VI. Corruption Vulnerability Assessment

CVA Area 1: Processing of Old Age Pension (OAP)

Old Age Pension is monthly pension of PhP5,000 granted to a veteran, who is at least sixty-five (65) years old, and to a surviving spouse of a deceased veteran regardless of the spouse's age at the time of the veteran's death. (Sec. 10 & 11 of RA 6948 as amended by Sec. 3 & 4 of RA 7696)

The processing of old age pension involves a 16-step process, ranging from pre-issuance steps to approval of the application forms by the PVAO Administrator. It also entails a five-stage review of next level officials involved in the process. After undergoing the 16-step process (application module) and after approval, the masterlist is forwarded to the data center for encoding to the Integrated Veterans Database Management System - claimant module, where payment is effected.

The Assessment Team went through the actual transaction processing for documentation and review of systems and processes. The following section discusses the description of the step, its vulnerabilities, existing safeguards and controls and the Team's recommendations to make the system (or step) more robust and resistant to corruption.

The risk map below shows some of the critical vulnerabilities found in the processing of the OAP indicating their likelihood of occurrence and significance of impact on the Agency's overall operational efficiency, effectiveness and integrity.

Risk Map: Old Age Pension Processing

High	▪ Delay in the verification of the authenticity of documents	▪ Abuse of discretion by ignoring documents' authenticity; Error in judgment ▪ Abuse of authority by Administrator in conferring entitlement
Likelihood of Occurrence	▪ Misinformation; Applicants may be given inaccurate or insufficient information ▪ Sale of application forms; Misrepresentation ▪ Abuse of discretion in receiving App Forms ▪ Delay in the transmission of 201 files; taking of action; unnecessary referrals to LID or FTs ▪ Neglect of duty (review of application by Section Chief, Asst Div Chief) ▪ Manipulation of Priority List during masterlisting	▪ Loss, misplacement, tampering or damage of 201 files ▪ Wrong encoding of application info by PAIC ▪ Alteration of information by Masterlisting Section ▪ Neglect of duty in checking for double filing ▪ Abuse of discretion by ignoring/overlooking insufficiency and inconsistency of docs, or by unnecessarily requiring additional documents ▪ Neglect of duty in the review of masterlist, checking of double filing

Low ————————————— Significance ————————————▶ High
of Impact

Step 1: Preliminary Step

This includes pre-screening of and giving basic information to applicants at the Public Assistance and Information Center (PAIC). After ascertaining that the applicant presents the necessary documentary requirements, especially the Military Service Record (MSR), he/she will be issued the Application Form (AF).

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

Page 81

Safeguards/Control Mechanism/s in place:

- A Checklist is provided at the back of the form to readily inform applicants of the documentary requirements. However, its seems inadequate because additional documents other than those in the checklist are still being required in many cases by some review levels.

- Front liners are given orientation and have actual relevant experience. However, they have no formal and specialized training on the job.

- A "Not For Sale" reminder is written on the face of the application form.

- Forms have control numbers. But issuance of forms is not consistently recorded as is supposed to be.

Risk/s Involved:

- Misinformation - Giving of wrong information by the frontliner has a very low likelihood of occurrence and little significance in view of the random orientation given by the immediate supervisors, not to mention that these frontliners gained familiarity as they have been in their respective position for a minimum of five years already.

- Sale of application forms – This risk is said to be occurring more frequently at the far flung areas, but no evidence of this specific risk has been documented. Other information source says it is the difficulty of obtaining a form that gives it a commercial value and a "rare commodity" label. However, it has a little likelihood of occurring as well as little significance as applicants are aptly cautioned by the phrase "Not For Sale" written on the face of the form.

- Misrepresentation – This risk is said to be in the form of representing oneself as possessing the power, authority or means to facilitate or cause the approval of a certain application by somebody. This was however found to be with little likelihood of occurrence and little significance since potential applicants, somehow, has access to the free services of Field Offices.

Recommendations:

- Adequate training should be extended to frontliners to ensure dispensation of accurate information and guidance to applicants

- Make application forms widely accessible and allow their reproduction so as not to unduly give it material value

- Conduct public information campaign about the services rendered by PVAO to avoid some applicants and pensioners getting victims of unscrupulous persons

Step 2: Receipt of Application Form and Supporting Documents

Application forms are received not only by PVAO-PAIC at Central Office, but also by field offices. Applications received by field offices are transmitted to PAIC which, in turn, transmits them to the Old Age Processing Division (OAPD) for processing.

Safeguards/Control Mechanism/s in place:

- Only applications with complete supporting documents are supposed to be accepted. The completeness is decided based on the checklist of documents.

Development Academy of the Philippines   Page 82
Final Report as of October 2007
For discussion purposes only, not for quotation.

- Claim numbers are assigned for each application form received. This is done to facilitate tracking as to area source, especially in making follow ups. The application form itself has a control number.

- Duplicate copy of application form is returned to the applicant, which serves as an acknowledgement receipt and proof of the information written therein. At PAIC, it is a practice to write in the duplicate the telephone of the office number where follow-up can be made by the applicant.

- Once the application is received, the OAPD checks anew the completeness of the documents.

Risk/s Involved:

- The frontliner may abuse his discretion by receiving the application forms even without the complete requirements. However, this is assessed to be with very low likelihood of occurrence in view of the adequate control mechanisms in place. The impact is not that of high significance but is not negligible.

Recommendations:

- Although not directly addressing the identified risk, frontliners should be able to advise applicants of the probable date of approval (service time standards) to more or less indicate a clear date to make a follow up. As of the conduct of the IDR process, RA 9485 (Anti Red Tape Act of 2007) has been passed and signed into law in June 2007 and may take effect anytime during the implementation of these recommendations. This law sets the period within which simple and complex transactions should be acted upon. Adopting this law or formulating service standards consistent with it and its IRR to be issued may be a practical approach.

- In case of abuse, i.e. refusal to receive an obviously complete application, applicants should have avenues for filing complaints. Establishing a feedback mechanism to give clientele a venue to air their complaints or dissatisfaction is therefore recommended.

Step 3: Transmission of 201 Files

Applications received through Field Teams are transmitted to Miscellaneous Benefits Division (MBD), then from MBD to PAIC, while those filed at CO are received directly by PAIC.

Safeguards/Control Mechanism/s in place:

- Forms have control numbers. The adoption of this system makes the form an accountable form. However, issuance thereof is not consistently recorded as is supposed to be.

- Transmission is done through reputable courier or sometimes hand carried by Field Team personnel to the Central Office.

- Acknowledgment receipt system is being adopted to document transfer of files from one office to another.

Risk/s Involved:

- Loss or damage of 201 files due to mishandling or *force majeure* - 201 files may get lost or damaged while in transit or even after receipt by the MBD. Although the likelihood of occurrence may be little, loss or damage may pose a significantly high impact as the files have to be reconstituted in every case.

- Delayed transmission of 201 files - As per gathered information, this risk has both low likelihood of occurrence and insignificant impact. It was observed that Field Teams do not have a specific time of

Development Academy of the Philippines   Page 83
Final Report as of October 2007
For discussion purposes only, not for quotation.

transmission, some usually do it weekly, some bi-monthly, or when there are a number of applications already. This makes the posting of application at Field Teams longer; thus, the principle of providing greater access to the clients is compromised. It is no wonder that even applicants from the provinces go to the Central Office to file their applications.

▪ Misplacement or tampering of 201 files - This was found to have a very low likelihood of taking place, although the impact would be very significant as explained in the next immediately preceding bullet.

Recommendations:

▪ Implement a document tracking system to prevent loss or misplacement. By having this system, accountable officers would take serious responsibility over documents in their custody.

▪ Formulate service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR to prevent cases of delay.

Step 4: Encoding of Application Forms

After receipt, information in the application forms is encoded into the IVDMS by the PAIC. Basic information is extracted from the application form itself.

Safeguards/Control Mechanism/s in place:

▪ Review of the information in the very application form by the OAPD, the next responsible office.

Risk/s Involved:

▪ Encoding of wrong entries – As this step involves human factor, encoding of wrong entries is not far-fetched. However, in view of the next level review, which involves another scrutiny of the information in the application form itself, the likelihood that wrong entries are encoded is significantly lessened. On the other hand, the impact is not negligible as encoding of wrong entries could result to either disapproval, misdelivery of check, or even distortion of the amount as when age is wrongly encoded.

Recommendations:

▪ Strictly implement accountability measures and performance evaluation to document frequency of violation of the procedures

▪ Formulation of guidelines pursuant to RA 9485 and its IRR

▪ Enhance IVDMS to include a complete audit trail for purposes of establishing and identifying accountability

Step 5: Transmission of Applications to OAPD Records

From PAIC, 201 files are transmitted to OAPD for evaluation of the application forms by the examiners.

Safeguard/s/Control Mechanism/s in place:

▪ Logbook system - Files transmitted individually or by batch are regularly logged.

▪ Prompt transmission (next day) of 201 files – It is a practice to transmit and make sure that files received are transmitted the next working day.

Development Academy of the Philippines   Page 84
Final Report as of October 2007
For discussion purposes only, not for quotation.

Risk/s Involved:

- Loss or damage of 201 files due to mishandling or *force majeure* – Although this may actually take place, the possibility is very little as PAIC is just a building away from the OAPD and physical transmittal is not that risky.

Recommendation/s:

- Implement a document tracking and management system (physical security of records/documents) to identify and establish accountability of concerned personnel.

Step 6: Assignment of 201 Files to Examiners

There are 16 examiners to whom 201 files are evenly distributed by the Records Control Section for evaluation and recommendation.

Safeguard/s/Control Mechanism/s in place:

- Logbook system

Risk/s Involved:

- None

Recommendation/s:

- Implement a document tracking and management system – Although no potential risk is identified, this recommendation is reiterated as the system could also help ensure the integrity of this particular step.

Step 7: Checking cases of double filing

Examiners check whether applicant is already an active pensioner or has a pending application to avoid double payment

Safeguard/s/Control Mechanism/s in place:

- Check/Review of next five (5) levels – There are five levels of review, which the applications will undergo. These levels are the Section Chief, the Assistant Division Chief, the Division Chief, the Director III, and finally the Administrator.

- IVDMS data, but verification has to be done manually (human factor) and lacks necessary prompts, alerts or warnings to reflect double filing – The IVDMS helps an examiner and the next levels verify the existence of circumstances that would affect decision on the application. However, it does not include all necessary features to ensure total reliability.

Risk/s Involved:

- Neglect of duty in checking – If the verifier does not exercise prudence, necessary information may be overlooked that could result in undue conferment of entitlement or disapproval of the application.

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

Page 85

Recommendation/s:

- Enhance IVDMS to include automatic prompts or alerts that could facilitate verification.

Step 8: Verification of documents

Examiners check the sufficiency, authenticity and consistency of information of documents submitted in conducting evaluation. Any of these aspects cannot be ignored, as they are interdependent with each other.

Safeguard/s/Control Mechanism/s in place:

- Next levels' reviews – As stated in the previous step, there are next five (5) levels of review involved in the process.

Risk/s Involved:

- Abuse of discretion by ignoring/overlooking authenticity, sufficiency and consistency, or otherwise – Ignoring or overlooking for whatever motive and purpose the authenticity and sufficiency of supporting documents, or consistency of the information therein may result to undue conferment or disapproval of an application. This risk has a very high likelihood of occurrence inasmuch as most examiners lack the necessary specialized training in adjudicating, examining questioned documents, and appreciating the collective coherence of the information in the documents. The impact is obviously significant as the risk may result to unwarranted payments. The slow turn out of processed applications strongly suggests inadequacy of knowledge or skills in the job.

  Considering that their function involves purely routine matters, examiners should have mastered the process with minimum efforts after staying in their respective position for a considerable period. But as indicated by the findings and observation made, several errors are still detected at the next level review/s.

- Error in judgment – Examiners may find it easier to decide and exercise judgment if they are well equipped with the necessary knowledge. As gathered, many examiners have had their last orientation some five (5) years ago and, in all possibilities, their knowledge may have been superseded by recent trends and are no longer relevant. Thus, there is a very high likelihood that committing error in judgment may occur, with very significant impact.

Recommendation/s:

- Implement a monitoring system to document frequency of violation of policies and procedure – For this purpose, the quality of performance of examiners may be evaluated by recording the number of times violations of the procedures were committed as against the number of actions taken.

- Enforce existing codes of conduct, i.e., PVAO's Customized Code of conduct and RA 6713, particularly on imposition of sanctions to erring employees and officials. Also consider RA 9485 and the implementing rules and regulations to be promulgated.

- Provide adequate training for examiners on the three aspects of documents verification, e.g. authenticity, sufficiency and consistency.

- If feasible, issue a policy, which will include the specific grounds for approval and disapproval of applications to make evaluation non-discretionary and, if possible, indicate the specific criteria for each ground to facilitate the process. This is highly suggested.

Development Academy of the Philippines   Page 86
Final Report as of October 2007
For discussion purposes only, not for quotation.

Case-specific situations that each evaluator has encountered in the evaluation of application can be collected, classified and analyzed so that proper guidelines on how to treat and address them can be issued.

Step 9: Preparation of evaluation report

After conducting the evaluation, examiners prepares an evaluation report which contains the recommended action and submit the same to the Section Chief.

Safeguard/s/Control Mechanism/s in place:

- Check/review of next (5) levels.

- Evaluation sheet template is provided to facilitate report – The evaluator does not start from scratch because a template is provided for easier evaluation report writing.

Risk/s Involved:

- Delay in taking of action – An examiner may have the tendency to relax and hold in abeyance matters that need to be acted upon in view of lack of service standards and strict implementation of laws pertaining to code of ethics. This is, however, assessed to be with little likelihood of occurrence and with insignificant impact in view of the safeguards in place.

Recommendation/s:

- Formulate service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR

Step 10: Review of Application by Section Chief

Evaluation reports prepared by the examiners are submitted to the Section Chief for review.

Safeguard/s/Control Mechanism/s in place:

- Check/review of Next (4) levels – This involves the review of the next four (4) levels, which are the Assistant Division Chief, the Division Chief, Director III and the Administrator.

Risk/s Involved:

- Neglect of duty – This risk is seen to be with only little likelihood of occurrence and impact inasmuch as this particular step of the process is only cursory review.

- Delay – This is also seen as less likely to occur and less significant since the step involves purely cursory review.

Recommendation/s:

- Formulation of service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR is reiterated.

- Establish a performance monitoring system that will include the aging of assigned applications for evaluation in al levels is also recommended.

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

Page 87

Step 11:   Review by the Asst. Division Chief

Review action of the Section Chief is further reviewed by the Assistant Division Chief. Like the previous level, review is merely cursory.

Safeguard/s/Control Mechanism/s in place:

- Check/review of Next (4) levels – This involves the review of the next four (4) levels which are the Assistant Division Chief, the Division Chief, Director III and the Administrator.

Risk/s Involved:

- Neglect of duty – This risk is seen to be with only little likelihood of occurrence and impact as in previous step.

- Delay – This is also seen as less likely to occur and less significant since the step involves purely cursory review.

Recommendation/s:

- Formulation of service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR is reiterated

- Performance monitoring system that will include the aging of assigned applications for evaluation in al levels is recommended.

Step 12:   Preparation of Masterlist by Masterlisting Section

After review, the Assistant Division Chief forwards in batch the applications to the Masterlisting Section for preparation of separate masterlists for approved and disapproved applications. For disapproved applications, a notification letter to applicant is prepared for the signature of the Division Chief.

Safeguard/s/Control Mechanism/s in place:

- Folders (with application forms) and printouts of IVDMS are available during review by Assistant Chief and Division Chief – This control is done to see to it that whatever is forwarded for masterlisting will be the same information to be encoded in the IVDMS by the masterlisting section.

- Assistant Division Chief maintains logbook to check FIFO - This control is adopted to ensure that priority listing is being followed and also for record purposes.

Risk/s Involved:

- Manipulation of priority list during masterlisting – The risk is less likely to happen since it is capable of being detected by the next level review. In worst scenario where manipulation is not detected, there should also be a mechanism to check who the responsible person was.

- Alteration of information – As explained above, the risk is less likely to occur. But if it does occur, its impact would be very significant as it may result to unwarranted payment.

Development Academy of the Philippines   Page 88
Final Report as of October 2007
For discussion purposes only, not for quotation.

Recommendation/s:

- Enhance IVDMS to include a complete audit trail

Step 13:   Review of Masterlist by the Assistant Division Chief

201 files and masterlist/s are forwarded back to the Assistant Division Chief for review and recommendation.

Safeguard/s/Control Mechanism/s in place:

- Next level review – Three (3) next level reviews will pass the application before it is finally approved.

Risk/s Involved:

- Neglect of duty – This risk is seen to be with only little likelihood of occurrence and impact inasmuch as this particular step of the process is only cursory review.

Recommendation/s:

- Formulation of service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR is reiterated

- Establishment of a performance monitoring system

Step 14:   Review of Masterlist/s by the Division Chief

201 files and masterlist/s are forwarded to the Division Chief for review and recommendation. For disapproved masterlist, notice/s to applicant/s is/are signed and 201 file/s is/are returned to Records Section for filing.

Safeguard/s/Control Mechanism/s in place:

- Check/Review of next (2) level (for cases of approval). Only applications for approval and corresponding 201 files are reviewed by the next level.

Risk/s Involved:

- Neglect of duty
- Delay

Recommendation/s:

- Formulation of service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR is reiterated
- Performance Monitoring system is also reiterated

Step 15:   Review of applications and masterlist recommended for Approval

After review, the Division Chief forwards the masterlist and 201files (recommended for approval) to the Director III for further review

Development Academy of the Philippines   Page 89
Final Report as of October 2007
For discussion purposes only, not for quotation.

Safeguard/s/Control Mechanism/s in place:

- Review of Administrator – Review by the administrator is even more cursory as it sometimes involves purely "stamp approval".

Risk/s Involved:

- Neglect of duty
- Delay

Recommendation/s:

- Formulation of service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR is reiterated
- Performance Monitoring system is also reiterated

Step 16:   Conferment of entitlement to pension

After review, the Director III forwards the masterlist and applications (recommended for approval) to the Administrator for final approval, who will confer entitlement to pension.

Safeguard/s/Control Mechanism/s in place:

- Required prior steps - The present practice is such that an application will not be approved by the Administrator without undergoing the first five (5) steps.

Risk/s Involved:

- Abuse of authority in conferring entitlement by bypassing the lower levels - Information were gathered that in the past, an administrator conferred military status to a group of purported "veterans" without the usual requirements and without observing the process. Obviously, even with the present control mechanism, a particular administrator may confer military status without undergoing the usual process whenever he decides to do so. In other words, the opportunity is always available owing to the vulnerability of the process. And whenever he does abuse his discretion, there is always a tendency that those involved in the process who may obtain knowledge of the abuse may simply keep silent due to absence of mechanism to encourage reporting.

Recommendation/s:

- Creation of an internal audit unit that would regularly check on compliance with rules and procedures. <u>This will also serve as an effective mechanism where there is collusion among all those involved in the process and where there is no particular safeguard within the steps of process that would address it.</u>

- Formulation an internal reporting and/or whistleblowing mechanism to encourage reporting of illegal or anomalous acts within the agency

- Formulation service standards consistent with RA 9485 (Anti Red Tape Act of 2007) and its IRR is reiterated

- Performance Monitoring system

Development Academy of the Philippines   Page 90
Final Report as of October 2007
For discussion purposes only, not for quotation.

Other recommendation:

The agency may consider the formulation of a policy advocacy/legislative agenda for the amendment of PVAO law that would include a prescription of the period for filing of WWII veterans, preferably after a period of two years. The amendment should also provide a mechanism for the massive dissemination of the new policy, tapping for this purpose even the local government units (particularly barangays) in disseminating the information within their respective area of jurisdiction. This move may entail additional budget during the first few years but could yield long-term benefits in terms of savings and manhours in the future.

This recommendation stemmed from the observation that instead of an expected decrease in the number of applicants, the trend becomes the opposite. PVAO has been around for quite some time and WWII has long been over, yet, the influx of applicants seems to intensify day by day. A legislative act should put an end to this very unlikely trend.

CVA Area 2: Performance Management

The end societal goal of the Philippine Veterans Affairs Office is the socioeconomic security and social welfare of our veterans. As a sector, it seeks to perpetuate love and service for our country through the recognition and preservation of our veterans' and soldiers' heroic deeds.

In the same way as this assessment only covers the PVAO Proper, we will limit the evaluation of the CVA area to the performance management of PVAO Proper's organizational goal, that is, the improved general welfare of veterans and their dependents through the administration of veterans' benefits.

The fulfillment of this goal is made concrete and measurable by the following quantity and quality performance indicators:

Quantity Indicators

- ❑   Number of Claims Processed (Pension and other veterans benefits)
- ❑   Number of Veterans Pension Payment
- ❑   Amount of Pension made
- ❑   Number of other Veterans Benefits paid
- ❑   Settlement of other Veterans Benefits
- ❑   Percentage of Claims Revalidated Yearly

Quality Indicators

- ❑   Measures of standard time in the processing of claims (Pension and other veterans benefits)
- ❑   Compliance with standards on the payment of pension either by bank remittance or postal delivery
- ❑   Settlement of Other Veterans Benefits within the standard time
- ❑   Cost incurred for the payment of pensions and other benefits
- ❑   Adequate information dissemination regarding veterans benefits

For the purposes of assessing these performance indicators, all units of the PVAO Proper submit their monthly accomplishment reports to their divisions. The divisions then forward these accomplishment reports to the Special Projects Division of the Central Office which then collates all the submitted reports and forwards the collated report to different offices like the Department of National Defense (DND), Department of Budget and Management (DBM), Commission on Audit (COA), Congress and Senate annually, for the annual agency accomplishment evaluation, budget planning and target setting.

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

Page 91

However, along this requirement for each unit, some areas that may be vulnerable to errors and/or corruption have been identified, to wit:

The Assessment Team plotted the risks identified in the area of performance management. Most of the risks have high likelihood of occurrence and significance of impact, which is depicted in the risk map below.

Risk Map: Performance Management
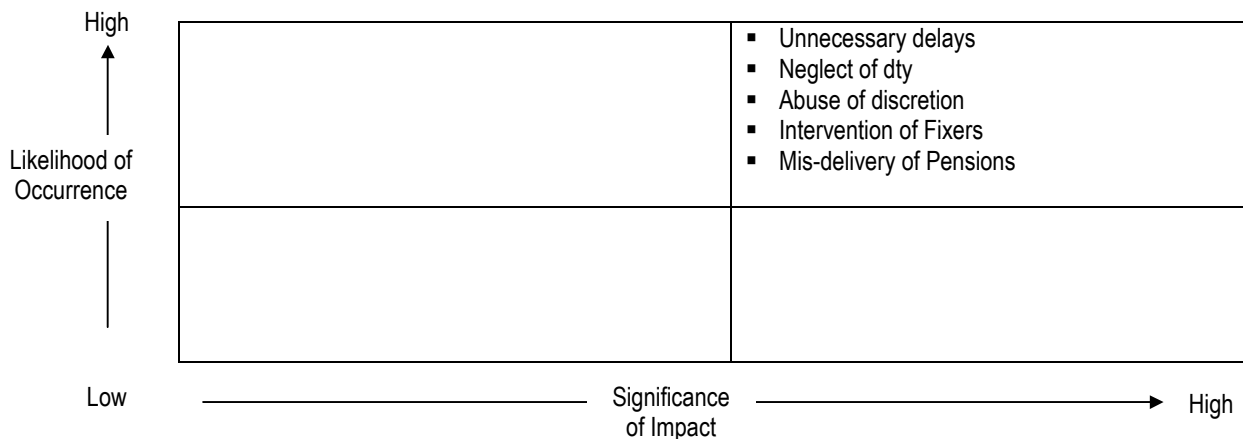
1. Agency Performance

Risk/s Involved:

❑ Lack of time standards in the execution of duty/task resulting to neglect of duty and/or unnecessary delay. Moreover, unit accomplishment reports are limited to the recording of *acted upon/processed* claims/activities/duties. There is no column provided for *actual received* claims/activities/duties, nor is there a column provided for pending obligations, if any, consequently making the reports vulnerable to inaccuracy in the assessment of the standard processing time for each claim/activity/duty.

❑ There is no scheme in the system where the accuracy of the data contained in the accomplishment report is ensured. For example, there is no provision for random reviews of statistics written on the submitted accomplishment reports. Hence, the vulnerability not only to simple errors in statistics but misevaluation as well. These identified problem areas in PVAO's performance management point to a letdown in its quality indicators. Accordingly, the following changes are recommended for their improvement:

❑ Make an inventory of pending and expected transactions before the start of period covered by report then set targets for the period.

❑ Supervisors and employees should agree on target set.

❑ Set time and motion guidelines. Add a column for received/pending claims/obligations in the Accomplishment Reports.

❑ Set sanctions for non-adherence to guidelines.

❑ Establish mechanisms to countercheck data submitted, e.g. filing of Unit performance records and regular random checking of data.

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

Page 92

2. Individual Performance

PVAO is also supposed to adhere to the Personnel Evaluation System (PES) required by the Civil Service Commission. Every January and June, each employee is required to submit his/her performance statistics for the past 6 months and a performance target for the next 6 months. The employee's immediate supervisor is instructed to rate the employee according to the quantity and quality of the target and actual accomplishments of the employee. The rater's immediate supervisor serves as the approving signatory of the targets and performance ratings.

However, the PES has been assessed to be vulnerable in the following aspects:

Risk/s Involved:

❑ Lack of adequate orientation to the system results to various interpretation and administration of the system, or even non-compliance to the system. Learning the method by experience alone remains unreliable.

❑ Negligence of duty and/or collusion may result to unreliable performance ratings, thus, nullifying the PES' purpose in the first place.

❑ Abuse of discretion by giving an undeserved rating of *outstanding* for the purpose of receiving the PIB results to wastage of government resources

Recommendations:

These vulnerabilities, on the other hand, may be addressed by the succeeding recommendations:

❑ Training of employees and their raters to the proper administration of the PES

❑ Set up mechanism/s to effectively monitor reports, e.g. random checking of performance within the 6 – month period, record-keeping of performance files for each individual made available for random checking

❑ Translate, or at least consider, findings/evaluations/remarks/comments made on reports into policies/plans/programs including personnel trainings.

Installation and sustaining a more effective performance management system is much more needed in the following mission critical functions of PVAO:

1. Processing of Applications for Pensions and Benefits

   The slow processing of applications is an issue that mars the performance of PVAO. Applications for pension submitted in the Central Office usually take a minimum of three (3) months to be masterlisted, while pension applications from the field teams take a minimum of six (6) months to be approved. Hence, the presence of risks such as unnecessary delays, intervention of *fixers* and abuse of discretion by process-owners.

   This slow processing of applications opens up issues on the ability of PVAO's examiners to conduct accurate evaluation of claims and the reliability of the procedures used, e.g. rules on documentary requirements, appreciation of documents authenticity, etc; thus, the need for systematic monitoring.

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

Page 93

This systematic monitoring of the processing of claims also involves the proper handling of documents as poor document management increases the risks for fraudulent claims/misappropriation of benefits and unnecessary delays.

There are also no time and motion guidelines for every step in the processing of applications. There is also a lack of a system for the monitoring of compliance to the procedures; thus, sanctions for non-compliance become futile.

2. Payment of Pension and other veterans benefits

Delayed payments, especially of arrears, also contribute to the blight of PVAO's mandatory functions. Initial payment of monthly pension usually starts 1-2 months after the approval.

This function of PVAO may be deemed vulnerable to unnecessary delays, bribery/illegal commission, favoritism, intervention of fixers, and even mis-delivery of pensions, because there is no identified accountable unit/individual where the public can get information on the status of their application/transaction, this is much worse at the field levels because communications is costly. Even field team personnel are not aware where to get such information within the agency, thus such information becomes very valuable. Hence, the need for a strict implementation of the policy on limited access to information.

Information is such a precious commodity in PVAO that the slightest alterations to the records and/or database may cause significant obstruction to PVAO's processes, especially in the payment of claims, and even, invalidate the veterans masterlist. Increased accountability among those who have access to the valuable information is very important. Otherwise the risk for the misuse and/or manipulation of information will not be controlled.

In keeping with the concerns presented above, the following recommendations are forwarded:

❑ *Standardization of Processing Time.* The Standard Operating Procedures (SOP) should include time and motion guidelines and should be indiscriminate to whether applications are from the central or field offices. These time and motion guidelines should be coupled with proper sanctions for personnel who will not follow them.

Moreover, PVAO's present tracking/routing monitoring system in the processing of claims, as to who should be handling the pertinent documents at a certain time, may be improved by including the time and motion guidelines in the routing sheets as well. This will increase not just efficiency but also accountability of personnel assigned to pertinent documents.

❑ *Personnel Accounting.* Proper matching of a personnel item and its qualification standards must be given strict adherence. In the study conducted, it was found out that some very significant tasks have been assigned to personnel who lack proper training to dispense such tasks. Hence, adequate re-orientation/update of personnel would be very valuable.

Furthermore, supervisors should also be made accountable to the performance of their subordinates by including a criterion for unit performance in their personal evaluation. Such shift would increase supervisors' initiative on their oversight functions, particularly on the collective performance of their unit.

❑ *Use of available data from monitoring agencies/mechanisms.* A number of studies and evaluation schemes have already been done to PVAO and has produced a number of useful data and feasible recommendations for PVAO, e.g. COA IAS Monitor, SGV Report, etc. Hence, these existing documents should be put into use, specifically for the agency's long-term programming and projection purposes.

Recurring errors and setbacks in performance would have been addressed earlier if results from such mechanisms have already been employed. For example, in the payment of arrears, delays due to mis-

Development Academy of the Philippines
Final Report as of October 2007
For discussion purposes only, not for quotation.
Page 94

budgeting would have been avoided if data on the availability of funds have been utilized for the budget plan.

❑ *Security of Documents and information.* The security of documents and information may be increased by defining if not raising the accountability of those who have access to them. A strict monitoring scheme, which includes liability and sanctions for mismanagement and manipulation of documents and information would stir up proactivity and initiative on the part of the personnel involved in the handling of the same.

Moreover, security of documents can also be improved by appropriate checklisting and the use of suitable hardware and equipment in handling documents, e.g. secure cabinets. Information can also be protected better by the proper screening and assignment of personnel that are given access to them.

We can conclude that the current absence of a formal monitoring scheme for PVAO's performance is an opportunity for the present management to establish a policy that will address the preceding challenges.

CVA Area 3: Financial Management (Payment of Pension)

Social benefit programs especially the kinds that involve cash transfer are generally vulnerable to error, fraud and corruption. These inherent risks have direct impact on the performance of financial management and accountability system. In PVAO it has been observed that there are almost no existing policy and/or procedural manuals covering the financial management on the payment of pension. The risks associated with the absence of such written guidelines are:
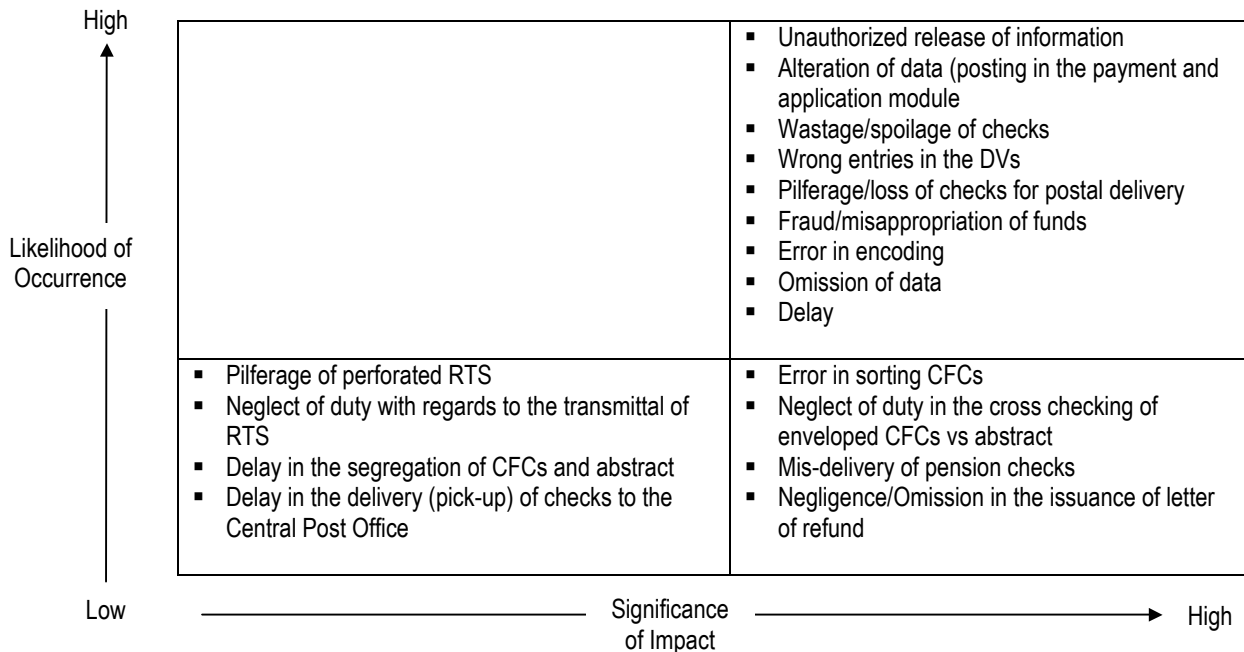
- no standard guidelines to follow resulting to chaotic processing of routine transactions
- the loss of key personnel with detailed knowledge of the whole as well as the individual characteristics of each account may in effect render the financial division ineffective.
- no justification for actions taken.

Alongside the absence of policies is the lack of internal controls directed towards the financial activities. One internal control that is also noticeably absent in the financial activities involving the payment of pension is the recording and/or monitoring of the transactions which results to:

- inadequate audit trail because completed transactions are neither identified nor recorded and the risks involve are:
    - error or unintentional mistake by omission when the transactions and/or balances are excluded from the financial statements due to the failure to record the same.
    - fraud which involves intentional omission from the financial statements of events, transactions or other significant information.
- absence of proper review and approval of transactions;
- absence of safeguard controls which could lead to misappropriation of funds/assets; and
- non detection of errors and frauds

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

Page 95

Risk Map: Financial Management (Payment of Pension)

High

Likelihood of
Occurrence

	▪ Unauthorized release of information ▪ Alteration of data (posting in the payment and application module ▪ Wastage/spoilage of checks ▪ Wrong entries in the DVs ▪ Pilferage/loss of checks for postal delivery ▪ Fraud/misappropriation of funds ▪ Error in encoding ▪ Omission of data ▪ Delay
▪ Pilferage of perforated RTS ▪ Neglect of duty with regards to the transmittal of RTS ▪ Delay in the segregation of CFCs and abstract ▪ Delay in the delivery (pick-up) of checks to the Central Post Office	▪ Error in sorting CFCs ▪ Neglect of duty in the cross checking of enveloped CFCs vs abstract ▪ Mis-delivery of pension checks ▪ Negligence/Omission in the issuance of letter of refund

Low   Significance   High
of Impact

1. Posting from Application Module to Claimant Module and Printing of Checks

Risk/s Involved: Unauthorized release of Information; Alteration of Information

The Data Center is the office tasked to develop and maintain the Integrated Veterans Data Management System (IVDMS), the pension database of PVAO. In view of this inherent task, the Data Center acquires information of commercial value with an involved market both within and outside the agency. In the absence of a policy on disclosure of this valuable information, the Data Center is vulnerable to the risk of unauthorized release of such information.

Upon the Administrator's approval of the masterlist for the initial pension, it is forwarded to the Data Center for posting to the IVDMS, from application module to claimant module.

The posting is not subject to any second level review and monitoring by the offices that prepared and approved the masterlist. In the absence of such controls, this activity is highly vulnerable to alteration. The employee charge of posting the masterlist can alter the names, addresses and bank account numbers of the pensioners and conceal the changes by reconciling the data as altered both in the payment and application modules. The alteration can be detected only if a complaint is filed by the rightful pensioner. Without such complaint, the system will never be able to detect the changes since the audit trail is limited only as to when the change was made and who caused the same. The complaint is necessary to identify what was changed in the data.

This undetected alteration is carried into the next steps and creates a domino effect on the succeeding financial activities, which culminate in the payment of pensions. The risk of alteration, without existing controls in the agency, totally eliminates the reliability of the system. The following activities/reports, thus, continually reflect the defect caused by such alteration:

- Printing of Checks
- Report of Check Issued
- Summary Report of Check Issued
- Disbursement Vouchers

Development Academy of the Philippines   Page 96
Final Report as of October 2007
For discussion purposes only, not for quotation.

- Obligation Slips
- MDS Checks

Recommendations:

- Formulate a policy against unauthorized disclosure of information regarding payment of claims with corresponding sanctions
- Implement next level review to countercheck encoding. Cognizant of the voluminous transactions involved in this, sampling may be employed to facilitate a more thorough review
- Enhance IVDMS to complete audit trail
- Establish a check and balance system among offices and/or units having shared responsibility or accountability upon an identified output

2. Delivery of Checks to Pensioners

Risk/s Involved: Losses/Pilferages of Checks

Although there is already a bank remittance pension scheme, there are, nonetheless, about 70,000 pensioners who still choose to receive their checks through postal delivery. For this purpose, PVAO avails the services of the Central Post Office and Pampanga Postal Office. After the checks (sealed in envelopes with clear plastic window), have been entrusted to the postal offices, the activities that would follow are already beyond PVAO's control. The delivery of checks is vulnerable to losses and pilferages. However, in taking into consideration the mandate of the agency and its final major output of delivering the benefits of the pensioners, PVAO's concern should not end with the physical transfer of checks to the post offices. The agency should see to it that the checks are safeguarded against pilferages and that they are delivered to the addressee only.

Recommendations:

- Close coordination with the Central Post Office and Pampanga Post Office on the prevention of pilferages especially the implementation of the policy on the delivery of checks, which should be made to the addressee only.

- Require the post offices to report to PVAO a summary of not only the return to sender (RTS) checks but also the duly received checks per abstract prepared by the Data Center.

3. Monitoring and Recording of Return to Sender (RTS) Checks

Risk/s Involved: Fraudulent Encashment of RTS Checks

Checks whose payees cannot be found in their given addresses are returned to PVAO. In the past, there were incidents of RTS checks, which despite of being already perforated were, nonetheless, still negotiated. The perforations were covered with pieces taken from other RTS checks specifically chosen to appropriate the specification of the missing parts. The scheme was aptly called *vulcanizing*. Such irregularity was brought about by the absence of recording and monitoring of RTS checks.

Presently, RTS checks are returned by the post offices to the Message Center covered by a transmittal letter detailing the checks included therein. Together with the post offices' transmittal letters, the Message Center, in turn, forward the RTS to Bookkeeping with another transmittal letter, likewise specifying the included checks. Upon receipt, the bookkeeping reconciles the transmittal letters issued by both post office and Message Center and validates the same through physical inspection of the RTS. The perforated checks are then stamped INVALID on its face and RTS at the back. These perforated and stamped checks are then forwarded to COA with the report of RTS checks. The report of RTS is further used for posting in the Journal Entry Voucher (JEV). A copy is also submitted to the Data Center for integration of the data to the IVDMS. Replacement of RTS

Development Academy of the Philippines   Page 97
Final Report as of October 2007
For discussion purposes only, not for quotation.

checks is done only after a follow up or a request to such effect is filed by the affected pensioner. Suspension of payment is done after three RTS checks have been reflected in the IVDMS. In the absence of second level review and further monitoring of the encoded data, the risks of omission and errors in the encoding may not be detected. Hence, checks may still be printed and issued even after three RTS.

Recommendations:

- Sustained implementation of existing controls
- Review and monitoring of the accuracy of the encoded data.

4. Recovering Overpayment, Recording the Refunds and Use of Recovered Overpayments

Risk/s Involved: Non-monitoring of pensioner's status (e.g. death) resulting to overpaymen; Misappropriation; Delay in the transfer and use of funds by the bank;

In PVAO there is effort of recovery only upon notice of death of a pensioner. Overpayments arise as a result of late or non-reporting of the death of a pensioner, aggravated by the advance processing of payments. Pensioner's banks cause the transfer of funds back to the CFC account of PVAO only after a letter of refund was issued to them. Recovery of overpayment is limited only to cases when pension checks have already been deposited or mailed and negotiated even after the death of the pensioner. Even then, only what is left of the balance is returned to PVAO. The transfer of funds back to PVAO account being a bank activity is vulnerable to delay. Rural banks effect the refund by issuing managers checks, which are deposited in the RTS account while other depositary banks of PVAO issue credit memo. During the intervening time, banks can effectively deprive PVAO of the use of its own funds.

In a sample computation made, over two million pesos (P2.653M) of overpayments are to be recovered in just one Field Office for the 1st Quarter of 2007. Some of unmonitored accounts were as old as 2003 indicating .

Refunds are treated the same way as RTS checks. However, posting to the JEV is not done on a monthly basis. Journal vouchers are prepared supposedly to process current accounting entries, allocations and corrections for which other means of entry into the financial system are not available. Since refunds involve cash, which is sensitive to fraud and misappropriation, recording and monitoring of the same must be completed on time. Without second level review and monitoring, recording of the recovered amounts become vulnerable to negligence omission and fraud.

It is said that the recovered pension payments are used to pay the arrearages. However, PVAO has no written policy and guidelines on recovery of overpayment and the use of the recovered amounts. Without policy/guideline and consequent reports, there is no measure to determine that the agency is making best use of the resources available to it and securing value for money in all areas. Further there is no accountability and funds misused are difficult to establish.

Recommendations:

- Establish a monitoring system that will apprise the agency of how much the pensioners' banks should return as overpayment
- Enter into a MOA on the immediate transfer of funds and the corresponding penalty for the delay.
- Institute second level review
- Require regular and timely posting to the journal entry voucher
- Formulate and implement a policy on the recovery and use of overpayment

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

Page 98

5. Bank Reconciliation

Risk/s Involved: Neglect of duty (intentional or not) resulting in late or non-detection of frauds and/or misappropriation of funds

PVAO has no system for bank reconciliation of checks issued and mailed to pensioners. Pension checks are not subjected to reconciliation after they have been negotiated and returned by the banks to PVAO together with the statement of bank account. In bank remittance payment scheme, there is auto credit once the pension is deposited to the individual pension accounts, thus balance may be determined. But not when checks are mailed because they can remain outstanding for several months until negotiated or presented for payment.

In the absence of bank reconciliation, PVAO has no monthly bank reconciliation data which can provide the agency the ability to review or print reconciled bank statements for a prior period that can be submitted to COA. A reconciliation statement prepared at regular intervals will discourage the bank or the agency from committing the acts of misappropriation. A timely and regular conduct of bank reconciliation guarantees detection of fraudulent activities within reasonable time.

It was noted that no formal policy or procedural manual exists in relation to the bank reconciliation process. There are no formal guidelines as to the writing off of outstanding checks, or who is responsible for reconciling each of the various accounts. In addition, there are no written procedures regarding the reconciliation of each account and the handling of any variance that might develop. As stated above, there are risks associated with the absence of these guidelines.

Recommendations:

- Formulate and implement bank reconciliation procedure for mailed checks
- Use of IT to facilitate bank reconciliation

6. Payment of Arrears

Risk/s Involved: Disruption of the queuing process due to abuse of discretion, political influence or collusion by personnel; Errors; Unauthorized release of information; Fixing

After revalidation, and provided there are available funds, claims for arrears are processed and paid with priority given to WWII veterans and their spouses. Arrearages involve big amount (unlike the monthly pension of P5,000) and becomes a valuable object of fixing. Thus, processing of arrearages is vulnerable to unauthorized release of information.

Only the Accounting Office processes the claims for arrears. Upon a validated claim transmitted by MBD, the Accounting Office, through the PBDU, prepares a memorandum for the signature of the Administrator, requesting the Data Center to print the corresponding checks, more commonly called as supplementary checks. With the receipt of the memorandum, the Data Center prints the checks strictly in accordance with the data provided therein and forwards the same to the Accounting Office. In case there are mistakes in encoding, the Accounting Office examines the printed checks against the source memorandum. Only the Accounting Office determines who to pay and how much to pay. Computation is done manually by the Accounting Office since arrears are not integrated in the IVDMS. There is no clear policy as to who should be included in the masterlist. This activity is vulnerable to the disruption of the queuing process due to abuse of discretion, political influence or collusion of personnel.

Development Academy of the Philippines   Page 99
Final Report as of October 2007
For discussion purposes only, not for quotation.

Recommendations:

- Formulate policies on payment of arrears, specifically on prioritization and fund sourcing and institute appropriate mechanisms by which this can be strictly implemented and monitored
- Include automatic computation of arrears in the IVDMS
- Document a clear review and approval process and define accountabilities of personnel

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

Page 100

VI. SUMMARY OF RECOMMENDATIONS

Cognizant of the issues and challenges surrounding the agency, the IDR Assessment Team proposes the following policy and systems interventions to improve not only its operational efficiency and effectiveness, but also more importantly its integrity and public image.

1. **Strengthen the planning functions of the Central Office as an oversight and development activity, this should include resource programming and procurement management, reflecting therein the collective needs of its offices both at the central and field levels**

2. **Improve management of information, with particular focus on the following:**

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

3. **Rationalize the Existence of Field Offices**

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

4. **Formulate policies or procedural guidelines including detailed steps on the following:**

   - Recovery of overpayments and RTS checks, reporting and use thereof
   - Conduct of bank reconciliation, identification and recording of completed transactions
   - Payment of arrears, specifically on prioritization and fund sourcing
   - Posting of masterlist to the claimant module

Development Academy of the Philippines   Page 101
Final Report as of October 2007
For discussion purposes only, not for quotation.

5. **Put emphasis on check and balance among offices and/or units having shared responsibility or accountability**

6. **Streamline/improve the processing of pension applications**

    ▪ Consider the assignment of staff to process application by geography ad specialization (e.g. Muslim, indigenous veterans) to clearly define accountability and provide a mechanism by which individual performances can be measured
    ▪ Remove the redundant examination of applications from Field Offices by providing skills upgrading workshop, if necessary, to minimize erroneous appreciation of documents/information
    ▪ Cut down review layers to facilitate processing but install appropriate measures to ensure compliance with the procedures
    ▪ Establish a feedback mechanism, e.g. query sheets, FAQs; periodically process and analyze information for planning and process improvements

7. **Institutionalize an effective performance monitoring system**

    ▪ Establish document tracking system, where time and motion standards can be determined
    ▪ Establish mechanisms to countercheck data submitted in individual/unit accomplishment reports
    ▪ Link system of incentives/sanctions with performance

8. **Build on the agency customized Code of Conduct and conduct values formation workshops to officials and employees**

9. **Institutionalize an effective information campaign on the services of PVAO**

10. **Issue a policy on acceptance and solicitation of gifts and benefits**

Development Academy of the Philippines   Page 102
Final Report as of October 2007
For discussion purposes only, not for quotation.