

Title: People of the Philippines vs. Mariano Un Ocampo III and Andres S. Flores
(Consolidated Cases on Malversation of Public Funds)

Facts:

The case of People v. Ocampo III and Flores involves the accusation of malversation of public funds against Mariano Un Ocampo III, former Governor of Tarlac, and Andres S. Flores, Executive Director of Lingkod Tarlac Foundation, Inc. (LTFI). The issue arose during the decentralization efforts of Cory Aquino's administration, where Tarlac was one of the test cases and received P100 million of National Aid for Local Government Units (NALGU) funds.

Ocampo lent P56.6 million to LTFI, a non-stock corporation he chaired, for various projects. The MOA detailing the loan of P56.6 million to LTFI for livelihood projects was executed, with Ocampo resigning from LTFI prior to the MOA sign-off. The fate of the P56.6 million disbursed became scrutinized, resulting in various criminal cases. Out of 25 cases, most were dismissed until only two remained, with the prosecution relying on COA audit results that scrutinized loans granted by Tarlac for its Rural Industrialization Can Happen Program.

In Crim. Case Nos. 16794 and 16795, Ocampo and Flores were accused of malversation relating to the handling and disbursal of NALGU funds for the purchase of Juki Embroidery Machines and a P58,000 withdrawal from an LTFI account.

The Sandiganbayan, based on the audit trail, convicted Ocampo for negligent malversation by not setting necessary safeguards for the NALGU funds, leading to the disappearance of P1,132,739 and P58,000. Flores was held responsible due to his controlling role over LTFI's accounts and the questionable withdrawal. Both Ocampo and Flores were found guilty of malversation.

Issues:

1. Were Ocampo and Flores guilty of malversation of public funds under Art. 217 and Art. 220 respectively of the Revised Penal Code?
2. Did the Sandiganbayan err in holding the MOA void because it was entered without authority from the Sangguniang Panlalawigan?

Court's Decision:

The Supreme Court set aside the Sandiganbayan's decision, acquitting both Ocampo and Flores. It ruled that the funds relinquished to LTFI had transferred ownership and character from public to private, with LTFI's failure to repay considered a contractual breach, not

malversation. The SC emphasized that upon loan disbursement, the funds ceased to be public and Ocampo couldn't be held accountable for its subsequent use or misappropriation. Additionally, the SC held that the MOA was not void but merely unenforceable until ratified, which was implied through subsequent resolutions passed by the Sangguniang Panlalawigan.

Doctrine:

The case reiterated the doctrine that in a contract of loan, ownership of the loaned money transfers to the borrower, making them private funds. Malversation of public funds cannot occur as the funds in question are no longer public once loaned and therefore not susceptible to malversation.

Class Notes:

- Malversation of Public Funds: Requires a public officer accountable for public funds, who either appropriates, misappropriates, consents, or neglects to prevent misappropriation (Art. 217 RPC).
- Unenforceability of Contracts: Contracts unauthorized due to lack of legal representation or authority are unenforceable, not void, and may be ratified (Art. 1403 Civil Code).
- Ratification of Contracts: Occurs expressly or impliedly, such as through recognition by official government bodies subsequent to the unauthorized act (Art. 1407 Civil Code).

Historical Background:

The case highlights the legal and judicial challenges during political decentralization reforms in the Philippines aimed at empowering local government units. It sheds light on the government's transition to local autonomy, examining the accountability measures needed to manage public funds in the newly decentralized context. The incident offers a legal precedent in distinguishing between public accountability and private debt relationships in government transactions, relevant to the fiscal autonomy of local government units.