

Title:

National Power Corporation Board of Directors vs. Commission on Audit

Facts:

On February 1, 2010, the National Power Corporation (NPC) Board of Directors ratified Board Resolution No. 2009-72 (December 18, 2009) granting Calendar Year (CY) 2009 Performance Incentive Benefits (PIB) to certain officials and employees. NPC President and CEO Froilan A. Tampinco then approved NPC Circular No. 2009-58 on December 21, 2009, and PHP 327,272,424.91 was released for this purpose.

On February 15, 2012, the NPC Audit Team issued a Notice of Suspension for the PIB, citing lack of presidential approval as required by Administrative Order (AO) No. 103 and its extravagant nature under COA Circular No. 85-55A.

The NPC management defended the PIB through a letter dated April 10, 2012, claiming the benefits were results of accomplishing significant tasks like plant privatizations. However, COA disallowed the PIB on October 15, 2012, and held various NPC officials liable.

Petitioners appealed on April 11, 2013, asserting that Memorandum Order (MO) No. 198, issued under Republic Act No. 7648, authorized the PIB. COA CGS Cluster 3 denied the appeal, affirming the disallowance on February 28, 2014. Petitioners then filed a Petition for Review to the COA Proper but did so past the 180-day deadline, resulting in a dismissal on April 6, 2015.

Without a motion for reconsideration, petitioners elevated the case directly to the Supreme Court.

Issues:

1. Whether COA acted with grave abuse of discretion in dismissing the appeal for untimeliness.
2. Whether COA gravely abused its discretion in upholding the disallowance.
3. Whether COA abused its discretion in holding petitioners liable for refunding the disallowed amounts.

Court's Decision:

The Supreme Court dismissed the petition:

On Timeliness:

****Finality of the Disallowance:****

- The COA's regulations stipulate a six-month appeal period from receipt of the Notice of Disallowance (ND).
- The petitioners filed the appeal to COA CGS, leaving only 10 days for the appeal to COA Proper. They missed this by 2 days.

****Constructive Service:****

- COA rules allow for service to one responsible officer to notify all payees in cases involving several recipients. Service to then President Tampinco met this criterion.

On Propriety of the Disallowance:

****No Valid Basis Under MO 198:****

- MO No. 198 is specific about various requirements, including:
 - Annual Presidential clearance based on performance.
 - Benefits are restricted to 0-4 months' basic salary per year and must be given in lump-sum.
- The PIB failed to comply as it:
 - Was granted without Presidential clearance.
 - Exceeded the salary cap.
 - Was disbursed in installments.

****Extravagance under COA Rules:****

- PIB was found extravagant due to NPC's financial loss in 2009.

On Liability:

****Refund Requirement:****

- The COA's final ND mandates refund.
- As the grantors failed to adhere to AO No. 103 and MO No. 198 requirements, their presumption of good faith is negated.
- Recipients must also refund as benefits paid lacked legal basis.

The Court found that NPC Board members' approval did not equate to presidential authorization, and unequivocally they and the recipients are liable to return the amounts unduly received.

Doctrine:

****Finality of COA Decisions:****

Strict adherence to deadlines maximizes the legality and finality of audit decisions (Sec. 48,

PD No. 1445).

- **Constructive Service:**

Constructive notice to one designated officer in large payrolls suffices (Sec. 7, Rule IV, COA Rules).

- **Strict Compliance with Presidential Issuances:**

Benefits requiring Presidential authorization must comply with specific provisions and limitations; otherwise, they are unauthorized.

Class Notes:

- **Appeal Period:** Six months from receipt of audit decisions (Sec. 48, PD No. 1445).

- **Constructive Service:** Allowable under COA rules; service to a designated officer in collective grants covers all recipients.

- **Authority for Benefits:** Presidential Authorizations stipulate rigorous compliance. Bonuses outside these borders are void.

- **Extravagance Standard:** Expenditures considered extravagant must angle towards prudent and judicious use of funds (COA Circular 85-55A).

Historical Background:

Economic Context:

- The case situates itself post-implementation of the Electric Power Industry Reform Act of 2001, amidst efforts to privatize power assets and reduce NPC's operational overheads.

Regulatory Measures:

- Administrative Order No. 103 (2004) was an austerity measure aiming to curb unnecessary government spending following an economic downturn.

This decision underscores the strict regulatory framework surrounding government compensation and the rigorous enforcement by COA in the Philippines.