

Title: Reyna v. Commission on Audit

Facts:

1. Land Bank's Cattle Financing Program: The Land Bank of the Philippines, through its Ipil, Zamboanga del Sur Branch ("Ipil Branch"), engaged in a cattle-financing program offering loans to cooperatives. This included an information campaign soliciting loan applications.

2. Loan Application and Review: Cooperatives filled out Credit Facility Proposals (CFPs) to apply for the loans. According to Emmanuel B. Bartocillo, Department Manager of the Ipil Branch, the CFPs were standardized forms provided by the Land Bank's main office. The CFP required memorandums of agreement (MOAs) between the cooperatives and a cattle supplier, REMAD Livestock Corporation ("REMAD"), outlining delivery conditions and prepayment terms, though no actual CFP was presented in court.

3. Loan Approvals and Releases:

- Six loans were granted in December 1993:
- RT Lim Rubber Marketing Cooperative (RT Lim RMC): ₱795,305 and ₱187,705
- Buluan Agrarian Reform Beneficiaries MPC (BARBEMCO): ₱482,825 and ₱448,105
- Tungawan Paglaum Multi-Purpose Cooperative (Tungawan PFMPC): ₱482,825
- Siay Farmers' Multi-Purpose Cooperative (SIFAMCO): ₱983,010

4. Premature Payments: The Ipil Branch issued three checks to REMAD for advance payments totaling ₱3,115,000. However, REMAD failed to supply the cattle as agreed.

5. Post Audit and Disallowance: The Land Bank Auditor disallowed the amount of ₱3,115,000 due to non-delivery of cattle and breaches of bank policies and COA rules. Notices of Disallowance were issued, citing violations of CFP procedures and Section 88 of Presidential Decree (PD) No. 1445.

6. Accountability: Employees, including petitioners Ruben A. Reyna and Lloyd V. Soria, were held liable for the disallowed amount and faced administrative complaints for gross negligence, office rule violations, and breaches under RA No. 3019 (Anti-Graft and Corrupt Practices Act).

7. Procedural Developments:

- January 28, 1997: Petitioners filed a Joint Motion for Reconsideration, denied by the Auditor.

- Subsequent appeals to the COA Regional Office No. IX (affirmed decisions).
- Petitioners did not file required petitions for review, leading to finality of the COA Regional Office decision.
- After a favorable Ombudsman decision in February 1999, petitioners sought to set aside the disallowance's booking but were referred to COA proper, which reaffirmed the disallowance in Decision 2003-107 and Resolution 2004-046.

Issues:

1. Whether the prepayment stipulation in the contract violated Section 103 of PD No. 1445.
2. Whether COA was justified in holding petitioners administratively liable despite their claim of following the bank's lending procedures.
3. Whether the write-off of the loans absolved petitioners from liability.
4. Whether absolution from the Ombudsman affects COA's disallowance.

Court's Decision:

Issue 1: Prepayment Violations

- The Supreme Court found that the prepayment stipulation violated Section 88 of PD 1445, which prohibits advance payments for unrendered services or undelivered supplies unless explicitly approved by lawful authority. Petitioners failed to present evidence justifying the prepayment scheme, as their supporting documents lacked explicit provisions for such arrangements.

Issue 2: Administrative Liability

- The COA's and Supreme Court's decisions maintained petitioners' accountability due to deviations from established procedures, such as not adhering strictly to the Manual on Lending Operations which required delivering post-reimbursement documents prior to payment release.

Issue 3: Loan Write-Off

- The Court clarified that a write-off does not equate to release from liability. The COA had the power to compromise such liabilities only within its jurisdiction and under specific authorizations. Consequently, the petitioners remained liable regardless of the write-off.

Issue 4: Ombudsman's Decision

- The Supreme Court emphasized that absolution from criminal charges does not preclude administrative liability, as different standards of proof apply (beyond reasonable doubt for

criminal cases versus substantial evidence for administrative cases).

Doctrine:

- A government agency cannot advance payments for services or supplies not yet rendered unless specifically approved by competent authority (Section 88, PD No. 1445).
- Findings by quasi-judicial bodies should be accorded respect if backed by substantial evidence under their expertise.
- Administrative liability is distinct from criminal liability; acquittal in criminal proceedings does not exempt individuals from administrative accountability under different evidentiary standards.

Class Notes:

1. Section 88, PD No. 1445: Prohibits advance payments for non-rendered services or materials unless authorized.
2. Manual on Lending Operations: Requires loan funds disbursement only post-inspection and receipt acknowledgments.
3. Administrative vs. Criminal Liability: Different standards of proof and implications on liability.

Historical Background:

- The case arose amid efforts to boost agrarian reforms through accessible credit, highlighting systemic challenges and the oversight rigor. The emphasis was on reinforcing procedural adherence for disbursements and accountability in state-financed programs. This context underscores regulatory compliance's importance in loan disbursements within government financial institutions.