REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Second Division, issued a Resolution dated **16 March 2022** *which reads as follows*:

"G.R. No. 247517 (*Mila Olay-Neyra vs. Sheila P. Macaraeg and Servillano S. Aquino, Jr.*). – After a judicious study of the case, the Court resolves to **DENY** the Petition for Review on *Certiorari*[1] for failure to show that the Court of Appeals (CA) committed any reversible error in its Decision[2] dated August 13, 2018 and Resolution[3] dated April 15, 2019 in CA-G.R. SP No. 148437 as to warrant the exercise of the Court's appellate jurisdiction. The CA properly affirmed petitioner Mila Olay-Neyra's (petitioner) liability for grave misconduct based on substantial evidence on record.

It is well-settled that factual findings of administrative bodies charged with their specific fields of expertise are afforded great weight by the courts, and in the absence of substantial showing that such findings were made from an erroneous estimation of the evidence presented, they are conclusive, and in the interest of stability of the governmental structure, should not be disturbed.[4] The National Electrification Administration (NEA) Board of Administrators, by reason of its official mandate and functions, has acquired expertise in specific matters within its jurisdiction, and its findings deserve full respect. As long as they are supported by substantial evidence, these factual findings are binding and final, thus:

> Factual findings of administrative agencies are generally held to be binding and final so long as they are supported by substantial evidence in the record of the case. It is not the function of the Supreme Court to analyze or weigh all over again the evidence and credibility of witnesses presented before the lower court, tribunal or office. The Supreme Court is not a trier of facts. Its jurisdiction is limited to reviewing and revising errors of law

---

[1] *Rollo*, pp. 12-26.
[2] Id. at 33-47. Penned by Associate Justice Henri Jean Paul B. Inting (now a member of the Court), with the concurrence of Associate Justices Mariflor P. Punzalan Castillo and Danton Q. Bueser.
[3] Id. at 50-51.
[4] *Cabral v. Adolfo*, 794 Phil. 161, 172 (2016).

> imputed to the lower court, its findings of fact being conclusive and not reviewable by this Court.[5]

A careful perusal of the records reveals that the evidence on record sufficiently demonstrates petitioner's culpability for grave misconduct and satisfies the standard of substantial evidence. Substantial evidence is defined as such amount of relevant evidence that a reasonable mind might accept as adequate to support a conclusion, even if other minds equally reasonable might conceivably opine differently.[6] This requirement is satisfied where there is reasonable ground to believe that the petitioner is guilty of the act or omission complained of, even if the evidence might not be overwhelming.[7]

In *Ines v. Pangandaman*,[8] the Court defined misconduct as "a transgression of some established and definite rule of action, more particularly unlawful behavior or gross negligence, by the public officer. To warrant dismissal from the service, the misconduct must be grave, serious, important, weighty, momentous, and not trifling. The misconduct must imply wrongful intention and not a mere error of judgment and must also have a direct relation to and be connected with the performance of the public officer's official duties amounting either to maladministration or willful, intentional neglect, or failure to discharge the duties of the office." In order to differentiate grave misconduct from simple misconduct, the elements of corruption, clear intent to violate the law, or flagrant disregard of established rule, must be manifest in the former.[9]

Under the attendant circumstances, We find that petitioner's conduct displayed a flagrant disregard of rules sufficient to qualify her misconduct as grave misconduct. In *Sabio v. Field Investigation Office*,[10] the Court elucidated instances where flagrant disregard of rules obtains:

> Flagrant disregard of rules has been jurisprudentially demonstrated, among others, in the instances when there had been open defiance of a customary rule; in the repeated voluntary disregard of established rules in the procurement of supplies; in the practice of illegally collecting fees more than what is prescribed for delayed registration of marriages; when several violations or disregard of regulations governing the collection of government funds were committed; and when the **employee arrogated unto herself responsibilities that were clearly beyond her given duties. The common denominator in these cases was the employee's propensity to ignore the rules as clearly manifested by his or her actions**. (Emphasis supplied)

---

[5] *Lim v. Commission on Audit*, 447 Phil. 122, 127 (2003).
[6] *Fajardo v. Corral*, 813 Phil. 149, 156 (2017).
[7] *Office of the Deputy Ombudsman for Luzon v. Dionisio*, 813 Phil. 474, 487 (2017).
[8] G.R. No. 224345, September 2, 2020, citing *Office of the Deputy Ombudsman for Luzon v. Dionisio*, id. at 474-475.
[9] *Miranda v. Civil Service Commission*, G.R. No. 213502, February 18, 2019.
[10] 825 Phil. 848 (2018).

Here, petitioner displayed a flagrant disregard of rules by non-compliance with Isabela I Electric Cooperative, Inc.'s (ISELCO I) own policy requiring competitive public bidding and more importantly, NEA rules and policies which petitioner, as a member of the Board of Directors (Board) of an electric cooperative, was bound to uphold.

At the onset, it bears to emphasize that petitioner should not have directly participated in the procurement of the UCPB-Gen insurance contract, which is prohibited under NEA Bulletin No. 35, thus:

> PROHIBITIONS
>
> The position of a director is a privilege granted by the members to a person whom they think can best represent and protect their interests in the cooperative. Directors have a moral responsibility to perform their jobs in furtherance of the best interests of the REC. Thus, the Board member, either collectively or individually, -
>
> 1. x x x
>
> 2. Should not directly or indirectly involve themselves in functions that inherently belong to Management such as, for example, material purchases and procurement. Relative to this instance, and similarly in all other instances, they should not sit as members of the REC's bids and awards committee but should confine themselves to laying down policies for Management's guidance.[11]

Similarly, under NEA Bulletin No. 35, part of the duties and responsibilities of the Board of Directors is to "insure *(sic)* protection of the assets of the cooperative" and "assure REC's [or rural electric cooperative] compliance with NEA policies, orders, rules and regulations, with all provisions of the NEA Charter and REC By-Laws and with other pertinent national and local laws and ordinance."[12] As will be further discussed below, petitioner failed to comply with these duties.

Petitioner's participation in the approval of the contract with UCPB-Gen[13] is not disputed. It must be underscored that no explanation was given by the ISELCO I Board or petitioner to justify their non-compliance with the requirement of a competitive public bidding, which was likewise mandated under ISELCO I's own cooperative policy under Policy No. 001 s. 2005.

Even during the proceedings before the NEA Board, petitioner raised the defense that she did not participate in the approval of the contract with

---

[11] *Rollo*, pp. 69-70.
[12] Id.
[13] Board Resolution No. 057S-2011 entitled "Resolution Approving the Availment by ISELCO I of a Personal Accident Insurance Plan for its Member-Consumers from UCPB-Gen," dated October 6, 2011; id. at 185-186.

Eternal Plans, Inc.[14] and the release of its initial premium.[15] We do not dispute that petitioner was elected as the representative of her district on April 9, 2011[16] and consequently, only became a part of the ISELCO I Board thereafter. However, this alone will not altogether exculpate petitioner from liability. The Court agrees with the CA's conclusion that these questioned resolutions involving Eternal Plans, Inc. were still effective[17] such that the ISELCO I Board, including petitioner, was bound to ensure compliance with the express provisions laid down by NEA, to wit:

> a. engaging the services of a private Pre-need plan company conforms with coop policy
> b. the plan is included in the EC's approved 2011 Integrated Computerized Planning Model (ICPM)
> c. premium is included in the NEA approved coop's Cash Operating budget, subject to the availability of funds.[18]

Records show that there was non-compliance with the aforementioned provisions. While a retirement plan was included in ISELCO I's Integrated Computerized Planning Model for 2011, there was effectively non-compliance with the second requirement since the ISELCO I Board only transmitted this to NEA on November 28, 2011, long after the Memorandum of Agreement with Eternal Plans, Inc. was signed and the initial premium payment was released pursuant to the ISELCO I Board's authority. Consequently, there was non-compliance with NEA Memorandum No. 2005-011[19] which expressly requires prior NEA approval of certain board resolutions by electric cooperatives, such as the adoption of a retirement plan.[20]

Further, according to the NEA Audit Findings,[21] the ISELCO I Board and its management failed to protect the interests of the cooperative when it acquired insurance from Eternal Plans, Inc. and UCPB-Gen. The ISELCO I Board never controverted that no study or evaluation was made as to ISELCO I's financial capability prior to the acquisition of these contracts, considering that the premium payments were not insignificant and more importantly, since ISELCO I was in a negative financial state.[22] As observed by the NEA:

---

[14] *Board Resolution No. 006-2011 entitled "Resolution Approving the Retirement Plan Proposal of Eternal Plans,* Inc. for the Employees of ISELCO I;" id. at 181.
[15] Board Resolution No. 022s-2011 dated March 19, 2011 entitled "Resolution Authorizing the General Manager Engr. Virgilio L. Montano to Release the Amount of P5M as Initial Premium to Eternal Plans, Inc. RE: Retirement Plan for ISELCO I Employees;" id. at 183-184.
[16] Id. at 176.
[17] Id. at 45.
[18] Id. at 71.
[19] Entitled "Revised Policy on Electric Cooperative Issuances Requiring Express NEA Approval" dated March 21, 2005.
[20] *Rollo,* p. 70.
[21] Id. at 248-260.
[22] Id. at 70.

> That on March 2011, the financial standing of ISELCO-I is on the red, meaning the liabilities of ISELCO-I is Php 765,065,410 (excluding total deferred credits of Php 93,964,929.00 and liabilities to Eternal Plan amounting to more or less Php 400,000,000.00) and total cash and total notes and accounts receivables is only Php 383,894,352.00. This really runs counter to the condition imposed by NEA in its letter addressed to the BOD of ISELCO-I, in particular, Condition No. 3, the availability of the fund.[23]
>
> ISELCO-I simply cannot afford the plan because of its negative financial standing (total cash and receivables as compared to total liabilities) shown in the MFSR [or Monthly Financial and Statistical Report] for calendar year 2011. Please also note that purchases of power to Lucky PPH International (an independent power provider) were not totally booked, as cost of power in the said MFSR for 2011. Likewise, liabilities to Eternal Plan, Inc. was not booked and reflected in the MFSR for 2011. In short, the liabilities of ISELCO-I will be much, much more only if these liabilities were reflected and entered in the MFSR for 2011.[24]

Meanwhile, with respect to the UCPB-Gen contract, the NEA Board made the following findings:

> The EC Bid and Award (*sic*) Committee did not conduct bidding but it was the Board of Directors who directly evaluated the offer of UCPB Gen.
>
> The payment of premium to the UCPB Gen were (sic) not supported with official receipt.
>
> The initial payment was already made to UCPB Gen but the P5.00 premium has yet to be collected from insured consumers since other charges to be included in the consumer's Billing Statement needs approval of ERC through petition of which the Management has yet to secure prior to the implementation of the program.[25]

Thus, despite petitioner's repeated assertions of good faith, We cannot overlook the gravity of petitioner's lapses as a member of the ISELCO I Board. The Court, in *Civil Service Commission v. Rodriguez*,[26] discussed the concept of good faith in administrative cases, *viz.*:

> Good faith is ordinarily used to describe that state of mind denoting **honesty of intention and freedom from knowledge of circumstances which ought to put the holder upon inquiry**; an honest intention to abstain from taking any unconscientious advantage of another, even through technicalities of law, together with absence of all information, notice, or benefit or belief of facts which render transaction unconscientious. In short, good faith is actually a question of intention. Although this is something internal, we can ascertain a person's intention

---

[23] Id. at 249.
[24] Id. at 253.
[25] Id. at 74.
[26] G.R. No. 248255, August 27, 2020, citing *Bacsasar v. Civil Service Commission,* 596 Phil. 858, 860 (2009).

> not from his own protestation of good faith, which is self-serving, but from evidence of his conduct and outward acts. (Emphasis supplied)

Aside from a showing of honest intention, a person who acted in good faith must also be free from knowledge of circumstances which ought to put him or her on inquiry.[27] In this case, the glaring irregularities which attended the procurement of insurance contracts, in addition to the non-compliance with the additional requirements imposed by NEA, belie petitioner's claim of good faith.

In sum, petitioner, as a member of the ISELCO I Board, acted beyond her functions when she participated in evaluating and awarding the UCPB-Gen contract without the endorsement from ISELCO I's bids and awards committee. Moreover, there was no record that the ISELCO I Board even solicited offers from other companies. Worse, even before the ISELCO I Board approved the contract with Eternal Plans, Inc., the total liabilities of ISELCO I was Php 765,065,410.00 (excluding the total deferred credits of Php 93,964,929.00) while the total cash, notes, and accounts receivables was only Php 383,994,352.00.[28] Thus, ISELCO I had no financial capacity to obtain either insurance contract, both of which were approved within a period of one year. From the evidence on record, it can be gathered that petitioner not only exceeded her authority but likewise failed to perform her mandate as a member of the Board of Directors to protect the assets of their cooperative on behalf of their consumer-members.

Finally, after being duly found guilty of grave misconduct, petitioner was rightly meted the penalty of dismissal from the service for her first offense, conformably with the Revised Uniform Rules on Administrative Cases in the Civil Service (RRACCS). Due to the expiration of her term, petitioner was already separated from ISELCO I by the time the NEA Board rendered its decision and by reason thereof, she was imposed the accessory penalty of dismissal from service. It must be emphasized that the mere fact that this was petitioner's first offense does not automatically render dismissal from service a harsh penalty. In *Dela Rama v. De Leon,*[29] the Court explained:

> The fact that an offender was caught for the first time does not, in any way, abate the gravity of what he or she actually committed. **Grave misconduct is not a question of frequency, but as its own name suggests, of gravity or weight. One who commits grave misconduct is one who, by the mere fact of misconduct, has proven himself or herself unworthy of the continuing confidence of the public. By his or her very commission of that grave offense, the offender forfeits any right to hold public office.** (Emphasis supplied)

---

[27] Id.
[28] *Rollo,* p. 73.
[29] A.M. No. P-14-3240, March 2, 2021.

While We may consider circumstances to mitigate the imposable penalty prescribed under the RRACCS, no such circumstance has been invoked, nor does any appear from the records of the case.[30]

WHEREFORE, premises considered, the Court **AFFIRMS** the Decision dated August 13, 2018 and the Resolution dated April 15, 2019 of the Court of Appeals in CA-G.R. SP No. 148437.

SO ORDERED."

By authority of the Court:

TERESITA AQUINO TUAZON
Division Clerk of Court
22 JUN 2022

PUBLIC ATTORNEY'S OFFICE (reg)
Special & Appealed Cases Service
Department of Justice
PAO-DOJ Agencies Building
NIA Road corner East Avenue
Diliman, 1104 Quezon City

SHIELA P. MACARAEG (reg)
SERVILLANO S. AQUINO, JR. (reg)
Respondents
San Antonio, 3306 Alicia, Isabela

JUDGMENT DIVISION (x)
Supreme Court, Manila

PUBLIC INFORMATION OFFICE (x)
LIBRARY SERVICES (x)
[For uploading pursuant to A.M. No. 12-7-SC]

OFFICE OF THE CHIEF ATTORNEY (x)
OFFICE OF THE REPORTER (x)
PHILIPPINE JUDICIAL ACADEMY (x)
Supreme Court, Manila

COURT OF APPEALS (x)
Ma. Orosa Street
Ermita, 1000 Manila
CA-G.R. SP No. 148437

Please notify the Court of any change in your address.
GR247517. 03/16/2022(85)URES

[30] *Tolentino v. Umali,* 804 Phil. 40, 41 (2017).