Integrity Development Review of the Philippine Veterans Affairs Office

Executive Summary

The Integrity Development Review

Integrity Development Review is a process of building and sustaining an agency's ability to prevent corruption from happening. It is about integrating corruption resistance strategies into the various organizational facets of an agency so that factors that contribute to corrupt behavior can be checked and those that discourage corrupt acts or malfeasance are reinforced. The IDR framework builds on the Corruption Resistance Review (CRR) approach developed by the Independent Commission Against Corruption of New South Wales and the Corruption Vulnerability Assessment (CVA) tool adapted by the Development Academy of the Philippines from the United States Office of Management and Budget.

Pursuing Reforms through Integrity Development (PRIDE)

In its effort to improve governance in the public sector, the leadership of the Department of Budget and Management and the Office of the Ombudsman initiated the Integrity Development Review also known as Pursuing Reforms through Integrity Development (PRIDE) in 2003, which was implemented by the Development Academy of the Philippines.

With the support of the World Bank, the CVA was pilot-tested in the Department of Budget and Management in 2002. The IDR was initially implemented at the OMB and the Department of Education in 2004 with support from the United States Agency for International Development (USAID).

Under the European Commission (EC)-OMB Corruption Prevention Project, 16 public sector agencies are scheduled to undergo the IDR in two cycles. The 1st Cycle was completed on August 2006 while the next cycle commenced on December 2006. These agencies include the Department of Public Works and Highways, Philippine National Police, Bureau of Internal Revenue, Bureau of Customs and the Land Transportation Office (1st Cycle). The 2nd Cycle include the Department of Agrarian Reform, Department of Environment and Natural Resources, Department of Health, Armed Forces of the Philippines, Land Registration Authority, Philippine Veterans Affairs Office, Bureau of Corrections, Bureau of Fire Protection, National Irrigation Authority, Light Rail Transit Authority and the Procurement Service.

IDR at the Philippine Veterans Affairs Office

The advent of the Philippine Veterans Administration, pursuant to Republic Act No. 2664 on 18 June 1960, marked the consolidation of the Philippine Veterans Board, Veterans Claims Commission and the Veterans Back Pay Commission into one compact agency, which administered all benefits due to veterans. Presidential Decree No. 1 dated 24 September 1972 phased out the Philippines Veterans Administration and created the Philippine Veterans Affairs Office (PVAO) under the helm of the Department of National Defense.

It is further divided into three sub-units to carry-out its three-fold mandate: PVAO Proper which administers and adjudicates veterans benefits; the Veterans Memorial Medical Center (VMMC) which administers free medical care for the veterans; and, the Military Shrines Service (MSS) which maintains and develops military shrines honoring the heroism of our veterans. The Administrator directly supervises and has operational control over PVAO Proper. On the other hand, the MSS and VMMC while under the supervision of the Administrator, operate autonomously from PVAO Proper, and have their own respective budgets. This IDR focuses only on the functions and operations of the PVAO Proper.

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The Integrity Development Review (IDR) of the Philippine Veterans Affairs was done from January to June of 2007. The sites were selected based on the number of clients they have or the volume of transactions, geographical location and their overall performances. Two sub-teams were deployed simultaneously from 12 to 17 February 2007 to conduct the initial phase of the IDR. Since there was only a limited number of field staff, all staff was surveyed. The survey was administered first prior to the focus group discussions (IDA) to shield the survey results from probable biases resulting from the IDA discussion.

The PVAO CRR was conducted in five (5) sites, namely: the Central Office (CO) in Camp Aguinaldo and four (4) selected field teams in La Union (Field Team 1), Baguio City (Field Team CAR), Cagayan de Oro City (Field Team 10) and Davao City (Field Team 11).

Only three sites were visited for the second phase of the process, with the Field Team in Dagupan as an addition to the Luzon field offices that were visited during the first phase.

CRR Findings

1. *Leadership. Final validated rating of 1 with a deployment score of 10-20%.*

The mission and vision statements of the agency were formulated in 2002 and are posted in the Central Office and all Field Offices. PVAO has an Operations Manual but is not widely read. At the field levels, clear books define duties and accountabilities of field personnel. There is a series of lectures and seminars on corruption prevention and integrity development, however, this was only attended by a few key staff only.

There is a 2002 Strategic Plan, however, awareness is limited to those who were involved in its formulation. There is also an observed need to strengthen management functions and documentation and translation of management decisions to policies, including the identification of accountable units for all critical functions and services. The Rationalization Program of Government presents a good opportunity for PVAO to reorganize.

Leadership by example and faster processing of transactions are the top responses when asked how

2. *Code of Conduct. Final validated rating of 1 with a deployment score of 50-60%.*

PVAO boasts of its own customized Code of Conduct based on RA 6713 and the AFP Code of Conduct, however, the customized code formulated in 2002, was not widely disseminated. The Office of the Inspectorate, which was tasked to oversee the drafting and dissemination of the Customized Code was not institutionalized. Observation and survey results also point to the strict enforcement of the submission of the SALN to the CSC.

It is a curious observation though that while the customized code was not widely disseminated, respondents indicated their knowledge and adherence to the code.

3. *Gifts and Benefits Policy. Final validated rating of 0.*

It is noteworthy that short provisions on gifts and gratuities are set forth in the agency's Code of Conduct, however, there is a need to define the nominal value of an acceptable gift, its coverage, accountable units and their disposition. Critical to this is the deployment of the policy itself, particularly in the areas where interface with the transacting public are high. Office practices on gift giving vary and is greatly dependent on the policy of the officer in charge. Some are manifested with the posting of signs like "services rendered are free.

Despite the absence of a policy, a number of survey respondents (20%) think that there is such a clear policy on gifts and benefits and that external parties, e.g clients, are informed about it.

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4.   Human Resources Management. Final validated rating of 2 with a deployment score of 50-60%.

PVAO's Personnel Selection System and its Agency Merit Selection Plan adhere to the CSC rules. Posting and publication of vacancies is evident but knowledge of the recruitment and promotion process is limited to the central office. At the field levels, only those were promoted knew the process. There exist functional boards on personnel selection and promotions with appropriate representation from the rank and file and employees association. Background investigations are conducted at the oversight level, specifically by that of DND-DISG.

Palakasan or patronage politics figured prominently in the survey and interviews as major concerns.

5.   Performance Management. Final validated rating of 1 with a deployment score of 10-20%.

PVAO may have its specific organizational targets, however, these targets are only known to those who were involved in its preparation. The agency has very clear performance indicators, unfortunately, these are not translated to unit/individual levels and there is no objective basis in the evaluation of performance. Moreover, evaluation for both levels are done for compliance only and is reduced to cursory review at the oversight level. It is also clear that there is no feedback provided on the results of evaluation, thus, existing levels of performances are perpetuated.

It is interesting to note though, that despite the absence of a clear mechanism, survey respondents conveyed a highly positive net agreement to the statement saying their performance targets are clear to them. Same with the statement that says that the yearly performance bonus is given regardless of how they have performed.

6.   Procurement Management. Final validated rating of 3 with a deployment score of 10-20%.

PVAO adopts RA 9184 and has a annual procurement plan (APP) which is submitted to the DND for approval. Members of the BAC are trained on the procurement law but not its secretariat. Evidence also shows that aside from the conscious efforts to document procurement proceedings, third-party observers are also invited to participate in such proceedings. However, since the process is highly centralized, information is limited to process-owners.

The APP reflects the over-all requirements of the agency but units/FTs are not required to submit their own annual requirements, thus, there are no clear parameters for estimates or assumptions for the requirements at the lower levels. One would also observe the need to put up a petty cash fund (imprest system) at the field levels to cover immediate operating expenses.

7.   Financial Management. Final validated rating of 0.

PVAO is NGAS compliant and key personnel are trained on the e-NGAS; however, the budget system component is not effectively installed. The financial management system is highly centralized, with no single financial activity conducted at the field levels. Since there is no financial system in place at the field offices, the prevalent practice of system of reimbursement regarding operating expenses was noted. While access to the IVDMS is limited to ensure systems security, there is no full audit trail on the changes made on some sensitive information, particularly in the processing of pension payments. It is also noted that bank reconciliation is limited to bank remittances only. Refunds are neither recorded in the IVDMS nor posted in the JEV.

Improvements are also needed in terms of policy formulation, particularly on the use of recovered funds. There is no functioning internal audit unit, which could have detected problems on RTS checks, bank reconciliation and other irregularities on the routine transactions of the agency.

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8. Whistleblowing, Internal Reporting and Investigation. Final validated rating of 0.

At PVAO, the internal reporting and investigation functions are performed by the Legal and Investigation Division (LID) as provided in the agency's Operations Manual, however, there are no clear procedures as to how internal reporting should be done. The agency also has its own organic Resident Ombudsman who entertains internal reporting as well, which makes the function redundant and prone to abuse.

There were 4 actual reported cases, 3 of which were dismissed due to insufficient evidence. One reported case was resolved after 5 years and had the accused suspended.

Survey respondents, though, exhibit a slight to moderate positive agreement to the statements pertaining to the functionality of their agency's internal reporting mechanisms. Protection of whistleblowers and fair resolution of cases top the list of suggestions to improve the system.

9. Corruption Risk Management. Final validated rating of 0.

The agency has an Operations Manual, though it was observed that it is not widely read. There is an Internal Audit Service at the oversight level (DND), which provides for the internal audit requirements of PVAO.

Conscious efforts have been initiated in identifying high-risk areas in the agency, these included the conduct of audits on the Pension Information System in 2005 and one conducted by the SGV in 2004. Unfortunately, there are no sustained and proactive efforts to undergo regular assessment of its corruption risk areas identified at least in the audit reports. It was also found out that relevant agency personnel are not trained on corruption risk assessment and corruption prevention planning.

Survey respondents deemed nepotism/favoritism and negligence of duty as the form of corruption most likely to occur in the agency. These findings reinforce the issues raised about patronage politics in recruitment and promotion and the absence of an effective performance evaluation mechanism. The survey further indicates dissatisfaction on the system of corruption reporting because of the non-action or slow resolution of cases and fear of reprisal.

10. Managing Interface with External Environment. Final validated rating of 2 with a deployment score of 50-60%

In order to better serve its clients, PVAO employs several information dissemination mechanisms through the establishment of PAIC, Field Teams, OPA, Call Center and its website, however; these mechanisms have been found to be either underutilized, undermanned or ill-equipped. There are also no clear policies regarding service standards and service monitoring, including the installation of an adequate feedback mechanism.

The process of paying pensions and benefits is not adequately explained. This is consistent with the respondents' recommendation of clearer and more concise policies and procedures relevant to the administration of Pension and other Veterans Benefits.

Survey indicates that slow processing of claims and delays in the release of pensions are the most complaints of its clients.

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CVA Findings

Three functional areas deemed as critical to the achievement of PVAO's mandate were selected by the Assessment Team for the CVA, these include: (1) Processing of Old Age Pension (as a sample frontline transaction), (2) Performance Management and (3) Financial Management with particular focus on Payment of Pensions.

1. Processing of Old Age Pensions

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.

Some of the major risks identified are: abuse of discretion by ignoring documents' authenticity; error in judgment; neglect of duty; abuse of authority by the administrator in conferring entitlement; disruption of the queuing process and wrong encoding/alteration of information especially during masterlisting and processing of checks, among others.

These risks stem basically from the inadequate if not ineffective safeguards and review mechanisms in place, which is compounded by the volume of data, being processed daily. While there are layers of review and complete checklist of documentary requirements and processes to be followed, these are not enough to safeguard the process from irregularities and unethical behavior. Some policy and systems interventions identified include the establishment of a document tracking system with provision for performance evaluation, definition of service standards and complete audit trail; creation of an internal audit unit and formulation of a policy on internal reporting to encourage reporting of illegal and anomalous transaction within the agency, and training of personnel on critical review procedures.

2. Performance Management

The CVA was limited to the assessment of the performance management of PVAO in terms of achieving its organizational goal, that is, the improved general welfare of veterans and their dependents through the administration of veterans' benefits. The evaluation of achievement is made concrete and measurable by key quantity and quality performance indicators, which include, among others, number of claims processed, percentage of claims revalidated annually, measures of and compliance to processing standards.

The risks identified include neglect of duty and/or unnecessary delay due to lack of time standards in the execution of duty/tasks and misevaluation due to lack of measures to ensure integrity and validity of data reflected in accomplishment reports. Individual performances, on the other hand, are subjected to various interpretation and administration stemming from the inadequacy of orientation on the system. Abuse of discretion is possible as bonuses are pegged on the ratings. In terms of processing of applications for and payment of pensions and other benefits, unnecessary delays, manipulation of information, intervention of fixers, neglect of duty and incompetence are just among the possible risks identified. The absence of a system of monitoring non-compliance to rules and policies on processing of claim is also evident, thus, non-compliance is not sanctioned.

Key to addressing of all these risks is the establishment of an effective performance management system that defines not only a system of incentives and disincentives but also strict compliance to processing standards. There is a need to translate and relate organizational targets/accomplishments to individual targets/accomplishment. In addition, it is also imperative to enhance the information system of the agency, particularly in the disposition of applications thereby providing a more objective way of measuring performance. Random checks may be conducted to ensure compliance to performance standards set.

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3. Financial Management: Payment of Pensions

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: (a) no standard guidelines to follow resulting to chaotic processing of routine transactions, (b) 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, and (c) 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: (a) inadequate audit trail because completed transactions are neither identified nor recorded. 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 controls which could lead to misappropriation of funds/assets; and non detection of errors and frauds.

It is really critical for PVAO to enhance its IVDMS particularly validation of pensioners and installation of a complete audit trail to avoid losses of money due to misdelivery and overpayments of pensions. A policy on disclosure of information, use of recovered funds, and bank reconciliation, among others, should likewise be formulated.

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)

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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

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

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