

****Title: Janice Day E. Alejandrino and Miriam M. Pasetes vs. Commission on Audit****

****Facts:****

1. ****Background on Parties:****

- Janice Day E. Alejandrino and Miriam M. Pasetes, senior officers of the Philippine National Construction Corporation (PNCC).
- PNCC originally known as Construction and Development Corporation of the Philippines (CDCP).
- Alejandrino was the Senior Vice-President/Head, Human Resources and Administration, Pasetes the Vice-President/Acting Treasurer.

2. ****Events Leading to the Petition:****

- In 2011, PNCC hired four private lawyers, Attys. Eusebio P. Dulatas, Henry Salazar, Stephen Ivan Salinas for the Corporate Legal Division, and Atty. Alex Almario as Corporate Secretary.
- COA disallowed the amount of P911,580.96 paid to these lawyers' salaries due to lack of written concurrence from the Office of the Government Corporate Counsel (OGCC) and the COA itself. This disallowance was detailed in Notice of Disallowance No. 12-004-(2011).

3. ****Procedural History:****

- An Appeal Memorandum was filed challenging the COA Audit Team's disallowance.
- COA-CGS Cluster 4 maintained the disallowance in a Decision on August 29, 2014.
- The petitioners elevated the case to the COA Commission Proper via a Petition for Review, which was partly granted on December 13, 2017 - exempting the payees from refunding the received amount but holding the corporate officers liable for the disallowed amount.
- Petitioners filed a Motion for Partial Reconsideration, which was denied on September 27, 2018.
- Petitioners sought recourse under Rule 64 before the Philippine Supreme Court.

****Issues:****

1. Whether PNCC is a GOCC under the audit jurisdiction of COA.
2. Whether the COA committed grave abuse of discretion in disallowing payment of the lawyers' salaries.
3. Whether petitioners are liable for the disallowed amount.
4. Whether the salaries paid to lawyers constitute an irregular expense.

****Court's Decision:****

1. ****PNCC as GOCC:****

- PNCC, being 90.3% owned by the government, qualifies as a government-owned or controlled corporation (GOCC) under Executive Order No. 292 (Administrative Code) and Republic Act No. 10149.
- COA's audit jurisdiction covers both GOCCs with and without original charters.

2. ****Disallowance of Lawyers' Salaries:****

- GOCCs are generally prohibited from hiring private counsels without the concurrence of the OGCC and COA.
- Despite PNCC's arguments, their hiring of private lawyers without securing necessary approvals violated COA Circular No. 95-011 and OP-MC No. 9.
- COA's issuance of the disallowance was upheld by the Supreme Court, ruling no grave abuse of discretion.

3. ****Liability of Petitioners:****

- Despite the payment disallowance, those lawyers who acted in good faith are not required to refund the amounts (aligned with the principle of quantum meruit).
- Petitioners, who argued their actions were in good faith under directives of PNCC's Board, were found not personally liable to refund the amounts paid.

4. ****Irregular Expense:****

- Payments unauthorized by requisite legal authorities are deemed irregular under government accounting rules.
- The functions performed by hired lawyers (overlapping OGCC's statutory duties) required conformity and concurrence not obtained by PNCC, thus improper disbursement.

****Doctrine:****

- GOCCs, regardless of being incorporated under private laws, fall under the audit jurisdiction of COA if government-controlled.
- Legal services for GOCCs need written conformity from the OGCC and concurrence from COA.
- Disbursement without the required legal approvals is disallowed yet paid amounts don't need refunding if recipients acted in good faith.

****Class Notes:****

- **GOCC:**
- Defined per EO 292 and RA 10149.
- Owner's majority control determines status under audit jurisdiction.

- **COA Circular No. 95-011 & OP-MC No. 9:**
- Prohibition and exceptions on hiring private legal counsel by GOCCs.
- Requires OGCC and COA approvals.

- **Principle of Quantum Meruit:**
- No refund required if services were rendered in good faith despite administrative disallowance.

Historical Background:

- Established from CDCP, the PNCC took government control through debt-to-equity conversion during the Marcos regime.
- Transitioned under different administrations showing government retention and strategic control over infrastructure entities.
- Philippine constitutional reforms emphasize stringent regulations over public funds and audit controls, ensuring accountability within GOCCs.