Title:
Ramon Albert v. Celso D. Gangan, et al. (G.R. No. 164586, Philippine Supreme Court)

Facts:
This case traces its origin to the disbursement of a loan by the National Home Mortgage Finance Corporation (NHMFC) for the Alyansang Maka-Maralitang Asosasyon at Kapatirang Organisasyon (AMAKO) project. Formed under the Community Mortgage Program (CMP), the initiative aimed at assisting residents in acquiring lots for housing through community ownership.

Ramon Albert, then President of NHMFC, approved a loan of P36,796,711.55 for the purchase of a lot for AMAKO. Following routine inspection and subsequent investigations due to loan amortization arrears, it was discovered there were irregularities in the approval process, including non-compliance with documentary requirements.

The Commission on Audit (COA) disallowed the loan and held Albert and other NHMFC officers personally liable for the payment. After various motions for reconsideration were denied by COA, Albert filed a petition for certiorari with the Supreme Court, challenging COA's decision.

Issues:
1. Whether the COA erred in holding Ramon Albert personally liable for the disallowed payment to AMAKO.
2. Whether the approval process for the AMAKO loan by NHMFC was conducted with due diligence and without malice, bad faith, or gross negligence.
3. Whether the principle of command responsibility applies in holding Albert liable for the actions of his subordinates.

Court's Decision:
The Supreme Court reversed the COA's decision, finding that Ramon Albert could not be held personally liable for the disallowed payment. The Court clarified that heads of agencies cannot automatically be held liable for disallowances unless direct involvement or gross negligence is proven. It stated that Albert could not realistically verify each loan application detail and had to rely on subordinate recommendations. The Court emphasized the lack of evidence proving Albert's participation in fraudulent activities or negligence.

Doctrine:
– The mere fact that an official is the head of an agency does not automatically make them

liable for disallowed expenses unless direct responsibility or participation is proven.
– Guilt must be based on personal participation and evidence of wrongdoing, not merely on the basis of positional responsibility.

Class Notes:
– **Section 103 of P.D. 1445**: An official or employee becomes personally liable for unauthorized expenditures when they violate laws or regulations and are found directly responsible.
– **Arias vs. Sandiganbayan Doctrine**: Heads of offices are not automatically culpable for the misdeeds of their subordinates unless there is clear evidence of their active and knowing participation or gross negligence in the wrongdoing.

Historical Background:
This case reflects the complexities and challenges in administering government-led housing finance programs in the Philippines. It underscores the need for strict compliance with documentary and regulatory requirements to prevent irregularities and emphasizes the principle that higher officials can only be held liable with direct evidence of misconduct or gross negligence.