LEODEGARIO R. BASCOS, JR. AND ELEAZAR B. PAGALILAUAN, PETITIONERS, VS. ENGR. JOSE B. TAGANAHAN AND OFFICE OF THE OMBUDSMAN, RESPONDENTS.

G.R. No. 180666. February 18, 2009

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Before Us is a Petition for Review on Certiorari[1] under Rule 45 of the Rules of Court challenging the Decision[2] dated 28 May 2007 and the Resolution[3] dated 20 November 2007 of the Court of Appeals in CA-G.R. SP No. 92533. In its assailed Decision, the appellate court affirmed the Decision[4] dated 19 July 2005 and the Order[5] dated 20 October 2005 of the Office of the Ombudsman in OMB-C-A-02-0379-I, which found herein petitioners Leodegario R. Bascos, Jr. (Bascos) and Eleazar B. Pagalilauan (Pagalilauan) guilty of Dishonesty and sentenced them to a penalty of dismissal from service. The assailed Resolution of the appellate court denied petitioners' Motion for Reconsideration of its earlier Decision.

The antecedents of the case, both factual and procedural, are set forth hereunder.

The Contract

On 14 December 2000, a Contract for the Supply, Delivery, Installation and Commissioning of Two (2) Units [of] 2.5 Tons Per Hour Rice Mill[s][6] (Contract) was entered into by the National Food Authority (NFA), represented by Acting Administrator Domingo F. Panganiban, as purchaser, and Alheed International Trading Corporation (Alheed Corp.), represented by its President Herculano C. Co, Jr., as supplier.

The Contract provided, inter alia, that Alheed Corp. shall supply, deliver, install, test and commission two units of rice mills, including their standard tools, equipment and accessories, for a total contract price of P19,398,042.00. Seventy percent (70%) of the contract price shall be paid by the NFA upon the delivery of the equipment at the site, and the submission of delivery receipt(s)/original invoice(s) and of proof of payment of customs duties; while the remaining thirty percent (30%) shall be paid after the installation, testing, and commissioning of the equipment, and the issuance by the appropriate NFA Field Office of a Certificate of Final Acceptance upon the submission by Alheed Corp. of other documents which may be required. The requirements which Alheed Corp. must submit, before the appropriate NFA Field Office shall issue the Certificate of Final Acceptance, were identified as follows:

> (1) Certificate of Final Acceptance by the Technical Services Directorate [TSD][7];
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> (2) Certificate of conformity to specifications and inspection report by the TSD Project Engineer at the site;
>
> (3) Guarantee Bond posted by Alheed International Trading Corporation in favor of NFA in the amount equivalent to 10% of the Contract Price with a statement under oath of full payment of premium which shall be effective within a period of one year from the final acceptance.

The payments to be made in favor of Alheed Corp. under the Contract shall be subject to NFA accounting and auditing rules and regulations.

The Contract further provided that the labor materials, equipment, delivery and installation at the site, as well as the testing and commissioning of the rice mills, shall be undertaken by Alheed Corp. at its own account. Commissioning was defined therein as the completion of the mechanical and electrical systems of the rice mills, tested with and without load at the appropriate NFA Field Office. The testing with load shall be conducted for at least eight hours of continuous operation for three times.

Special provisions were also incorporated in the Contract. One of these special provisions stated that no substitution of materials or equipment including brand and type shall be made, unless otherwise approved in writing by the purchaser NFA, as represented by its Administrator; and another which provided that the duly authorized representative of the purchaser may, at any time, inspect the basic unit as well as the progress of the installation. Said inspection shall not be interpreted as exempting or diminishing the liability of the supplier Alheed Corp. as provided in the Contract.

Per the Contract, the two rice mills were initially set to be supplied and installed by Alheed Corp. at the NFA grain centers that were being constructed at Talavera, Nueva Ecija and Sablayan, Mindoro Occidental. Instead, the rice mills were eventually installed at San Jose, Occidental Mindoro and Pili, Camarines Sur.

The Complaint-Affidavit

On 23 August 2002, private respondent Jose B. Taganahan (Taganahan), an Engineer-III (with Salary Grade 19) at the TSD of NFA, filed a Complaint-Affidavit[8] with the Office of the Ombudsman in connection with the allegedly anomalous acceptance and full payment of the two rice mills installed in San Jose, Occidental Mindoro and in Pili, Camarines Sur. The Complaint-Affidavit charged (1) herein petitioner Bascos, in his capacity as Director of the TSD (Salary Grade 26); (2) herein petitioner Pagalilauan, in his capacity as the Chief Grains Operations Officer (Salary Grade 24) of the NFA; (3) Tomas R. Escarez (Escarez), in his capacity as Provincial Manager (Salary Grade 24) of the NFA for the province of Occidental Mindoro; and (4) Alheed Corp., represented by its President Heculano C. Co, Jr., with Falsification of Public Documents, violation of Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act), violation of Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), and Perjury.

Taganahan related that from 30 June to 6 July 2001, he went on an official travel to San Jose, Occidental Mindoro, to conduct the test-milling of a newly installed 2.5 ton per hour (TPH) rice mill. Upon returning to the NFA Central Office in Quezon City, Taganahan submitted on 9 July 2001 a Travel Accomplishment Report[9] to petitioner Bascos, then TSD Director, through Acting Facility Installation and Maintenance Division (FIMD) Chief Ramoncito Padilla. Taganahan reported that: (1) the test milling could not be conducted on the newly installed rice mill because the electric generator at the site broke down during the initial hour of the rice mill operation; (2) some rice mill components which should be installed were either undelivered or uninstalled; and (3) some of the installed rice mill components did not conform with the plans and specifications. Based on the foregoing, Taganahan recommended that the payment of the thirty percent (30%) balance of the contract price of the rice mill be deferred until: (1) the supplier, Alheed Corp., shall have completed the delivery and installation of the rice mill components according to plans and specifications; (2) the rice mill commissioning, through proper milling tests, had been successfully completed; and (3) the training of NFA technicians and other contractual obligations of Alheed Corp. had been fully complied with.

The above violations notwithstanding, petitioners Bascos and Pagalilauan still submitted to the NFA Accounting Department on 3 July 2001 the voucher[10] for the full payment of the rice mill installed at San Jose, Occidental

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Mindoro. Attached to the voucher were the following allegedly spurious documents, viz:

> a) Certificate of Inspection[11] dated June 11, 2001 xxx signed by [herein petitioner] Eleazar B. Pagalilauan (who misrepresented himself as a "TSD Engineer," despite the fact that he never passed any board examination for engineers), falsely certifying to the complete installation of [the] contracted [rice mill];
>
> b) Accomplishment Report[12] dated 13 June 2001 xxx prepared by [petitioner] Eleazar B. Pagalilauan (who misrepresented himself this time as "Project Manager," despite the fact that such was not his position or designation), and duly noted by [herein petitioner] Leodegario R. Bascos, Jr., falsely certifying to the alleged 100% delivery and installation of the contracted [rice mill];
>
> c) Certificate of Conformity to Specifications[13] dated June 14, 2001 x x x issued by [petitioner] Leodegario R. Bascos, Jr., falsely attesting to the 100% installation of the [rice mill], and to its conformity with all specifications; and
>
> d) Letter[14] of [Herculano C. Co, Jr.], dated June 05, 2002 xxx, addressed to then NFA Administrator Edgar S. Asuncion, falsely stating that Alheed Corp. had successfully installed and commissioned the Buivanngo [rice mill] at San Jose, Occidental Mindoro, and requesting payment of the 30% balance of the contract amount.

Attached to the voucher were a Certificate of Complete Installation, Commissioning and Final Acceptance,[15] dated 20 July 2001, signed by Escarez as NFA Provincial Manager for Occidental Mindoro, falsely certifying the complete installation and commissioning of the rice mill at San Jose, Occidental Mindoro. On the basis of the aforementioned documents, the check payment for the balance of the contract price of the rice mill was released in favor of Alheed Corp. on 17 August 2001.

Taganahan claimed that the Certification dated 20 July 2001 by Escarez was spurious considering that the latter even sent a radio message[16] to petitioner Bascos on 4 July 2001, stating that the test milling of the rice mill in San Jose, Occidental Mindoro could not proceed as scheduled because the electric generator malfunctioned during the test run. Subsequently, Escarez sent a fax message, dated 26 September 2001 and addressed to Melvin Co of Alheed Corp., which scheduled the commissioning of the said rice mill on 27 to 29 September 2001, or more than two months after Escarez certified that the rice mill was already duly commissioned.

Taganahan asserted that the findings in his report were bolstered by an audit report IAS No. H-006[17] dated 6 September 2001 of the Internal Audit Services (IAS) Department of the NFA, submitted to the NFA Administrator, which cited many violations of the Contract and the plans and specifications relative to the supply and installation of the rice mills in question. In reply to the audit report, petitioner Bascos sent a Memorandum[18] dated 22 November 2001 to the NFA Administrator, untruthfully declaring therein that Alheed Corp. had complied with all the requirements of the Contract as certified by TSD Engineers. Taganahan averred, however, that contrary to petitioner Basco's claims, there was actually no issuance from any of the TSD Engineers certifying the completeness of the delivery, installation, and commissioning of the rice mill; hence, petitioner Pagalilauan "unprofessionally and anomalously" signed the needed certifications himself, as "TSD Engineer" in one and as "Project Manager" in another, attesting that the project had been completed.

Insofar as the other rice mill was concerned, Taganahan asseverated that petitioner Pagalilauan inveigled TSD Engineers Bobby Quilit and James Vincent Del Valle to sign the pre-dated certifications of the supposedly complete installation of the rice mill in Pili, Camarines Sur and its conformity to NFA specifications.

Subsequently, the IAS submitted another audit report, IAS No. A-002 dated 7 January 2002, which cited thirteen (13) other violations of the Contract and of the NFA specifications. Taganahan maintained that the second audit report, in effect, confirmed his allegations of the various violations of the Contract committed by Alheed Corp.

On account of the allegations in Taganahan's Complaint-Affidavit, an administrative case for Dishonesty and Grave Misconduct, docketed as OMB-C-A-02-0379-I,[19] was filed against petitioners Bascos and Pagalilauan, as well as Escarez.

Decision of the Office of the Ombudsman

On 19 July 2005, the Office of the Ombudsman promulgated its Decision[20] in OMB-C-A-02-0379-I, making the following findings:

> Initially, this Office finds the absence of enough proof to hold the herein respondents responsible for the irregularities committed in the installation of the [rice mill] at Pili, Camarines Sur. Worth mentioning herein is the observation that the certificates relative to the completion of the project thereat were issued by the officials at the NFA Office therein. Hence, the anomaly therein, if any, is the responsibility of the latter.
>
> Viewed therewith, this Office in the instant decision shall deal solely on the alleged irregularities committed in the execution of the project for the installation of [the rice mill] at San Jose, Occidental Mindoro, and in the claimed anomalous full payment of the contract amount to Alheed Corporation.
>
> Significantly, [herein petitioner] Bascos is being held liable herein for the issuance of the Certificate of Conformity to Specifications on June 14, 2001, attesting to the 100% delivery and installation of the [rice mill] as of June 5, 2001, while [herein petitioner] Pagalilauan for his Certificate of Inspection, dated June 11, 2001, certifying to the supply, delivery, installation and commissioning of the [rice mill], and its compliance with the contract specifications, as per the inspection conducted on June 9, 2001, and finally, Escarez for having signed the Certificate of Complete Installation, Commissioning and Final Acceptance, dated July 20, 2001, of Acting Plant Engineer Agosto Quijano in the "Noted" portion thereof.
>
> Ruling on this case, records revealed that [petitioners] Bascos and Pagalilauan in their issuances committed falsification by causing it to appear in their individual certifications that the newly installed [rice mill] at the NFA San Jose Office in issue had been inspected and found in conformity with the NFA approved specifications, knowing fully (sic) well that the supplier, Alheed Corporation, violated certain provisions of the contract and/or committed deviations thereof without the approval of the NFA Administrator.[21] (Emphasis ours.)

The Office of the Ombudsman noted more specifically the transgressions committed by petitioners Bascos and Pagalilauan:

> The deficiencies/defects in the project were made known to [herein petitioner] Bascos prior to the release of the full payment to Alheed Corporation on August 17, 2001. Supporting the same was the observation that FIMD Officer-In-Charge Ramoncito Padilla in a letter, dated June 15, 2001, to [petitioner] Bascos submitted the [Travel/ Project Accomplishment Report] of TSD Engineers Carlito Castro and Placido Asprec who supervised the electro-mechanical works and installation of the [rice mill]. Apparently, the undelivered items and some unauthorized deviations from the contract specifications of Alheed Corporation in violation of the contract had been formally reported to [petitioner Bascos]. However, the former instead of preventing further damage to the government still allowed the release of the payment to Alheed Corporation. x x x.
>
> The letter of advise (sic), dated July 16, 2001, of [petitioner] Bascos to Alheed Corporation, informing the latter of the alleged installation of undersized wiring in the [rice mill] subject hereof, and Alheed Corporation's reply-letter thereto of July 17, 2001, explicitly revealed the absence of any correction made therein. Let it be noted that Alheed Corporation in the said letter merely took upon itself the responsibility to answer for any damage which maybe (sic) caused by the alleged undersized wiring. Thus, [the same] can be treated as an express admission of defiance to the contract.
>
> Moreover, the admission (sic) of [herein petitioners] Bascos and Pagalilauan in their counter-affidavits of

non-compliance with the test milling requirement for at least eight (8) hours continuous operation for three (3) times as provided in the contract tacitly established the fact that they have full knowledge of the deviations from the NFA approved specifications.

x x x x

Emphasis is made on the fact that the issuance of the Certificate of Conformity to Specification presupposes actual inspection and testing of the equipment. In the case at bar[,] the discovery of the defects in the contested installation after the issuance thereof clearly revealed absence of actual inspection of the project. Considering the same, therefore, the issuances of [petitioner] Bascos, dated July 14, 2001, and [petitioner] Pagalilauan, dated June 11, 2001, are irregular.

[Petitioner] Pagalilauan's administrative liability herein was even bolstered by the established fact that he acted in two (2) capacities in the preparation and submission of the required documents to facilitate the payment to Alheed Corporation, i.e., as the TSD Engineer in the Certificate of Inspection and as Project Manager in the report on the project completion, the authority to act as such not having been entrenched with sufficient proofs (sic).

Further substantiating the foregoing observation is the undisputed fact that while it is true that the IAS Report No. H-006, dated September 6, 2001, of the NFA Internal Audit Services stating certain deficiencies and/or defects in the implementation of the project in question had been answered by [petitioner] Bascos in his Memorandum to the NFA Administrator, dated November 22, 2001, however, (sic) the subsequent report of the same unit containing the same observations showed that the justifications of respondent Bascos therein did not satisfactorily explain the reported irregularities committed in the execution of the project. Exemplifying the same are the IAS findings contained in its second report, coded as IAS Report No. A-002, dated January 7, 2002, to wit:
"FINDINGS

NON-CONFORMITY WITH SOP GS-PD15

1. Purchase of two units rice mill was not referred to IAS for Technical Inspections.

x x x x

Under its Implementing Guidelines, No. 22 of the General Policies of SOPGS-PD15 (sic) states that:

"All purchases/fabrication shall be subject to technical inspection by the Technical Inspection Unit, Internal Audit Services (TIU-IAS) and final acceptance by the requisitioning office."

The contract for the purchase of two units rice mills was consummated and fully paid even without the technical inspection by the [TIU-IAS] in violation of the foregoing provision.

x x x x

IAS position is buttressed by the fact that the contract states that all payments shall be subject to NFA accounting and auditing procedures and as such should conform to the expense (sic) mandate of SOP GS-PD15.

x x x x

COMPLIANCE WITH CONTRACT AND TECHNICAL SPECIFICATIONS

1. Non-delivery of One (1) Unit Bucket Elevator 140/5m. During the inspection, it was noticed that three (3) units [were] installed at the site. However, when cross checked with the breakdown of the bid at Alhud (sic), item No. 26 Bucket Elevator 140/5m, [showed] an original quantity of four (4) units. Apparently, there was an erasure appearing in the face of the document reflecting therein three (3) units instead of 4 without the

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corresponding reduction as to the amount.

x x x x

3. Change in the dimensions of the Bran Room

The Bran Room dimensions were changed from twelve (12) meters by six (6) meters to ten (10) meters by five (5) meters which change was only approved by the TSD Director and not by the proper approving authority, the Administrator. Likewise, a corresponding reduction in cost should be made.

4. Use of Undersized Wiring

1. [It] was also found out that the wire used for the 40 HP motor of mist polisher CB-2EB and whitener CDE-40A were undersized x x x.

x x x x

6. Replacement of One (1) Unit Bran Sieve without prior approval of the Administrator:

TSD approved the request of the supplier to replace the Bran Sieve with Dust Filter Cyclone with Exhauster, which according to them the replacement will improve the efficiency of the rice mill. However, it did not seek prior approval from the Administrator.

7. Non-Compliance with the training requirement under the contract.

Inspection revealed that the required training of NFA concerned personnel has not been undertaken by the supplier.

x x x x

11. Non-Conformity with the Grading Section Specification.

x x x x

Under NFA Specifications, the grading of rice is by indented cylinder. Two indented cylinder grades is (sic) mounted [atop] the grading tank. x x x.

Based in the as-built plan, there is only one indented cylinder."

x x x x

The abovestated (sic), IAS's findings appeared to be unrefuted for failure of [petitioners] Bascos and Pagalilauan to either sufficiently controvert the same or justify the deficiencies found in the project. Hence, it (sic) stand.[22]

According to the Office of the Ombudsman, the actuations of petitioners Bascos and Pagalilauan, as described above, constituted dishonesty:

Before making a pronouncement on the liability of the [petitioners], it is important to make a clear definition of Dishonesty as an administrative offense. Section 8 of Presidential Decree No. 971, adopted by the Civil Service Commission [CSC] in its Resolution No. 97-0799 of January 28, 1997, defined the offense as the "concealment or distortion of the truth in a matter of fact relevant to one's office or connected with the performance of his duties." As further held by the CSC in its Resolution No. 00-0821, dated March 28, 2000, "dishonesty as a censurable conduct assumes greater meaning when the offender is a public officer who is circumscribed with a heavy burden of responsibility to the public, and whose conduct must at all times be impressed with decency, decorum and propriety."

Premised on the observations of this Office and the undisputed findings of the NFA Internal Audit Services,

> this Office concludes that [herein petitioners] Bascos and Pagalilauan by issuing the Certificate of Conformity with the Specifications and Certificate of Inspection, respectively, to facilitate the full payment of the contract amount to Alheed Corporation, despite full knowledge of lack of actual inspection conducted on the equipment and its non-conformity with the contract specifications, are liable for Dishonesty. x x x.[23]

However, as regards the alleged liability of Escarez, the Office of the Ombudsman adjudged:

> Lastly, on the issuance of the Certificate of Complete Installation, Commissioning and Final Acceptance, dated July 20, 2001 by Plant Engineer Agosto Quijano, this Office is of the considered view that the signing of [Escarez] in the "Noted" portion thereof merely serves as an acknowledgment of the notice given to him on the development in the project. The disputed certification can speak for itself that it was done and issued by another. Good faith can likewise be appreciated in his favor as evidenced by his subsequent acts of informing all concerned, including [herein petitioner] Bascos and Alheed Corporation, on the new schedule for the commissioning of the [rice mill]. Thus, negating intent to conceal the truth. Based thereon, the exoneration of [Escarez] herein is warranted.[24]

In the end, the Office of the Ombudsman decreed:

> WHEREFORE, premises considered, and finding [herein petitioners] TSD Director LEODEGARIO R. BASCOS, JR. and Grains Operations Officer ELEAZAR B. PAGALILAUAN, both of the National Food Authority, GUILTY OF DISHONESTY, they should be meted the penalty of DISMISSAL FROM THE SERVICE, pursuant to Section 52 (A) (1) of Rule IV of the Uniform Rules on Administrative Cases.
>
> Finding [Provincial Manager] TOMAS R. ESCAREZ of NFA San Jose, Occidental Mindoro, to be not guilty of the offense charged, the complaint against him is, as it is hereby, DISMISSED.
>
> Let a copy of this Decision be furnished the Office of the Administrator of the National Food Authority for proper implementation upon finality hereof.[25] (Emphasis ours.)

Petitioners filed an Omnibus Motion for Reconsideration and/or Reinvestigation,[26] but the same was denied by the Office of the Ombudsman in an Order[27] dated 20 October 2005.

Petitioners then filed before the Court of Appeals a Petition for Review[28] under Rule 43 of the Rules of Court, contesting the judgment against them of the Office of the Ombudsman in OMB-C-A-02-0379-I. Their Petition was docketed as CA-G.R. SP No. 92.

In a Resolution[29] dated 18 January 2006, the Court of Appeals dismissed the Petition, inasmuch as its Verification and Certification of Non-Forum Shopping was signed only by petitioner Pagalilauan, and there was no attached document to prove that petitioner Bascos had authorized the former to sign on his behalf.

On 6 February 2006, petitioner Pagalilauan filed a Motion for Reconsideration[30] of the 18 January 2006 Resolution, explaining that his co-petitioner Bascos had gone to the United States of America in the middle of November 2005 to undergo medical check-up and treatment. Petitioner Bascos had not returned since then. When Pagalilauan received, on 7 December 2005, the Order dated 20 October 2005 of the Office of the Ombudsman denying their Omnibus Motion for Reconsideration and/or Reinvestigation, he informed petitioner Bascos of the same only by telephone and other means of communication. Despite the physical absence of petitioner Bascos, petitioner Pagalilauan claimed that the former had a hand in the preparation and the filing of their Petition for Review before the Court of Appeals.

In a Resolution[31] dated 15 February 2006, the Court of Appeals ordered petitioner Pagalilauan to submit, within fifteen (15) days from notice, a written authorization duly executed by petitioner Bascos, empowering petitioner Pagalilauan to execute the Verification and Certification of Non-Forum Shopping in the Petition on Bascos's

behalf. The Court of Appeals further required that petitioner Bascos' written authorization be duly authenticated by the proper consular officer of Philippines in the United States of America where he was staying.

On 6 March 2006, petitioners Bascos and Pagalilauan filed their Compliance[32] with the 15 February 2006 Resolution of the Court of Appeals. In lieu of a written authorization, petitioner Bascos himself signed the required Verification and Certification of Non-Forum Shopping, having arrived from the United States of America on 7 February 2006.

Resultantly, in an Order[33] dated 20 March 2006, the Court of Appeals set aside its Resolution dated 18 January 2006 and reinstated the Petition.

Procedurally, the Court of Appeals initially declared that petitioners failed to exhaust administrative remedies before filing their Petition under Rule 43. Section 11 of Republic Act No. 6770[34] states that the Ombudsman has the power of control and supervision over the Offices of the Ombudsmen. Such being the case, the Decision dated 19 July 2005 rendered by the Overall Deputy Ombudsman should have been questioned first before the Ombudsman prior to the filing of a Petition for Review under Rule 43 before the Court of Appeals.

The Court of Appeals also ruled that the 19 July 2005 Decision of the Office of the Ombudsman was supported by substantial evidence. The appellate court cited with favor the following pieces of evidence that the Office of the Ombudsman considered in its Decision: (1) the Accomplishment Report of TSD Engineers Castro and Asprec, who supervised the electro-mechanical works and installation of the rice mill; (2) the Travel Report prepared by Taganahan dated 9 July 2001; (3) the letter of advise (sic) dated 16 July 2001 of Bascos to Alheed Corp., informing the latter of the alleged installation of undersized wirings, and the reply-letter of Alheed Corp. thereto dated 17 July 2001; (4) the admissions of petitioners Bascos and Pagalilauan in their Counter-Affidavits of non-compliance with the testing requirement for the rice mill of at least eight hours continuous operation for three times, as provided in the Contract; (5) IAS Report No. H-006 dated 6 September 2001; and (6) IAS report No. A-002 dated 7 January 2002.

Thereupon, on 28 May 2007, the Court of Appeals promulgated its assailed decision, affirming the ruling of the Office of the Ombudsman in this wise:

> WHEREFORE, the petition is DISMISSED. The assailed Decision of the Office of the Ombudsman dated July 19, 2005 finding petitioners guilty of Dishonesty under Civil Service law and implementing rules and penalizing them with dismissal from service, as well as its Decision dated October 20, 2005 denying herein petitioner's motion for reconsideration, are AFFIRMED.[35]

In the assailed Resolution[36] dated 20 November 2007, the Court of Appeals denied the Motion for Reconsideration[37] of petitioners Bascos and Pagalilauan.

Petitioners, thereafter, elevated their case to us via the instant Petition for Review on Certiorari, raising the following issues for our consideration:

> I.
>
> WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED A REVERSIBLE ERROR WHEN IT AFFIRMED THE DECISION OF THE OFFICE OF THE OMBUDSMAN BY SUSTAINING THE UNSUBSTANTIATED ALLEGATIONS OF THE PRIVATE COMPLAINANT, CONTRARY TO LAW AND EXISTING JURISPRUDENCE.
>
> II.
>
> WHETHER OR NOT THE HONORABLE COURT OF APPEALS GRAVELY ERRED WHEN IT

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DISMISSED THE PETITION FOR REVIEW DATED 04 JANUARY 2006 ON THE GROUND OF FAILURE TO EXHAUST ADMINISTRATIVE REMEDIES.

Petitioners Bascos and Pagalilauan contend that it was error for the Court of Appeals to affirm the decision of the Office of the Ombudsman, which sustained the unsubstantiated allegations of Taganahan. They believe that the findings of fact of the Office of the Ombudsman, regarding the falsity of the Certificate of Conformity to Specifications dated 14 June 2001 and the Certificate of Inspection dated 11 June 2001, do not conform to the evidence on record. Both Taganahan and the Office of the Ombudsman should not have relied heavily on the IAS reports, inasmuch as the same had already been sufficiently answered and the IAS did not have technical knowledge of the specifications of a rice milling system to begin with, they being mere accountants, not engineers like petitioners. Petitioners Bascos and Pagalilauan even lament the fact that the IAS allegedly did not give them a chance to explain their side despite their desire to do so. Petitioners Bascos and Pagalilauan maintain that the certifications they signed were based on authentic documents, and that they were not aware of the total lack of actual inspection conducted on the equipment and its non-conformity with the Contract specifications, since the Certificate of Inspection was issued by petitioner Pagalilauan on 11 June 2001, while the reports on the alleged non-conformity with the plans were submitted only on 15 June 2001.

As regards the ruling of the Court of Appeals that they failed to exhaust administrative remedies before seeking judicial intervention, petitioners Bascos and Pagalilauan argue that they seasonably filed an Omnibus Motion for Reconsideration and/or Reinvestigation before the Office of the Ombudsman and it was only upon the denial thereof that they filed their Petition for Review under Rule 43 with the Court of Appeals. Also, Republic Act No. 6770 and its implementing rules do not provide that the decision of the Overall Deputy Ombudsman is appealable to the Ombudsman.

Prefatorily, we agree with petitioners Bascos and Pagalilauan that, contrary to the pronouncement of the Court of Appeals, they have indeed exhausted their administrative remedies before they elevated their case to the appellate court, in accordance with the relevant rules of procedure[38] of the Office of the Ombudsman. Verily, the records indicate that when petitioners received the decision of the Office of the Ombudsman which was unfavorable to them, they correctly filed their Omnibus Motion for Reconsideration and/or Reinvestigation. Upon the denial of the said motion, petitioners instituted a petition under Rule 43 before the Court of Appeals.

We now proceed to the substantive merits of the case. After carefully evaluating the instant Petition, we find that the vital issue which we must resolve is whether the administrative liability of the petitioners for dishonesty was adequately established by substantial evidence.

We rule in the affirmative.

In administrative and quasi-judicial proceedings, only substantial evidence is necessary to establish the case for or against a party. Substantial evidence is more than a mere scintilla of evidence. It is that amount of relevant evidence that a reasonable mind might accept as adequate to support a conclusion,[39] even if other minds, equally reasonable, might conceivably opine otherwise.[40]

Elementary is the rule that the findings of fact of the Office of the Ombudsman are conclusive when supported by substantial evidence and are accorded due respect and weight, especially when they are affirmed by the Court of Appeals. It is only when there is grave abuse of discretion by the Ombudsman that a review of factual findings may aptly be made.[41] In reviewing administrative decisions, it is beyond the province of this Court to weigh the conflicting evidence, determine the credibility of witnesses, or otherwise substitute its judgment for that of the administrative agency with respect to the sufficiency of evidence.[42] It is not the function of this Court to analyze and weigh the parties' evidence all over again except when there is serious ground to believe that a

possible miscarriage of justice would thereby result.[43] Although there are exceptions[44] to this rule, we find the same to be inapplicable to the instant case.

In the case at bar, the Office of the Ombudsman pronounced that the liability of petitioners Bascos and Pagalilauan for the administrative offense of dishonesty was proven by substantial evidence.

The Office of the Ombudsman adjudged that petitioners Bascos and Pagalilauan committed misrepresentation when they imprudently signed the Certificate of Conformity to Specifications dated 14 June 2001 and the Certificate of Inspection dated 11 June 2001, respectively, only for the matters they attested to therein to be later disproved and controverted by documents and circumstances that tell an entirely different story.

The Certificate of Conformity to Specifications[45] dated 14 June 2001 executed by petitioner Bascos is as follows:

> CERTIFICATE OF CONFORMITY
> TO SPECIFICATIONS
>
> This is to certify that the Alheed International Trading Corporation have delivered and installed 100% accomplishment of the 2.5 TPH Rice Mill for NAWACO I, San Jose, Occidental Mindoro on June 5, 2001 per attached accomplishment report no. 2, which was certified and inspected by the TSD inspector at the site.
>
> This certification is issued for billing purposes by the Alheed International Trading Corporation.
>
> Certified Correct:
> (signed)
> LEODEGARIO R. BASCOS, JR.
> Director, TSD (Emphasis ours.)

On the other hand, the Certificate of Inspection[46] dated 11 June 2001 of petitioner Pagalilauan reads:

> CERTIFICATE OF INSPECTION
>
> This is to certify that one (1) unit 2.5 TPH Buivanggo [Rice mill] supplied, delivered, installed and commissioned by Alheed International Trading Corporation at San Jose, Occidental Mindoro has been inspected on June 9, 2001 and found to be in accordance with the NFA specifications.
>
> This certification is issued in accordance with the contract provisions, only for billing purposes.
>
> Issued on June 11, 2001.

(signed)
ELEAZAR B. PAGALILAUAN
TSD Engineer (Emphasis ours.)

As pointed out by the Office of the Ombudsman, as early as 15 June 2001, the Travel/Project Accomplishment Report[47] of TSD Engineers Castro and Asprec informed petitioner Bascos of some of the irregularities regarding the installation of the rice mill in San Jose, Occidental Mindoro. Itemized in the report were the goods or materials that were undelivered or were, otherwise, delivered in excess, the costs of which were then to be shouldered by the NFA. Also included in said report was a list of some equipment the actual specifications of which were different from those indicated in the Bid Proposal of Alheed Corp.

After being subsequently apprised of the possible violations of the Contract and the deviations from the NFA specifications for the rice mills, petitioners still failed to cause the deferment of the payment of the remaining 30% of the contract price to Alheed Corp. Instead, petitioners allowed the final payment to proceed on 17 August

2001 on the basis of their apparently erroneous (if not false) certificates, thus, causing damage to the government.

Similarly, the Office of the Ombudsman noted that in the audit report IAS No. H-006[48] dated 06 September 2001, certain procedural oversights appeared to have been committed in the implementation of the Contract, contrary to its specific terms. Particularly, in the conduct of its audit, the IAS observed that the payment of the contract price was consummated without first coursing the documents to IAS, which was in violation of the provision subjecting all payments made under the Contract to NFA accounting and auditing procedures.

On 22 November 2001, petitioner Bascos sent a Memorandum[49] to the NFA Administrator, seeking to clarify and refute the contents of the audit report IAS No. H-006. The Office of the Ombudsman ruled, however, that the justifications put forward by petitioner Bascos proved to be unsatisfactory, given that the IAS submitted another audit report, IAS No. A-002[50] dated 7 January 2002, to the NFA Administrator, which incorporated the same findings contained in the previous audit report. The second audit report also included additional observations and findings of violations of the Contract.

Moreover, petitioner Bascos, in his Counter-Affidavit[51] before the Office of the Ombudsman, neither confirmed nor denied that the required testing of the rice mill for a period of at least eight hours of continuous operation for three times was not complied with. Petitioner Pagalilauan, on the other hand, admitted in his Counter-Affidavit[52] that the testing requirement as provided in the Contract with Alheed Corp. was not observed, but, in place thereof, the evaluation team that conducted the testing allegedly followed the NFA standard test milling of two hours per batch. Clearly, the actions of the evaluation team were in clear contravention of the explicit terms of the Contract.

On the basis of the aforementioned evidence and circumstances, the Office of the Ombudsman ruled, and the Court of Appeals affirmed, that petitioners Bascos and Pagalilauan indeed committed acts of dishonesty.

As an administrative offense, dishonesty is defined as the disposition to lie, cheat, deceive, or defraud; untrustworthiness; lack of integrity; lack of honesty, probity or integrity in principle; lack of fairness and straightforwardness; disposition to defraud, deceive or betray.[53] It is the concealment or distortion of truth in a matter of fact relevant to one's office or connected with the performance of his duties.[54] Dishonesty is considered as a grave offense punishable by dismissal for the first offense under Section 23, Rule XIV of the Omnibus Rules Implementing Book V of Executive Order No. 292[55] and Section 52(A)(1), Rule IV of Resolution No. 99-1936.[56]

It is apparent to us that petitioners Bascos and Pagalilauan signed the Certificate of Conformity to Specifications dated 14 June 2001 and the Certificate of Inspection dated 11 June 2001, respectively, in a hasty and irregular fashion. Their misrepresentations in said certificates that Alheed Corp. had effected 100% delivery and installation of the rice mill in San Jose, Occidental Mindoro, and that the same was duly inspected and found to be in accordance with the NFA specifications, were satisfactorily exposed by evidence to the contrary. Petitioner Pagalilauan himself admits before this Court that he was not aware of the total lack of actual inspection conducted on the equipment and its non-conformity with the Contract specifications, since he executed the Certificate of Inspection on 11 June 2001, ahead of the submission of the report on the alleged non-conformity of the rice mill with the plans on 15 June 2001.[57] Such an admission, instead of benefiting petitioner Pagalilauan, actually works against him because it shows that he signed the said Certificate without the complete and necessary information. To certify would be to attest to certain matters or to confirm them as true. Before issuing such certificates, it behooves the public officer to verify the contents thereof, for, undoubtedly, other people would be relying on said certificates for some legal or other purpose.

To make matters worse, petitioners Bascos and Pagalilauan failed to prove that they had exercised due diligence

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by investigating the alleged inconsistencies with and ostensible violations of the provisions of the Contract before facilitating the payment to Alheed Corp. of the balance of the purchase price for the rice mill. What they could only proffer were belated justifications for what they try to downplay as trivial deviations from the Contract. Considering the substantial amount of public funds involved in this Contract, as well as the vital public interest at stake, petitioners as public officials should have exercised more good sense in the performance of their functions in this case.

Public service requires utmost integrity and discipline. A public servant must exhibit at all times the highest sense of honesty and integrity, for no less than the Constitution mandates the principle that a public office is a public trust; and all public officers and employees must at all times be accountable to the people and serve them with utmost responsibility, integrity, loyalty and efficiency.[58]

In fine, the confluence of the foregoing circumstances leads to the inevitable conclusion that petitioners Bascos and Pagalilauan, in signing certifications that contained untruthful statements, were indeed guilty of acts of dishonesty in the exercise of their public functions, thus, warranting their dismissal from the service in accordance with Section 52(A)(1), Rule IV of the Revised Uniform Rules on Administrative Cases in the Civil Service.

WHEREFORE, premises considered, the Petition for Review is hereby DENIED. The Decision dated 28 May 2007 and the Resolution dated 20 November 2007 of the Court of Appeals in CA-G.R. SP No. 92533 are hereby AFFIRMED. Costs against the petitioners.

SO ORDERED.

Puno, C.J.,[*] Quisumbing,[**] Austria-Martinez, (acting Chairperson), and Peralta, JJ. concur.

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[*] Chief Justice Reynato S. Puno was designated to sit as additional member replacing Associate Justice Antonio Eduardo B. Nachura per Raffle dated 11 February 2009.

[**] Per Special Order No. 564, dated 12 February 2009, signed by Chief Justice Reynato S. Puno designating Associate Justice Leonardo A. Quisumbing to replace Associate Justice Consuelo Ynares-Santiago, who is on official leave under the Court's Wellness Program.

[1] Rollo, pp. 25-42.

[2] Penned by Associate Justice Marlene Gonzales-Sison with Associate Justices Juan Q. Enriquez, Jr. and Vicente S. E. Veloso, concurring; rollo, pp. 43-66.

[3] Rollo, p. 67.

[4] Id. at 120-150.

[5] Id. at 165-178.

[6] Records, pp. 128-133.

[7] In other parts of the records, the Technical Service Directorate of the NFA was referred to as the Technical Services Department.

[8] Rollo, pp. 68-81.

[9] Records, pp. 16-19.

[10] Id. at 30.

[11] Id. at 31.

[12] Id. at 32-33.

[13] Id. at 34.

[14] Id. at 35.

[15] Id. at 36-37.

[16] Id. at 38.

[17] CA rollo, pp. 111-112.

[18] Records, pp. 50-55.

[19] A criminal case for Falsification and Violation of Section 3(e) of the Anti-Graft and Corrupt Practices Act (Rep. Act No. 3019), docketed as OMB-C-C-02-0552-I, was likewise filed against petitioners Bascos and Pagalilauan, Escarez and Herculano C. Co, Jr., the President of Alheed Corp.

[20] Rollo, pp. 120-149.

[21] Records, pp. 140-141.

[22] Id. at 141-146.

[23] Rollo, pp. 146-147.

[24] Id. at 147-148.

[25] Id. at 148-149.

[26] Id. at 151-164.

[27] Id. at 165-177.

[28] Id. at 179-213.

[29] CA rollo, pp. 356-357.

[30] Id. at 358-375.

[31] Id. at 377-378.

[32] Id. at 379-389.

[33] Id. at 391-393.

[34] The Ombudsman Act of 1989. Section 11 thereof provides:

Sec. 11. Structural Organization. - The authority and responsibility for the exercise of the mandate of the Office of the Ombudsman and for the discharge of its powers and functions shall be vested in the Ombudsman, who shall have supervision and control of the said Office.

[35] Rollo, p. 65.

[36] Id. at 67.

[37] CA rollo, pp. 593-606.

[38] Sections 7 and 8, Rule III of the Rules of Procedure of the Office of the Ombudsman (Administrative Order No. 07, as amended by Administrative Order No. 17, dated 7 September 2003) clearly provides:

Section 7. Finality and execution of decision.-Where the respondent is absolved of the charge, and in case of conviction where the penalty imposed is public censure or reprimand, suspension of not more than one month, or a fine equivalent to one month salary, the decision shall be final, executory and unappealable.

In all other cases, the decision may be appealed to the Court of Appeals on a verified petition for review under the requirements and conditions set forth in Rule 43 of the Rules of Court, within fifteen (15) days from receipt of the written Notice of the Decision or Order denying the Motion for Reconsideration.

x x x x

Section 8. Motion for reconsideration or reinvestigation: Grounds- Whenever allowable, a motion for reconsideration or reinvestigation may only be entertained if filed within ten (10) days from receipt of the decision or order by the party on the basis of any of the following grounds:

a) New evidence had been discovered which materially affects the order, directive or decision;
b) Grave errors of facts or laws or serious irregularities have been committed prejudicial to the interest of the movant.

Only one motion for reconsideration or reinvestigation shall be allowed, and the Hearing Officer shall resolve the same within five (5) days from the date of submission for resolution.

[39] Rules of Court, Rule 133, Section 5.

[40] In the Matter of the Petition for Habeas Corpus of Lansang v. Garcia, 149 Phil. 547, 593 (1971).

[41] Bedruz v. Office of the Ombudsman, G.R. No. 161077, 10 March 2006, 484 SCRA 452, 456, cited in Dadulo v. Court of Appeals, G.R. No. 175451, 13 April 2007, 521 SCRA 357, 363.

[42] Montemayor v. Bundalian, 453 Phil. 158, 167 (2003), cited in Dadulo v. Court of Appeals, id.

[43] Sesbreño v. Court of Appeals, G.R. No. 101487, 22 April 2005, 456 SCRA 522, 532, cited in Dadulo v. Court of Appeals, supra note 41.

[44] The following are the exceptions, to wit: (1) when the findings are grounded entirely on speculation, surmises, or conjectures; (2) when the inference made is manifestly mistaken, absurd, or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when the findings went beyond the issues of the case or are contrary to the admissions of the parties to the case; (7) when the findings are contrary to those of the trial court or the administrative agency; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the pleadings are not disputed; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when certain relevant facts not disputed by the parties were manifestly overlooked, which, if properly considered, would justify a different conclusion.

[45] Records, p. 34.

[46] Id. at 31.

[47] CA rollo, pp. 399-401.

[48] Id. at 111-112.

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[49] Records, pp. 50-53.

[50] Id. at 57-63.

[51] Id. at 96-110.

[52] Id. at 147-160.

[53] Philippine Amusement and Gaming Corp. v. Rilloraza, 412 Phil. 114, 133 (2001).

[54] Alfonso v. Office of the President, G.R. No. 150091, 2 April 2007, 520 SCRA 64, 87.

[55] The Administrative Code of 1987.

[56] REVISED UNIFORM RULES ON ADMINISTRATIVE CASES IN THE CIVIL SERVICE. The relevant provision reads:

Section 52. Classification of Offenses. - Administrative offenses with corresponding penalties are classified into grave, less grave or light, depending on their gravity or depravity and effects on the government service.

A. The following are grave offenses with their corresponding penalties:

1. Dishonesty

1st offense - Dismissal

[57] Petitioner's Memorandum, rollo, pp. 354-370.

[58] Section 1, Article XI, 1987 Constitution.

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