of the agency is per se a high corruption risk activity, requires a higher standard even more.

Premised on these and on the IDR conducted, we essentially recommend a higher premium on accountability and less discretion of the authorities. Among other things, we vigorously recommend the following:

Recommendations

- For PS to review process and adopt policy that will regulate interface of employees with Clientele to avoid occasions of corruption.
    - Customized code of Conduct
    - Gift policy
    - Controlled but effective channels of communications

Recommendations

- Develop a customized recruitment and regularization policy in accordance with existing minimum requirements of the CSC rules and regulations
- Exert best effort to beef up personnel with regular employees
- For PS to enhance policy that will create greater accountability of employees
- Stringent measures to monitor supplier performance and impose reasonable sanction to avoid recurrence (e.g. blacklisting)

Recommendations

- Enhance existing inventory system
- To document their best practices on schedules of work and disseminate the same to other government agencies
- Expand IDR to other areas such as Depot Operations, Procurement of Non-Common Items etc.

Corruption

Thank you!