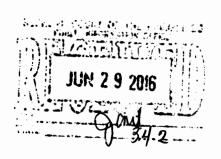


Republic of the Philippines Supreme Court Baguio City



FIRST DIVISION

OFFICE OF THE OMBUDSMAN AND FIELD

OMBUDSMAN AND FIELD INVESTIGATION OFFICE,

Present: Petitioner,

- versus -

LEONARDO-DE CASTRO,

Acting Chairperson,

G.R. No. 215994

BERSAMIN,

PEREZ,*

PERLAS-BERNABE, and

CAGUIOA, *JJ*.

ROLANDO B. FALLER,

Respondent.

Promulgated:

JUN 0 6 2016

DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*¹ are the Decision² dated May 22, 2014 and the Resolution³ dated December 17, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 123745, which found petitioner Rolando B. Faller (Faller) guilty of simple misconduct and conduct prejudicial to the best interest of the service and, accordingly, meted the penalty of suspension for one (1) year, directed him to restitute the amount of \$\mathbb{P}760,000.00 to the Office of the Government Corporate Counsel (OGCC), and imposed the accessory penalty of disqualification from promotion corresponding to the one-year period of suspension.

¹ *Rollo*, Vol. I, pp. 37-72.

Id. at 11-12.

Designated additional member per raffle dated March 14, 2016.

Id. at 14-30. Penned by Associate Justice Nina G. Antonio-Valenzuela with Associate Justices Vicente S.E. Veloso and Jane Aurora C. Lantion concurring.

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The Facts

On May 25, 2005, the Government Service and Insurance System (GSIS), represented by its President and General Manager, Winston F. Garcia (Garcia), executed a Memorandum of Agreement⁴ (MOA) with the OGCC, headed by then Government Corporate Counsel (GCC) Agnes VST Devanadera (Devanadera), whereby the OGCC agreed to handle the extrajudicial foreclosure of delinquent real estate loan accounts of GSIS (GSIS Foreclosure Project). In consideration thereof, GSIS endeavored to pay special assessment fees in accordance with the actual service that the OGCC may render. 5 The total special assessment fees received by the OGCC from the GSIS Foreclosure Project was in the amount of ₱11,845,000.00.⁶

Sometime thereafter, Devanadera issued two (2) memoranda authorizing the release of proceeds from the special assessment fees collected from the GSIS Foreclosure Project, purportedly as their partial share therefrom as attorney's fees. Thus, a Memorandum⁷ dated January 23, 2007 (January 23, 2007 Memo) requested the release of the amounts of ₱500,000.00 to Devanadera and ₱200,000.00 to her then Chief of Staff and Head Executive Assistant, herein respondent Rolando B. Faller (Faller). The January 23, 2007 Memo was accompanied by Disbursement Voucher (DV) Nos. 2007-01-273⁹ and 2007-01-274, 10 both of which were certified by Divina Gracia F. Cruz (Cruz), then Accountant III. Subsequently, Landbank Check Nos. 310159¹¹ for ₱450,000.00 and 310160¹² for ₱180,000.00 were issued in favor of Devanadera and Faller, respectively, co-signed by Jose Capili (Capili), the Assistant GCC for Administration, and Devanadera herself.

Likewise, Devanadera issued a Memorandum 13 dated February 8, 2007 (February 8, 2007 Memo) requesting the release of the amounts of ₱100,000.00 to Devanadera and ₱30,000.00 to Faller from the special assessment fees received from the GSIS Foreclosure Project, purportedly for the purchase of reading materials to aid them in the discharge of their duties. It was accompanied by DV Nos. 2007-02-413¹⁴ and 2007-02-414, ¹⁵ which were both certified by Cruz. On the same day, Landbank Check Nos. 310276¹⁶ for ₱30,000.00 and 310277¹⁷ for ₱100,000.00 were issued in favor



Id. at 245-250.

Id. at 247.

Id. at 251.

Id. at 262.

Id. at 241-242.

Id. at 261.

Id. at 260.

¹¹ Id. at 264.

Id. at 263.

Id. at 268. 14 Id. at 269.

¹⁵ Id. at 270.

Id. at 271.

Id. at 272.

of Faller and Devanadera, respectively, again co-signed by Capili and Devanadera herself.

On January 23, 2008, the Commission on Audit (COA) issued Audit Observation Memorandum (AOM) No. 2008-002 ¹⁸ finding irregularities surrounding the alleged purchase of reading materials amounting to ₱130,000.00 charged from the special assessment fees from the GSIS Foreclosure Project. The COA found that disbursements were made directly to the agency officials, *i.e.*, Devanadera and Faller, instead of to *bona fide* suppliers and without proper documentation, in violation of the provisions of Section 4 (6) of Presidential Decree (PD) No. 1445, ¹⁹ otherwise known as the "Government Auditing Code of the Philippines."

When herein petitioner Field Investigation Office (FIO), Office of the Ombudsman (Ombudsman) issued a *subpoena duces tecum*²⁰ directing the Accounting Division of the OGCC to submit before it the supporting documents relative to the OGCC's purchase of reading materials, Accountant III Ariel J. Ubiña certified ²¹ that no such documents were available in their records given that the procurement of these reading materials did not undergo the proper procedure which required the execution of the said documents.

Consequently, the FIO filed the instant complaint ²² against Devanadera, Faller, Cruz, and Capili: (a) criminally charging them with two (2) counts of violation of Article 217²³ of the Revised Penal Code or Malversation of Public Funds as well as two (2) counts of violation of Section 3 (e) of Republic Act No. 3019; and (b) administratively charging them with grave misconduct, dishonesty, and conduct prejudicial to the best interest of the service, all in connection with the disbursements charged against the special assessment fees collected from the GSIS Foreclosure Project with an aggregate amount of \$\mathbb{P}830,000.00.

In their defense,²⁴ Devanadera and Faller claimed that their receipt of the attorney's fees from the GSIS Foreclosure Project fees was sanctioned under the Administrative Code of 1987 and, more specifically, under OGCC

¹⁸ Id. at 265-267.

Entitled "ORDAINING AND INSTITUTING A GOVERNMENT AUDITING CODE OF THE PHILIPPINES," approved on June 11, 1978.

Rollo, Vol. I, pp. 273-274. Signed by Assets Investigation Bureau Acting Director Atty. Caesar D. Asuncion.

²¹ Id. at 275.

²² Id. at 213-226.

Article 217. Malversation of public funds or property. – Presumption of malversation. – Any public officer who, by reason of the duties of his office, is accountable for public funds or property, shall appropriate the same or shall take or misappropriate or shall consent, or through abandonment or negligence, shall permit any other person to take such public funds or property, wholly or partially, or shall otherwise be guilty of the misappropriation or malversation of such funds or property shall suffer: x x x x

See Joint Counter-Affidavit dated April 27, 2009; rollo, Vol. I, pp. 280-304.

Office Order No. 006, series of 2004²⁵ which prescribed guidelines in the distribution of attorney's fees. They likewise contended that they indeed purchased reading materials from the funds paid to them and left them in the OGCC premises.²⁶ They averred that the lack of documentation was the responsibility of Cruz who, unfortunately, can no longer be located as she had already left the OGCC.²⁷ Finally, they claimed that they cannot be held liable for Malversation, not being "accountable officers" as contemplated under the law.²⁸

For his part, Capili argued that he cannot be held liable as a co-conspirator in the absence of any positive evidence showing that he actively participated in the alleged offenses. Moreover, he claimed that his act of affixing his signature on the checks issued in favor of Devanadera and Faller was only ministerial.²⁹

The Ombudsman Ruling

In a Decision ³⁰ dated March 3, 2010, the Ombudsman found Devanadera, Faller, Cruz, and Capili guilty of grave misconduct, dishonesty, and conduct prejudicial to the best interest of the service and accordingly, ordered their dismissal. They were likewise directed to jointly and solidarily restitute to the OGCC Trust Liability Account the total amount of \$\mathbb{P}760,000.00.\frac{31}{31}\$

The Ombudsman found dearth of evidence to show that Devanadera and Faller had actually purchased reading materials using the funds given to them, and that the said reading materials exist in the OGCC premises.³² It pointed out that the purported purchase could have been easily substantiated with the presentation of official receipts, invoices, delivery receipts, turnover lists, or other similar documents.³³ Thus, without positive proof that the purchase had been made or that the reading materials exist, coupled with the lack of supporting documentation, the implication was that Devanadera and Faller had appropriated to themselves the total amount of \$\mathbb{P}130,000.00.^{34}\$

With respect to the payment of attorney's fees, the Ombudsman ruled that the context of "attorney's fees" provided in the Administrative Code of 1987 (Section 10, Chapter 3, Title III, Book IV) is in contemplation of

²⁵ Id. at 308-309.

²⁶ Id. at 296.

²⁷ Id. See also id. at 312.

²⁸ Id. at 294-295.

²⁹ Id. at 166-167.

Id. at 161-183. Issued by Graft Investigation and Prosecution Officer II Camilo S. Correa, reviewed by Acting Director Medwin S. Dizon, recommended for approval by Acting Assistant Ombudsman Mary Susan S. Guillermo, and approved by Acting Ombudsman Orlando C. Casimiro.

Id. at 181.

³² Id. at 170.

³³ Id

Id. at 169-170, pages are apparently misarranged.

attorney's fees awarded by the courts in connection with a litigated case.³⁵ Taken together with OGCC Order No. 006, series of 2004, these are the attorney's fees which shall be further distributed to handling lawyers of litigated cases as incentives.³⁶ In this case, the GSIS Foreclosure Project was extrajudicial in character.³⁷ Moreover, it appears that Faller was the sole OGCC lawyer assigned to the said project whose participation was not as a litigating lawyer but as Operations Manager thereof.³⁸

Furthermore, the MOA between GSIS and the OGCC specified that the fees paid by the former are special assessment fees, not attorney's fees.³⁹ As such, it cannot be the subject of distribution in the manner set forth under Office Order No. 006, series of 2004. Relative thereto, special assessment fees are governed by separate guidelines, distinct from those governing the distribution of attorney's fees.⁴⁰

In view of its findings, the Ombudsman held that there was undue injury to the government when Devanadera and Faller appropriated for themselves the amount of money charged against the GSIS Foreclosure Project fees to which they were not entitled. ⁴¹ Similarly, Capili was adjudged liable as a co-signatory of the subject checks. The Ombudsman opined that as Assistant GCC, he should have been familiar with the prescribed procedure for the procurement of reading materials as well as payment of attorney's fees. ⁴²

Finally, the Ombudsman ruled that conspiracy existed in this case, as Devanadera, Faller, Cruz, and Capili had colluded to defraud the government of the total amount of ₱830,000.00. It appreciated the aggravating circumstance of "taking undue advantage of official position" as having attended the commission of the offense.⁴³

Aggrieved, Devanadera and Faller moved for reconsideration⁴⁴ while Capili moved for reinvestigation.⁴⁵ Both motions were, however, denied in an Omnibus Order⁴⁶ dated October 3, 2011.

³⁵ Id.

³⁶ Id. at 174.

³⁷ Id. at 171.

³⁸ Id.

³⁹ Id. at 172.

⁴⁰ Id.

⁴¹ Id. at 175.

⁴² Id. at 175-176.

⁴³ Id. at 180.

See motion for reconsideration dated June 3, 2011; id. at 347-357.

Not attached to the rollo.

Rollo, Vol. I, pp. 184-190. Issued by Graft Investigation and Prosecution Officer I Cherry Chiara L. Hernando, reviewed by Director for Preliminary Investigation, Administrative Bureau A, Medwin S. Dizon, recommended for approval by Assistant Ombudsman Aleu A. Amante, and approved by Ombudsman Conchita Carpio Morales.

Faller, for and on his sole behalf, elevated the matter before the CA *via* petition for review.⁴⁷

The CA Ruling

In a Decision⁴⁸ dated May 22, 2014, the CA modified the Ombudsman ruling insofar as Faller is concerned, finding him guilty only of simple misconduct and conduct prejudicial to the best interest of the service and accordingly, imposed upon him the penalty of suspension for one (1) year with the accessory penalty of disqualification from promotion corresponding to the one (1) year period of suspension. Likewise, he was ordered to restitute to the OGCC Trust Liability Account the amount of ₱760,000.00.⁴⁹

In so ruling, the CA found the third element that constitutes grave misconduct, *i.e.*, corruption, clear intent to violate the law or flagrant disregard of the established rule, to be lacking in this case.⁵⁰ Thus, the CA found no evidence to prove that Faller's receipt of the attorney's fees as well as the funds for the purchase of reading materials was done with a clear intent to violate the law, or was done in flagrant disregard of established rules. Consequently, Faller can only be found guilty of simple misconduct.⁵¹

The CA further exonerated Faller from liability for dishonesty, finding that he "merely received attorney's fees, and amounts representing payment for reading materials." He had no hand in preparing the documents required therefor nor did he authorize any disbursement.⁵²

However, the CA sustained Faller's liability for conduct prejudicial to the best interest of the service, considering that he received sums of money without compliance with the rules. In this regard, the CA held that Faller should have been more circumspect with respect to his conduct, as his involvement in the foregoing incidents diminished, or tended to diminish, the people's trust in the OGCC.⁵³

The Ombudsman⁵⁴ and Faller⁵⁵ filed separate motions for partial reconsideration, which were both denied in a Resolution⁵⁶ dated December 17, 2014; hence, this petition filed by the FIO of the Ombudsman.

⁴⁷ Id. at 127-160.

⁴⁸ Id. at 14-30.

⁴⁹ Id. at 29.

⁵⁰ Id. at 23-26.

⁵¹ Id

⁵² Id. at 26-27.

⁵³ Id. at 27-28.

⁵⁴ Id. at 96-113.

⁵⁵ Id. at 114-123.

⁵⁶ Id. at 11-12.

The Issue Before the Court

The essential issue for the Court's resolution is whether or not the CA erred when it ruled that Faller is administratively liable for simple misconduct and conduct prejudicial to the best interest of the service.

The Court's Ruling

The petition is without merit.

Misconduct is a transgression of some established and definite rule of action, more particularly, unlawful behavior or gross negligence by a public officer. To constitute an administrative offense, misconduct should relate to or be connected with the performance of the official functions and duties of a public officer. The misconduct is considered as grave if it involves additional elements such as corruption or willful intent to violate the law or to disregard established rules, which must be proven by substantial evidence; otherwise, the misconduct is only simple. Corruption, as an element of grave misconduct, consists in the act of an official or fiduciary person who unlawfully and wrongfully uses his station or character to procure some benefit for himself or for another person, contrary to duty and the rights of others. 59

On the other hand, dishonesty is defined as the concealment or distortion of truth in a matter of fact relevant to one's office or connected with the performance of his duty. ⁶⁰ It implies a disposition to lie, cheat, deceive or defraud; untrustworthiness; lack of integrity; lack of honesty, probity, or integrity in principle; and lack of fairness and straightforwardness; ⁶¹ disposition to defraud, deceive or betray. ⁶²

After a punctilious review of the records, the Court concurs with the findings of the CA that Faller should not be held administratively liable for grave misconduct and/or dishonesty.

While there were violations of established and definite rules of action, namely: (a) the disbursement of attorney's fees to Faller despite the fact that the GSIS Foreclosure Project did not involve any court litigation contrary to

⁵⁷ Samson v. Restrivera, 662 Phil. 45, 61 (2011).

⁵⁸ Ganzon v. Arlos, G.R. No. 174321, October 22, 2013, 708 SCRA 115, 124.

⁵⁹ Miro v. Mendoza Vda. de Erederos, G.R. Nos. 172532 and 172544-45, November 20, 2013, 710 SCRA 371, 397-398.

⁶⁰ Balasbas v. Monayao, G.R. No. 190524, February 17, 2014, 716 SCRA 190, 203.

Japson v. Civil Service Commission, 663 Phil. 665, 677 (2011).
 Concerned Citizen v. Gabral, Jr., 514 Phil. 209, 219 (2005).

OGCC Office No. 006, series of 2004,⁶³ and (b) the failure to comply with Section 4 (6)⁶⁴ of PD No. 1445, and paragraph V of COA Circular No. 97-004 dated July 1, 1997⁶⁵ which should have been observed in the purchase of the reading materials subject of this case, there is no substantial evidence to prove that the foregoing violations were precipitated by Faller with corruption or a willful intent to violate the law so as to render him administratively liable for Grave Misconduct. Apart from admittedly receiving the checks for ₱180,000.00 purportedly as attorney's fees and ₱30,000.00 for the purchase of reading materials, both charged against the GSIS Foreclosure Project fees, records do not show that Faller directly or actively participated in the disbursement of the said funds, or authorized the same. His receipt of the sum of ₱180,000.00 was based on his assumption that the funds he received were in the nature of attorney's fees as compensation for his work on the GSIS Foreclosure Project, which, unfortunately, does not qualify as a matter of litigation under OGCC Office Order No. 006, series of 2004 as above-explained.

Neither were the foregoing infractions indicative of a disposition to deceive or lie so as to hold Faller administratively liable for dishonesty. While it has been established that Faller received the check for ₱30,000.00

Section 4. Fundamental principles. – Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:

XXXX

(6) Claims against government funds shall be supported with complete documentation.

V. REQUIREMENTS COMMON TO ALL PURCHASES

In the audit of payment of supplies, materials and equipment delivered, regardless of the mode of procurement, the following documents shall be required:

- 1. Request for purchase or requisition of supplies, materials and equipment or its equivalent, duly approved by proper authorities;
- 2. Purchase/Letter Order/Contract, duly approved by officials concerned and accepted by the supplier (date of acceptance must be clearly indicated, especially when the time or date of delivery is dependent on or will be counted from the date of acceptance of the purchase/letter order/contract);
- 3. Original copy of the dealer's/supplier's invoice:
 - a. showing the quantity, description of the articles, unit and total value, duly signed by the dealer or his representative, and
 - b. indicating receipt by the proper agency official of items delivered;
- 4. Inspection and Acceptance Report prepared by the Department/Agency property inspector and signed by the Head of Agency or his authorized representative.
- 5. Evidence of availability of funds, and/or copy of the request for obligation of allotment of the National Government agencies.

For the purpose of giving incentives to the lawyers to exercise judicious and conscientious effort in the handling of their assigned cases and pursuant to a Resolution unanimously adopted in the AGCC's meeting on even date and pursuant to Section 10, Chapter 3, Title III, Book IV of the Administrative Code of 1987 (EO 292)[,] attorney's fees collected in cases handled by this Office shall be available for expenditure under [these] guidelines, as follows:

^{1.} An amount equivalent to 60% of the fees actually collected shall be equitably distributed to the handling lawyers, the amount of which shall be determined by the Government Corporate Counsel upon recommendation of the Team Leader, taking into account the degree of participation and time devoted by the handling lawyer vis-à-vis the complexity of the case, the effort and skill required in litigating the same, and the amount actually collected as attorney's fees. (*Rollo*, Vol. I, p. 308)

purportedly as funds for the purchase of reading materials in connection with the discharge of his duties, it has not been shown, however, that he intended to defraud the government of the said amount. Moreover, the affidavits⁶⁶ executed by Atty. Alberto C. Agra (Atty. Agra), Devanadera's successor as GCC, tend to prove that the reading materials do exist in the OGCC premises, the same having been purchased during the tenure of his predecessor – Devanadera – and turned over to him upon his assumption in office.

Nonetheless, for the above-said violations, Faller should be held liable for simple misconduct. A person charged with grave misconduct may be held liable for simple misconduct if the misconduct does not involve any of the additional elements to qualify the misconduct as grave, ⁶⁷ as in this case. Faller, despite the lack of proof to show that his infractions were tainted with corruption, should have been more circumspect in complying with the pertinent OGCC and procurement rules, for which he should remain accountable.

In the same light, Faller's mistakes and/or the irregularities involved in the contested disbursements which he actually received resulted in an anomaly that tainted the public's perception of his office, thereby subjecting him to administrative liability for conduct prejudicial to the best interest of the service. Jurisprudence states that acts may constitute conduct prejudicial to the best interest of the service as long as they tarnish the image and integrity of his/her public office, ⁶⁸ as in this case.

In these respects, therefore, the Court upholds the CA. However, considering that Faller received only the total amount of ₱210,000.00,⁶⁹ ₱30,000.00 of which was used to purchase the reading materials existing in the OGCC premises, he is therefore liable to return only the sum of ₱180,000.00 that he received purportedly as attorney's fees.⁷⁰

Simple misconduct is classified as a less grave offense punishable by suspension for a period of one (1) month and one (1) day to six (6) months for the first offense, while conduct prejudicial to the best interest of the service is classified as a grave offense punishable by suspension for a period

⁶⁶ Rollo, Vol. I, pp. 198 and 382.

⁶⁷ Santos v. Rasalan, 544 Phil. 35, 43 (2007).

Avenido v. Civil Service Commission, 576 Phil. 654, 662 (2008).

Records show that Faller actually received checks in the amounts of \$\mathbb{P}\$180,000.00 purportedly as attorney's fees and \$\mathbb{P}\$30,000.00 for the purchase of the reading materials. See *rollo*, pp. 263 and 271. Section 43, Chapter 5, Book VI of the Administrative Code states:

Section 43. Liability for Illegal Expenditures. – Every expenditure or obligation authorized or incurred in violation of the provisions of this Code or of the general and special provisions contained in the annual General or other Appropriations Act shall be void. Every payment made in violation of said provisions shall be illegal and every official or employee authorizing or making such payment, or taking part therein, and every person receiving such payment shall be jointly and severally liable to the Government for the full amount so paid or received.

See Silang v. COA, G.R. No. 213189, September 8, 2015.

of six (6) months and one (1) day to one (1) year for the first offense. Under Section 50⁷¹ of the Revised Rules on Administrative Cases in the Civil Service, if the respondent is found guilty of two (2) or more charges, the penalty for the most serious charge shall be imposed and the other charges shall be considered as aggravating circumstances. Likewise, under Section 49⁷² of the same Rules, the maximum of the penalty shall be imposed where only aggravating and no mitigating circumstances are present, as in this case. Accordingly, the Court concurs with the CA that the penalty of suspension for one (1) year must be imposed upon Faller, and, conformably with Section 52 ⁷³ of the same Rules, meted the accessory penalty of disqualification from promotion for the entire period of the suspension.

WHEREFORE, the Decision dated May 22, 2014 and the Resolution dated December 17, 2014 of the Court of Appeals in CA-G.R. SP No. 123745 are hereby AFFIRMED with MODIFICATION. Respondent Rolando B. Faller is found GUILTY of simple misconduct and conduct prejudicial to the best interest of the service. Accordingly, he is ordered SUSPENDED for a period of one (1) year and directed to restitute the total amount of ₱180,000.00 to the Office of the Government Corporate Counsel Trust Liability Account. The accessory penalty of disqualification from promotion corresponding to the one-year period of suspension is likewise imposed.

SO ORDERED.

ESTELA M. PERLAS-BERNABE

Associate Justice

WE CONCUR:

levata lemando de lastis reresita j. Leonardo-de Castro

Associate Justice Acting Chairperson

Section 50. Penalty for the Most Serious Offense. – If the respondent is found guilty of two (2) or more charges or counts, the penalty to be imposed should be that corresponding to the most serious charge and the rest shall be considered as aggravating circumstances.

Section 49. *Manner of Imposition*. – When applicable, the imposition of the penalty may be made in accordance with the manner provided herein below:

 $x \times x \times x$

c. The maximum of the penalty shall be imposed where only aggravating and no mitigating circumstances are present.

x x x x

⁷³ Section 52. Administrative Disabilities Inherent in Certain Penalties. –

xxxx

c. The penalty of suspension shall carry with it disqualification from promotion corresponding to the period of suspension.

UCAS P. BERSAMIN
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

ALFREDO BENJAMINS. CAGUIOA Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Geresita Lemando de Castro TERESITA J. LEONARDO-DE CASTRO

Associate Justice Acting Chairperson, First Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Acting Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Acting Chief Justice