

****Title**:** Menzon et al. vs. Commission on Audit (2018-126): Pag-IBIG Fund Loan Disallowances (Case Brief / Digest)

****Facts**:**

1. The Home Development Mutual Fund (HDMF), or Pag-IBIG Fund, implemented loan programs for affordable housing through Circular No. 212 and Circular No. 237.
2. From 2007 to 2009, Ray F. Zialcita, a developer for Villa Perla Subdivision, submitted housing loan applications for 21 member-borrowers from HDMF Region VIII.
3. HDMF Region VIII approved and released P13,791,000.00 in loan proceeds to Zialcita.
4. Post-audit by Commission on Audit's (COA) Virginia Tabao and Alicia Malquisto revealed multiple irregularities in the loan documents, such as uncertified payslips, identical employment contracts among borrowers, missing signatures, and incomplete forms.
5. COA issued Notices of Suspension, requiring petitioners to address the irregularities within 90 days. Upon non-compliance, COA issued Notices of Disallowance (NDs) dated February 29, 2012.
6. Petitioners, alongside other HDMF Region VIII officials, appealed to the COA Regional Office No. VIII, which upheld the disallowances on June 6, 2016.
7. Petitioners filed consolidated petitions with COA Proper, which denied the petitions in Decision No. 2018-126 on January 26, 2018.

****Issues**:**

- A. Whether COA committed grave abuse by classifying the loan amounts as expenditures subject to audit.
- B. Whether COA's disallowance was premature given the ongoing remedies against the developer.
- C. Whether COA erred in holding petitioners liable given the Board of Trustees' policy making the developer responsible for documentation and approvals.
- D. Whether COA erred by confirming the disallowance despite the documentation issues being the developer's responsibility.
- E. Whether the documentation deficiencies were too trivial to justify the disallowances.
- F. Whether COA erred in disallowing loans for lack of notarization when notarization was not yet mandatory.
- G. Whether COA erred by denying petitioners' good faith reliance on the developer's submissions.
- H. Whether COA erred by not excusing petitioners from payment due to their good faith.

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

- **Issue A**: The Court affirmed COA's jurisdiction over the loan disbursements, identifying them as government expenditures subject to audit.
- **Issue B**: The NDs were upheld as the issuance of NSs and the subsequent failure to rectify the deficiencies justified the disallowances.
- **Issue C**: The Court found petitioners liable due to their failure to conduct further processing, as mandated by Circulars No. 212 and 237.
- **Issue D**: Petitioners, as approving officers, had the responsibility to scrutinize the documents, and their negligence warranted the disallowances.
- **Issue E**: The documentation deficiencies were significant enough to merit disallowance, negating petitioners' claim of triviality.
- **Issue F**: The lack of notarization was among multiple significant deficiencies, and COA was within its rights to disallow the loans.
- **Issue G**: Good faith was not accepted as petitioners did not exercise due diligence, misinterpreting their responsibility under Circulars No. 212 and 237.
- **Issue H**: While COA's determinations were upheld, petitioners Loreche, Faraon, and Pretencio were absolved of liability as their duties did not involve document review.

Doctrine:

1. COA has authority to audit government expenditures and investments.
2. Post-audit procedures such as Notices of Suspension and Disallowance are valid if irregularities exist.
3. Approving officers are responsible for document verification even if the developer pre-processes applications.
4. Good faith does not absolve liability if officials fail to exercise due diligence.

Class Notes:

- **Key Elements**:

- **Government Expenditures**: Subject to COA audit.
- **Notices of Suspension/Disallowance**: Procedures when irregularities are found.
- **Good Faith Defense**: Governed by diligence and the "quantum meruit" principle for reductions.
- **Gross Negligence**: Liability for officials who deviate significantly from duty.
- **Relevant Statutes/Provisions**:
 - 1987 Philippine Constitution, Article IX-D: COA auditing powers.
 - Book VI, Chapter 5, Section 43, Administrative Code: Liability for illegal expenditures.
 - COA Circular No. 2009-06: Rules on audit and suspension/disallowance protocols.

****Historical Background**:**

- The case reflects systemic issues in government loan programs, emphasizing the rigorous duties of public officials in ensuring the integrity of governmental processes and protecting public funds. It underscores the checks and balances enforced by the COA, a constitutionally mandated body ensuring accountability in governmental financial affairs.