



Republic of the Philippines
Supreme Court
Manila

EN BANC

ROSALINDA DIMAPILIS-
BALDOZ, in her capacity as then
Administrator of the Philippine
Overseas Employment
Administration (POEA),
Petitioner,

- versus -

COMMISSION ON AUDIT,
represented by Chairman
Reynaldo A. Villar and
Commissioner Juanito G. Espino,
Jr.,
Respondent.

G.R. No. 199114

Present:

SERENO, C.J.
CARPIO,
VELASCO, JR.,
LEONARDO-DE CASTRO,
BRION,*
PERALTA,
BERSAMIN,
DEL CASTILLO,
ABAD,
VILLARAMA, JR.,
PEREZ,
MENDOZA,
REYES,
PERLAS-BERNABE, and
LEONEN,** JJ.

Promulgated:

JULY 16, 2013

X-----X

DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for *certiorari*¹ is respondent Commission on Audit's (COA) Decision No. 2009-121² dated October 29, 2009 which affirmed Notice of Disallowance No. 2006-002³ dated January 18, 2006, directing petitioner Rosalinda Dimapilis-Baldoz (Dimapilis-Baldoz), in her capacity as then Administrator of the Philippine Overseas Employment

* On leave.

** On leave.

¹ Rollo, pp. 2-40.

² Id. at 301-306. Signed by Chairman Reynaldo A. Villar and Commissioner Juanito G. Espino, Jr.

³ Id. at 299-300.

Administration (POEA), to refund the government the amount of ₱1,740,124.08 which represents the salaries and benefits unduly received by Leonel P. Labrador (Labrador) despite his adjudged dismissal from service.

The Facts

Labrador was the former Chief of the POEA's Employment Services Regulation Division (ESRD). On May 2, 1997, then Labor Secretary Leonardo A. Quisumbing (Quisumbing) ordered his dismissal from service as he was found to have bribed a certain Madoline Villapando, an overseas Filipino worker, in the amount of ₱6,200.00 in order to expedite the issuance of her overseas employment certificate.⁴ Labrador's dismissal was affirmed on appeal by the Civil Service Commission (CSC) through CSC Resolution No. 03-0339 dated March 12, 2003,⁵ and his subsequent motion for reconsideration was denied through CSC Resolution No. 040547 dated May 17, 2004.⁶

Aside from the foregoing administrative proceedings, a criminal case for direct bribery was instituted against Labrador in view of the same infraction. Consequently, on August 31, 1999, the Sandiganbayan (SB) promulgated a Decision,⁷ convicting him of the aforementioned crime and thereby sentenced him to: (a) suffer an indeterminate penalty of six (6) months of *arresto mayor*, as minimum, to two (2) years of *prision correccional*, as maximum; (b) pay a fine of ₱3,000.00; (c) suffer the penalty of temporary special disqualification from public office; and (d) pay costs.⁸ Labrador's motion for reconsideration was denied in a Resolution dated November 17, 1999,⁹ prompting him to elevate the matter to the Court.¹⁰

In a Resolution dated January 26, 2000¹¹ (January 26, 2000 Resolution), the Court affirmed Labrador's conviction and subsequently denied his motion for reconsideration with finality on March 15, 2000.¹² Likewise, in a Resolution dated June 28, 2000,¹³ the Court denied Labrador's motion for leave to file a second motion for reconsideration with motion for new trial and prayer for referral to the Court *En Banc*, resulting in the January 26, 2000 Resolution's entry of judgment. On October 26, 2000, the SB received copies of the same resolution and its corresponding entry of judgment through a Letter of Transmittal¹⁴ dated August 23, 2000 which

⁴ Id. at 92.

⁵ Id. at 90-91.

⁶ Id. at 90-94.

⁷ Id. at 41-52.

⁸ Id. at 51.

⁹ Id. at 53-56.

¹⁰ Docketed as G.R. No. 140829; entitled "*Leonel P. Labrador v. People of the Philippines*."

¹¹ *Rollo*, pp. 57-59.

¹² Id. at 60-61.

¹³ Id. at 62-63.

¹⁴ Id. at 64.

contained an explicit directive from the Court for the SB to submit proof of execution within fifteen (15) days from receipt. As such, the SB immediately set the case for this purpose.

On February 26, 2001, Labrador's counsel *de officio*, Atty. Vicente Espina, manifested in open court that Labrador desires to apply for probation in accordance with Presidential Decree No. (PD) 968,¹⁵ as amended by PD 1990¹⁶ (Probation Law). Thus, in an Order¹⁷ of even date, the SB resolved to accord Labrador a period of fifteen (15) days within which to file such application, and, in the meantime, suspended the execution proceedings.

Eventually, upon favorable recommendation of the Parole and Probation Office, the SB, in a Resolution¹⁸ dated September 28, 2001, granted Labrador's application for probation and likewise cancelled the bail bond he posted for his provisional liberty.¹⁹

Thereafter, at the end of Labrador's probation period, a Probation Officer's Final Report²⁰ dated November 4, 2003 was issued, recommending that his probation be terminated and that he be discharged from its legal effects. The SB, however, withheld its approval and, instead, issued a Resolution²¹ dated March 2, 2004 (March 2, 2004 Resolution), stating that Labrador's application for probation was, in fact, erroneously granted due to his previous appeal from his judgment of conviction, in violation of Section 4 of the Probation Law.²² Further, owing to the probation officer's finding that Labrador continued to hold the position of POEA ESRD Chief despite him having been sentenced to suffer the penalty of temporary special disqualification from office, the SB directed that copies of the March 2, 2004 Resolution be furnished to Dimapilis-Baldoz, as POEA Administrator, as well as to the CSC Chairman for their information.²³

¹⁵ "ESTABLISHING A PROBATION SYSTEM, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES."

¹⁶ "AMENDING PRESIDENTIAL DECREE NO. 968, OTHERWISE KNOWN AS THE PROBATION LAW OF 1976."

¹⁷ *Rollo*, p. 71.

¹⁸ *Id.* at 241-245. Penned by Associate Justice Rodolfo G. Palattao, with Associate Justices Narciso S. Nario and Nicodemo T. Ferrer, concurring.

¹⁹ *Id.* at 73-77.

²⁰ *Id.* at 78. Prepared by Benedicto A. Tayzon III and approved by Edgardo N. Alincastre, Chief of the Manila Parole and Probation Office No. 6.

²¹ *Id.* at 248-257. Penned by Associate Justice Gregory S. Ong, with Associate Justices Norberto Y. Geraldez and Efren N. de la Cruz, concurring.

²² Section 4 of the Probation Law provides:

Sec. 4. *Grant of Probation.* - Subject to the provisions of this Decree, the trial court may, after it shall have convicted and sentenced a defendant, and upon application by said defendant within the period for perfecting an appeal, suspend the execution of the sentence and place the defendant on probation for such period and upon such terms and conditions as it may deem best; ***Provided, that no application for probation shall be entertained or granted if the defendant has perfected the appeal from the judgment of conviction.*** (Emphasis supplied)

²³ *Rollo*, pp. 86-87.

On March 9, 2004, Dimapilis-Baldoz received a copy of the said resolution and thereupon issued a Notice/Order of Separation²⁴ dated March 11, 2004 (Separation Order), relieving Labrador of his duties, *viz:*

NOTICE/ORDER OF SEPARATION

TO : **MR. LEONEL P. LABRADOR**
No. 8 Luciano Street
Phase 5, Bahayang Pag-asa Subdivision
Molino, Bacoar
4102 Cavite

Anent Notice of Resolution dated 02 March 2004 Re: Criminal Case No. 19863 issued by the Sandiganbayan Fourth Division, Quezon City, resolving the finality and execution of the Court's August 31, 1999 decision carrying among other penalties *temporary special disqualification from office*, please be informed that effective today, you are hereby considered dropped from the rolls and separated from the service.

As such, you are further instructed to turn over your duties and responsibilities and clear yourself of all property and money accountabilities with this Office.

For strict compliance.

Mandaluyong City, 11 March 2004.

Sgd. ROSALINDA DIMAPILIS-BALDOZ
Administrator

Incidents Before the COA

Almost a year later, or on February 7, 2005, COA State Auditor IV, Crescencia L. Escurel, issued Audit Observation Memorandum No. 2005-011²⁵ dated February 7, 2005 (COA Audit Memo) which contained her audit observations on the various expenditures of the POEA pertaining to the payment of salaries and benefits to Labrador for the period covering August 31, 1999 to March 15, 2004. The pertinent portions of the COA Audit Memo read as follows:²⁶

The accounts Government Equity and Salaries and Wages-Regular, Additional Compensation, Representation and Transportation Allowances and Other Personnel Benefits are overstated by ₱1,626,956.05, ₱57,143.03, ₱3,000.00, ₱16,050.00 and ₱11,800.00, respectively due to payment of salaries and wages, additional compensation, allowances and other benefits to an official from August

²⁴ Id. at 89.

²⁵ Id. at 95-100.

²⁶ Id. at 95-96 and 99.

31, 1999 to March 15, 2004, contrary to the Sandiganbayan Decision dated August 31, 1999.

x x x x

In view thereof, justification is desired why Mr. Leonel Labrador, formerly Chief General Services Division and Employment Services Regulation Division was allowed to continue in the service and receive his salaries, additional compensation, RATA and other personnel benefits from August 31, 1999 to the time he was terminated from office effective March 9, 2004 (Note: The last salary received was even up to March 15, 2004) in the total amount of ₱1,714,949.08, including other emoluments such as allowances, 13th month pay and other personnel benefits granted him such as medical and rice allowances, incentive allowances, etc. in the amount of ₱565,795.05. Pursuant to the August 31, 1999 judgment of conviction, which had long become final and executory, Mr. Labrador is considered terminated from the service and is no longer entitled to continue to draw his salaries thereafter up to March 15, 2004. x x x

Corollary to this, Book V Title I Subtitle B Chapter 9, Sec. 52, EO 292 and Sec. 103 PD 1445 provides that expenditures of government funds or uses of government property in violation of law or regulations shall be *a personal liability of the official or employee found to be directly responsible therefore*. (Underscoring and italics in the original)

Based on these observations, the COA issued a Notice of Disallowance²⁷ (Notice of Disallowance) on January 18, 2006, finding Dimapilis-Baldoz, among other POEA employees,²⁸ personally liable for the salaries and other benefits unduly received by Labrador in the amount of ₱1,740,124.08, paid through various checks issued from August 1999 to March 15, 2004.

Through a letter²⁹ dated March 3, 2006, Dimapilis-Baldoz sought the reconsideration of the Notice of Disallowance, asserting that the POEA should not be held liable for the refund of the foregoing amount since Labrador's employment was fully and promptly terminated upon receipt of the SB's March 2, 2004 Resolution.

However, on October 29, 2009, the COA issued Decision No. 2009-121³⁰ (COA Decision) which affirmed the Notice of Disallowance and reiterated that the amount covering the salaries and benefits of Labrador should not have been paid to him from August 1999 to March 31, 2004 pending final resolution of the criminal case against him. The COA pointed out that Labrador should not have reported for work while he was under

²⁷ Id. at 101-102.

²⁸ Id. at 101. Aside from Labrador and Dimapilis-Baldoz, the other employees held liable were Reynaldo A. Regalado, Evangeline V. Quimpo, Carolina de Leon, and Nini A. Lanto.

²⁹ Id. at 105-108.

³⁰ Id. at 109-114.

probation since his probation did not obliterate the crime for which he was convicted, more so his penalty of dismissal from the service.³¹

On January 26, 2010, the POEA moved for the reconsideration³² (POEA's Motion for Reconsideration) of the COA Decision. On even date, POEA Administrator Jennifer Jardin-Manalili (Jardin-Manalili), who took over the post of Dimapilis-Baldoz, wrote a letter to Audit Team Leader Evelyn V. Menciano, requesting that the execution of the COA Decision be held in abeyance pending resolution of the POEA's Motion for Reconsideration.³³ In a letter³⁴ dated May 31, 2000, the COA, however, no longer entertained the said motion in view of the issuance by the COA Secretary of a Notice of Finality of Decision³⁵ dated January 7, 2010, stating that the COA Decision had already become final and executory since no motion for reconsideration or appeal was filed within the reglementary period.³⁶

Undaunted, Jardin-Manalili, through a letter³⁷ dated June 21, 2010, again implored the COA to resolve POEA's Motion for Reconsideration on its merits and not to deny it outright on a technicality. Yet, the COA no longer responded to the said plea, prompting Dimapilis-Baldoz to file this petition for *certiorari*.

The Issue Before the Court

The primordial issue for the Court's resolution is whether or not grave abuse of discretion attended the COA's disallowance in this case.

The Court's Ruling

The petition is partly meritorious

A. Grave abuse of discretion; reckoning point of period of disallowance.

It is fundamental that the COA has the authority to rule on the legality of the disbursement of government funds. This finds force in Section 2,

³¹ Id. at 112.

³² Id. at 115-121.

³³ Id. at 122.

³⁴ Id. at 123-124.

³⁵ Id. at 125-126.

³⁶ Id. at 123-124.

³⁷ Id. at 127-129.

Article IX-D of the 1987 Philippine Constitution (Constitution) which explicitly provides that:

D. THE COMMISSION ON AUDIT

x x x x

Section 2.

1. The Commission on Audit shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters, and on a post- audit basis:
 - a. constitutional bodies, commissions and offices that have been granted fiscal autonomy under this Constitution;
 - b. autonomous state colleges and universities;
 - c. other government-owned or controlled corporations and their subsidiaries; and
 - d. such non-governmental entities receiving subsidy or equity, directly or indirectly, from or through the Government, which are required by law or the granting institution to submit to such audit as a condition of subsidy or equity. x x x

x x x x

2. The Commission shall have exclusive authority, subject to the limitations in this Article, to define the scope of its audit and examination, establish the techniques and methods required therefor, and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds and properties.

Section 11, Chapter 4, Subtitle B, Title I, Book V of Executive Order No. 292, otherwise known as the “Administrative Code of 1987” (Administrative Code), echoes this constitutional mandate, to wit:

SEC. 11. *General Jurisdiction.* – (1) The Commission on Audit shall have the power, authority, and duty to examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to, the Government, or any of its subdivisions, agencies, or instrumentalities, including government-owned or controlled corporations with original charters, and on a post-audit basis: (a) constitutional bodies, commissions and offices that have been granted fiscal autonomy under this Constitution; (b) autonomous state colleges and universities; (c) other government-owned or controlled corporations and their subsidiaries; and

(d) such non-governmental entities receiving subsidy or equity, directly or indirectly, from or through the Government, which are required by law or the granting institution to submit to such audit as a condition of subsidy or equity. x x x

(2) The Commission shall have exclusive authority, subject to the limitations in this Article, to define the scope of its audit and examination, establish the techniques and methods required therefor, and promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and properties.

In view of the foregoing, it has been pronounced that the COA's exercise of its general audit power is among the constitutional mechanisms that gives life to the check and balance system inherent in our form of government. Furthermore, it has also been declared that the COA is endowed with enough latitude to determine, prevent, and disallow irregular, unnecessary, excessive, extravagant or unconscionable expenditures of government funds.³⁸

Pursuant to its mandate, the COA disallowed the disbursements pertaining to the personnel benefits paid to Labrador, reasoning that the latter should have stopped reporting for work as early as June 28, 2000 when the denial of his appeal from the SB's August 31, 1999 Decision rendered his conviction for the crime of direct bribery final and executory, notwithstanding the grant of his application for probation. In this regard, it opines that the period of disallowance should be reckoned from **May 3, 2000** which is the date the SB's August 31, 1999 Decision had become final and executory.³⁹

While Dimapilis-Baldoz takes no exception to the COA's authority to disallow any illegal disbursements, she argues that its disallowance of the subject amounts pertaining to Labrador's salaries and benefits should have been reckoned only from **March 2, 2004**, which is the time the SB set aside its initial resolution granting Labrador's application for probation and directing the latter to finally serve the penalties imposed against him, more significantly, his temporary special disqualification from public office.

The Court holds that neither of these positions adopts a proper perspective toward the attendant facts of the case.

Significant to the determination of the appropriate period of the disallowance is the undisputed fact that, pursuant to an order issued by then

³⁸ *Yap v. COA*, G.R. No. 158562, April 23, 2010, 619 SCRA 154, 169. (Citations omitted)

³⁹ *Rollo*, pp. 435-437.

Labor Secretary Quisumbing, *Labrador had already been made to suffer the administrative penalty of dismissal from service on May 2, 1997*, which was long before the SB convicted him of direct bribery on August 31, 1999. As a matter of law, a department secretary's decision confirming the removal of an officer under his authority is immediately executory, even pending further remedy by the dismissed public officer.⁴⁰ On this score, Section 47(2), Chapter 6, Subtitle A, Title I, Book V of the Administrative Code, as amended,⁴¹ expressly provides:

(2) The **Secretaries** and heads of agencies and instrumentalities, provinces, cities and municipalities shall have jurisdiction to investigate and decide matters involving **disciplinary action against officers and employees under their jurisdiction**. Their decisions shall be final in case the penalty imposed is suspension for not more than thirty days or fine in an amount not exceeding thirty days' salary. In case the decision rendered by a bureau or office head is appealable to the Commission, the same may be initially appealed to the department and finally to the Commission and pending appeal, the same shall be executory **except when the penalty is removal, in which case the same shall be executory only after confirmation by the Secretary concerned**. (Emphasis and underscoring supplied)

In *Bangalisan v. CA*,⁴² the Court upheld the immediate execution of the Education Secretary's decision dismissing or suspending a band of striking public school teachers pursuant to the above-cited provision (Section 47[2]):

As to the immediate execution of the decision of the Secretary against petitioners, the same is authorized by Section 47, paragraph (2), of Executive Order No. 292, thus: "The Secretaries and heads of agencies and instrumentalities, provinces, cities and municipalities shall have jurisdiction to investigate and decide matters involving disciplinary action against officers and employees under their jurisdiction. Their decisions shall be final in case the penalty imposed is suspension for not more than thirty days or fine in an amount not exceeding thirty days' salary. In case the decision rendered by a bureau or office head is appealable to the Commission, the same shall be executory except when the penalty is removal, in which case the same shall be executory only after confirmation by the Secretary concerned."⁴³

Likewise, in the subsequent cases of *De la Cruz v. CA*⁴⁴ and *Hon. Gloria v. CA*,⁴⁵ the Court similarly affirmed the import of Section 47(2) on the immediate effect of administrative sanctions upon final order by the department secretary or head of agency.

⁴⁰ FUNA, DENNIS B., "The Law on the Administrative Accountability of Public Officers" (2010 Rev. Ed.), pp. 567-568, citing *Jacinto v. CA*, 346 Phil. 656 (1997); *Bangalisan v. CA*, 342 Phil. 586 (1997); and *Aquino v. Navarro*, No. L-50695, March 18, 1985, 135 SCRA 361.

⁴¹ Formerly, Section 37 of PD 807, otherwise known as the "Civil Service Decree of 1975."

⁴² *Supra* note 40.

⁴³ *Id.* at 597.

⁴⁴ 364 Phil. 786, 797-798 (1999).

⁴⁵ 365 Phil. 744, 757 (1999).

Hence, based on these authorities, then Labor Secretary Quisumbing's order of dismissal in this case should have also been executed immediately upon its issuance on May 2, 1997. In this accord, Labrador should not have been allowed to report for work from such date, much less receive any salary or benefit accruing from his previous post.

At this juncture, it is well to note that neither the grant nor subsequent revocation of Labrador's probation should hold any relevance to his disqualification from office.

As correctly argued by the COA, the grant of probation does not justify a public employee's retention in the government service. This was settled in the case of the *Office of the Court Administrator v. Librado*⁴⁶ wherein the Court declared:

x x x While indeed the purpose of the Probation Law (P.D. No. 968, as amended) is to save valuable human material, it must not be forgotten that unlike pardon probation does not obliterate the crime [for] which the person under probation has been convicted. **The reform and rehabilitation of the probationer cannot justify his retention in the government service. He may seek to re-enter government service, but only after he has shown that he is fit to serve once again.** It cannot be repeated too often that a public office is a public trust, which demands of those in its service the highest degree of morality. (Emphasis and underscoring supplied)

Thus, irrespective of the incidents concerning Labrador's probation, the concomitant effects of his conviction, more significantly, his disqualification to hold public office, were already left for him to suffer at the time the SB's August 31, 1999 Decision became final and executory on May 3, 2000 which is the same date the COA posits as the reckoning point of its period of disallowance. However, as earlier discussed, the proper reckoning point for the said disallowance should be pegged at **May 2, 1997**, since Labrador had already been dismissed from the service at such time and hence, had already been disqualified from receiving any salary or benefit attendant to his post. In this light, the Court finds no reason to engage in a discussion on the date the SB's August 31, 1999 Decision had actually become final and executory. It is key, however, to ascertain how the fact of Labrador's May 2, 1997 dismissal figures into the finding of grave abuse of discretion in this case.

Jurisprudence instructs that not every error in the proceedings, or every erroneous conclusion of law or fact, constitutes grave abuse of discretion.⁴⁷ The abuse of discretion to be qualified as "grave" must be so

⁴⁶ 329 Phil. 432, 436-437 (1996).

⁴⁷ See *Tavera-Luna, Inc. v. Nable*, 67 Phil. 340, 344 (1939).

patent or gross as to constitute an evasion of a positive duty or a virtual refusal to perform the duty or to act at all in contemplation of law.⁴⁸

Applying these principles to the case at bar, no grave abuse of discretion can be attributed to the COA in fixing the reckoning point of the period of disallowance at May 3, 2000, since records are bereft of any showing that it had any knowledge of Labrador's prior dismissal on May 2, 1997. To hold otherwise would be simply antithetical to the concept of grave abuse of discretion, much less countenance a speculative endeavor.

Be that as it may, the Court cannot, nevertheless, sanction the erroneous finding that the disallowance of the POEA's illegal disbursements to Labrador should only be reckoned from May 3, 2000 when he was, in fact, already dismissed as early as May 2, 1997. The salaries of government employees clearly constitute public funds⁴⁹ which should, at all times, be properly accounted for. In this relation, the Constitution vests the COA with the primary responsibility to ensure that any irregularity in the disbursement of the same is cleared, or any attendant illegality be proscribed. Yet, when a significant fact which would impact this process is missed – as in this case, the May 2, 1997 dismissal of Labrador – the public nature of the above-mentioned interests impels the Court to judiciously mind the COA of such fact if only to aid the latter to fulfill its constitutional mandate as well as to avert any loss on the part of the government. **Verily, public funds are the property of the people and must be used prudently at all times with a view to prevent dissipation and waste.**⁵⁰ As such, the COA must correct its previous issuances in this case in order to reflect the actual date of Labrador's dismissal which would also be the proper reckoning point of the period of disallowance.

B. Grave abuse of discretion; personal liability of Dimapilis-Baldoz.

An equally compelling incident relevant to the finding of grave abuse of discretion in this case is the adjudged personal liability of Dimapilis-Baldoz, among other POEA personnel.

⁴⁸ See *Chua Huat v. CA*, G.R. Nos. 53851 and 63863, July 9, 1991, 199 SCRA 1, 18.

⁴⁹ "x x x [A]ny disbursement of public funds, which includes payment of salaries and benefits to government employees and officials, must (a) be authorized by law, and (b) serve a public purpose.

x x x x

x x x [I]n view of the public purpose requirement, the disbursement of public funds, salaries and benefits of government officers and employees should be granted to compensate them for valuable public services rendered, and the salaries or benefits paid to such officers or employees must be commensurate with services rendered. In the same vein, additional allowances and benefits must be shown to be necessary or relevant to the fulfillment of the official duties and functions of the government officers and employees. x x x" (*Yap v. COA*, supra note 38, at 165-166).

⁵⁰ Id. at 167. (Emphasis and underscoring supplied)

Essentially, Dimapilis-Baldoz tries to exculpate herself from the foregoing by arguing that she and her office were not officially notified of the orders, resolutions, and decisions of the SB or that of the Court, affirming Labrador's conviction of the crime of direct bribery, and even the notices on the subsequent actions and proceedings undertaken by the SB.⁵¹ In fact, In her letter for reconsideration addressed to the COA's Legal and Adjudication Office,⁵² Dimapilis-Baldoz alleged that Labrador's 201 file is bereft of any records regarding the SB case. While admitting that Labrador did indeed continue to report for work despite the SB's August 31, 1999 Decision convicting him of direct bribery, these antecedents show that she merely acted in good faith and lawfully exercised her duties when she approved the payment of Labrador's salaries, wages, and other personnel benefits for the period beginning August 31, 1999 to March 2, 2004.⁵³

The Court finds the defense to be well-taken.

It is a standing rule that every public official is entitled to the presumption of good faith in the discharge of official duties,⁵⁴ such that, in the absence of any proof that a public officer has acted with malice or bad faith, he should not be charged with personal liability for damages that may result from the performance of an official duty.⁵⁵ *Good faith is always presumed and he who alleges the contrary bears the burden⁵⁶ to convincingly show that malice or bad faith attended the public officer's performance of his duties.*⁵⁷

Keeping with these principles, the Court observes that Dimapilis-Baldoz's actuations were only impressed with good faith which perforce, negates her personal liability in this case.

To elucidate, while the COA correctly affirmed the disallowance of the salaries and benefits which Labrador unduly received when he continued to hold office despite his conviction, the liability for refund cannot be imposed upon Dimapilis-Baldoz because she had no knowledge or any reasonable indication that the payment of salaries to Labrador was actually improper. Two important incidents impel this conclusion: *first*, Labrador's 201 File with the POEA was without any record of the SB case; and *second*, Dimapilis-Baldoz was only apprised of his conviction when her office was furnished a copy of the SB's March 2, 2004 Resolution which ordered the revocation of Labrador's probation. In addition, Dimapilis-Baldoz's good faith is further strengthened by the fact that she lost no time in issuing the

⁵¹ *Rollo*, p. 462.

⁵² *Id.* at 105-108.

⁵³ *Id.* at 463-464.

⁵⁴ *Blaquera v. Alcala*, G.R. No. 109406, September 11, 1998, 295 SCRA 366, 448.

⁵⁵ *Yulo v. Civil Service Commission*, G.R. No. 94125, March 3, 1993, 219 SCRA 470, 478.

⁵⁶ *Farolan v. Solmac Marketing Corporation*, G.R. No. 83589, March 13, 1991, 195 SCRA 168, 175.

⁵⁷ *Yulo v. Civil Service Commission*, *supra* note 55.

Separation Order as soon as she was apprised of Labrador's situation. Thus, absent any proof to the contrary, it cannot be gainsaid that Dimapilis-Baldoz's approval was spurred only by the honest belief that the payment of salaries disbursed to Labrador was due and owing to him.

It is well to stress that neither will it do justice to hold Dimapilis-Baldoz personally liable simply because she possessed the final authority for the disbursements and had direct supervision over her subordinates. Case law exhorts that *although a public officer is the final approving authority and the employees who processed the transaction were directly under his supervision, personal liability does not automatically attach to him but only upon those directly responsible for the unlawful expenditures.*⁵⁸ As Dimapilis-Baldoz's direct responsibility therefor had not been demonstrated, in addition to her good faith as above-discussed, there is no cogent factual or legal basis to hold her personally liable. In this respect, the Court finds that the COA gravely abused its discretion.

As to how the matter of Labrador's administrative penalty of dismissal from the service escaped notice – not to mention, implementation – is not revealed in the records before the Court; but it can be easily surmised that the POEA's incapability to deal with a twice-dismissed employee was largely attributable to bureaucratic incompetence. It bears emphasizing that it is the policy of the State to maintain honesty and integrity in the public service and take positive and effective measures against graft and corruption.⁵⁹ It should, therefore, be the responsibility of each government agency, such as the POEA, to know matters pertaining to the conduct of its own employees in the performance of their duties and to readily take action against those undeserving of the public's trust. To be an effective agent at exacting accountability from those under its direct authority, government agencies would do well to devise a coordinative system to ensure that records of personnel actions concerning its individual employees are properly updated and secured on file, especially all administrative and criminal cases decided against them.

In view of the foregoing pronouncements, the Court finds it unnecessary to delve on the other ancillary issues raised in this case.

WHEREFORE, the petition is **PARTLY GRANTED**. Accordingly, Notice of Disallowance No. 2006-002 dated January 18, 2006 and Decision No. 2009-121 dated October 29, 2009 issued by respondent Commission on Audit is **AFFIRMED** with **MODIFICATION**, (a) deleting the portions pertaining to petitioner Rosalinda Dimapilis-Baldoz's personal liability; and

⁵⁸ *Salva v. Carague*, G.R. No. 157875, December 19, 2006, 511 SCRA 258, 264.

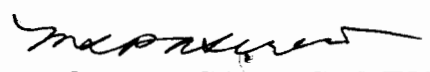
⁵⁹ CONSTITUTION, Art. II, Sec. 27.


(b) adjusting the proper period of disallowance from the date of Leonel P. Labrador's dismissal on May 2, 1997. The foregoing is without prejudice to any subsequent action or proceeding to recover any undue amount/s received by Labrador.


SO ORDERED.


ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:

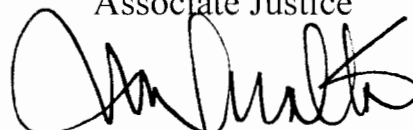

MARIA LOURDES P. A. SERENO
Chief Justice

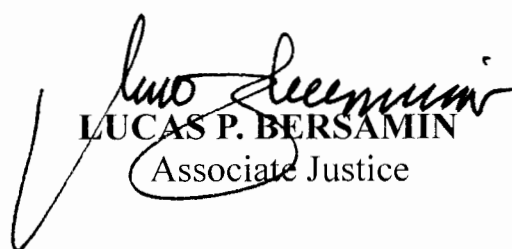

ANTONIO T. CARPIO
Associate Justice


PRESBITERO J. VELASCO, JR.
Associate Justice

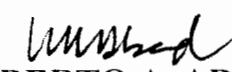

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

On leave
ARTURO D. BRION
Associate Justice


DIOSDADO M. PERALTA
Associate Justice


LUCAS P. BERSAMIN
Associate Justice


MARIANO C. DEL CASTILLO
Associate Justice


ROBERTO A. ABAD
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice



JOSE CATRAL MENDOZA
Associate Justice


BIENVENIDO L. REYES
Associate Justice

On leave
MARVIC MARIO VICTOR F. LEONEN
Associate Justice

CERTIFICATION

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.


MARIA LOURDES P. A. SERENO
Chief Justice