

Title:

“Philippine Mining Development Corporation et al. vs. Chairperson Michael G. Aguinaldo et al.: A Case on the COA’s Disallowance of Medical Benefits Payment”

Facts:

Philippine Mining Development Corporation (PMDC) awarded a contract to Fortune Medicare, Inc. (FortuneCare) on October 2, 2012, to provide medical services to its officers and employees amounting to P602,810.00. COA auditors assessed this disbursement and issued a Notice of Disallowance (ND) for P582,617.10, citing the violation of constitutional provisions, COA resolutions, and circulars. The officers of PMDC, being held liable, appealed the ND, arguing that COA Resolution No. 2005-001 did not apply to PMDC as it is governed by the Labor Code, not the civil service rules, and that removing the medical insurance benefits would contravene the Labor Code’s provisions on the non-diminution of benefits. The Corporate Government Sector (CGS) of COA denied the appeal, affirming the ND on the grounds that PD 1597 requires Presidential approval for such expenditures, which PMDC failed to obtain. PMDC then petitioned the COA-CP, raising new allegations including a due process violation, which was also denied. The matter escalated to the Supreme Court via a petition for certiorari, challenging the COA’s rulings.

Issues:

1. Whether the COA gravely abused its discretion in disallowing PMDC’s payment for medical benefits.
2. The validity of the requirement for Presidential approval under PD 1597 for PMDC’s disbursement.
3. Whether the non-diminution of benefits under the Labor Code shields PMDC’s employees from the effect of the COA disallowance.
4. The adequacy of due process in the course of the COA’s decision-making.

Court’s Decision:

The Supreme Court dismissed PMDC’s petition, affirming the COA’s decisions with modifications regarding the liabilities of the petitioners. The Court found no grave abuse of discretion by COA and emphasized the broad audit powers granted to COA by the Constitution. It was determined that PD 1597 applies to all government-owned and controlled corporations (GOCCs) irrespective of their charters, necessitating presidential approval for their disbursements. Moreover, the COA’s reliance on the lack of Presidential approval was within its authority, and PMDC’s interpretation of constitutional provisions to exclude them from such requirements was incorrect. The principle of non-diminution of

benefits was found not applicable to unauthorized benefits. Pertaining to due process, the Court concluded that PMDC and its officers were given ample opportunities to present their case throughout the administrative proceedings.

Doctrine:

This case reiterated that Presidential approval is required under PD 1597 for disbursements by GOCCs, including those created under the Corporation Code like PMDC. It also underscored COA's broad auditing powers and discretion in reviewing government expenditures.

Class Notes:

- **Presidential Approval**: GOCCs, whether with or without original charters, must obtain Presidential approval for expenditures on compensation, benefits, and allowances as mandated by PD 1597.
- **COA's Audit Authority**: COA possesses constitutional authority to examine and disallow expenditures by government entities that do not conform to law or regulations.
- **Non-Diminution of Benefits**: The principle does not apply to illegally granted benefits or those not authorized by the required approval processes.
- **Due Process in Administrative Proceedings**: Adequate notice and the opportunity to be heard at various levels of appeal within COA proceedings satisfy the requirements of administrative due process.

Historical Background:

This case is situated within the broader context of the COA's mandate to safeguard public funds and ensure government expenditures comply with the law. It demonstrates the tension between administrative agency prerogatives to offer employee benefits and the constitutional and statutory requirements governing public fiscal management. The decision emphasizes the governance frameworks that GOCCs must navigate, particularly regarding benefits and compensation, and it highlights the jurisdiction and discretionary authority of the COA in auditing government expenditures.