



Republic of the Philippines  
**Supreme Court**  
 Manila

EN BANC

**DUTY FREE PHILIPPINES CORPORATION** (formerly Duty Free Philippines) duly represented by its Chief Operating Officer, **LORENZO C. FORMOSO**,

Petitioner,

**G.R. No. 210991**

Present:

SERENO, C.J.,  
 CARPIO,  
 VELASCO, JR.,  
 LEONARDO-DE CASTRO,  
 BRION,  
 PERALTA,  
 BERSAMIN,  
 DEL CASTILLO,  
 PEREZ,  
 MENDOZA,\*  
 REYES,\*\*  
 PERLAS-BERNABE,  
 LEONEN,  
 JARDELEZA,\*\*\* and  
 CAGUIOA, JJ.

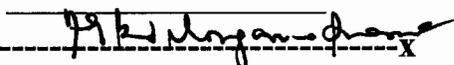
- versus -

**COMMISSION ON AUDIT, HON. MA. GRACIA M. PULIDO TAN,**  
 Chairperson and **HON. HEIDI L. MENDOZA, Commissioner,**

Respondents.

Promulgated:

July 12, 2016



X-----X

**DECISION**

**BRION, J.:**

Before this Court is a petition for *certiorari*<sup>1</sup> filed by the Duty Free Philippines Corporation (*Duty Free*)<sup>2</sup> to challenge the August 17, 2011 decision<sup>3</sup> and December 6, 2013 resolution<sup>4</sup> of the Commission on Audit

\* On Official Leave.

\*\* On Leave.

\*\*\* No Part.

<sup>1</sup> *Rollo*, pp. 3-14. The petition is filed under Rule 65 of the Rules of Court.

<sup>2</sup> Formerly Duty Free Philippines, *id.* at 3.

<sup>3</sup> *Id.* at 15-20.

<sup>4</sup> *Id.* at 23-24.



(COA) in Decision No. 2011-059. The COA disallowed the payment of 14<sup>th</sup> Month Bonus to Duty Free officers and employees in the total amount of ₱14,864,500.13.

### Antecedents

Executive Order (EO) No. 46<sup>5</sup> authorized the Ministry (now Department) of Tourism (DOT), through the Philippine Tourism Authority (PTA), to operate stores and shops that would sell tax and duty free merchandise, goods and articles, in international airports and sea ports throughout the country.<sup>6</sup> The Duty Free was established pursuant to this authority.

The Duty Free Philippines Services, Inc. (DFPSI), a private contracting agency, initially provided the manpower needs of the Duty Free. The DFPSI employees organized the Duty Free Philippines Employees Association (DFPEA) and filed a petition for certification election with the Department of Labor and Employment.<sup>7</sup>

On April 22, 1997, the Med-Arbiter granted the application for certification election.<sup>8</sup> The Med-Arbiter found that the Duty Free was the direct employer of the contractual employees and that DFPSI was a labor-only contractor.<sup>9</sup> The Duty Free subsequently terminated its manpower services contract with DFPSI and assumed the obligations of the latter as the employer of the contractual personnel.

In 2002, the Duty Free granted the 14<sup>th</sup> Month Bonus to its officials and employees in the grand sum of Php 14,864,500.13.<sup>10</sup>

On July 13, 2006, the COA Director<sup>11</sup> disallowed the payment of the 14<sup>th</sup> Month Bonus. The *Notice of Disallowance* reads in part:

xxx Please be informed that the 14<sup>th</sup> month bonus paid to the officers and employees of [Duty Free] in 2002 amounting to ₱14,864,500.13 has been disallowed in audit as the same constitutes irregular expenditures and unnecessary use of public funds...the said grant being without the approval from the [PTA] Board of Directors and Office of the President as required under Section 5 of P.D. No. 1597<sup>12</sup> and Memorandum Order No. 20<sup>13</sup> dated June 25, 2001.<sup>14</sup>

<sup>5</sup> Granting the Ministry of Tourism, Through the Philippine Tourism Authority (PTA), Authority to Establish and Operate A Duty and Tax Free Merchandising System in the Philippines dated September 4, 1986.

<sup>6</sup> *Rollo*, p. 15. See Section 1 of EO No. 46. Under Presidential Decree (PD) No. 564 dated October 2, 1974, the PTA is a government-owned or controlled corporation attached to the DOT.

<sup>7</sup> *Id.* at 6 and 26.

<sup>8</sup> *Id.* at 25-35. Case No. NCR-OD-M-9606-015; order/decision issued by Med-Arbiter Tomas F. Falconitin. Department of Labor and Employment Secretary Leonardo A. Quisumbing affirmed the Med-Arbiter's decision in his resolution dated January 19, 1998; *id.* at 51.54.

<sup>9</sup> *Id.* at 30-32.

<sup>10</sup> *Id.* at 16.

<sup>11</sup> Janet D. Nacion (Director IV).

<sup>12</sup> Section 5. *Allowances, Honoraria, and Other Fringe Benefits.*

The COA Director ordered the following officials and employees to settle the disallowed amount:

1. Mr. Michael Christian U. Kho (*General Manager*) – for approving the 14<sup>th</sup> Month Bonus;
2. Ms. Ma. Teresa C. Panopio (*Acting HRMD Manager*) – for certifying that the expenses are necessary, lawful and incurred under her direct supervision;
3. Ms. Ma. Theresa R. Cruz (*Accounting Manager*) and Ms. Eleanor A. Macaraig (*Treasury Department Manager*) – for certifying that funds are available, the expenditures are proper and with adequate documentation; and
4. All officers and employees who received the 14<sup>th</sup> Month Bonus.<sup>15</sup>

The Duty Free moved for reconsideration before the COA Legal and Adjudication Sector (LAS).<sup>16</sup> The COA LAS denied the motion for reconsideration<sup>17</sup> and ruled that: (1) pursuant to this Court's ruling in *Duty Free Philippines v. Mojica*,<sup>18</sup> the Duty Free is a government entity under the exclusive authority of the PTA, a corporate body attached to the DOT;<sup>19</sup> and thus, (2) the Duty Free is not bound to pay the employee benefits previously granted by DFPSI, a private entity.

The COA LAS explained that the finding of the Med-Arbitrator that DFPSI is a labor-only contractor converted the status of the employees from private to government. Thus, the non-payment of the 14<sup>th</sup> Month Bonus is not a diminution of the workers' benefits since their salaries and benefits are governed by law, rules and regulations applicable to government employees.

The Duty Free appealed to the COA Proper and claimed that: (1) this Court in *Duty Free Philippines v. Duty Free Philippines Employees Association (DFPEA)*<sup>20</sup> mandated the grant of the 14<sup>th</sup> Month Bonus; (2) the COA erred in applying the *Mojica* case; and (3) the grant of the 14<sup>th</sup> Month Bonus had legal basis.<sup>21</sup>

---

Allowances, honoraria and other fringe benefits which may be granted to government employees, whether payable by their respective offices or by other agencies of government, shall be subject to the approval of the President upon recommendation of the Commissioner of the Budget. For this purpose, the Budget Commission shall review on a continuing basis and shall prepare, for the consideration and approval of the President, policies and levels of allowances and other fringe benefits applicable to government personnel, including honoraria or other forms of compensation for participation in projects which are authorized to pay additional compensation.

<sup>13</sup> Section 3 of Memorandum Order No. 20 provides that any increase in salary or compensation of GOCCs/GFIs that are not in accordance with the SSL shall be subject to the approval of the President.

<sup>14</sup> *Rollo*, pp. 38-39. Notice of Disallowance No. PTA-2006-00.

<sup>15</sup> *Id.* at 39.

<sup>16</sup> *Id.* at 41-44. Motion for Reconsideration dated December 22, 2006, signed by Duty Free General Manager Michael Christian U. Kho.

<sup>17</sup> *Id.* at 45-50. Legal and Adjudication Sector Decision No. 2009-006 dated January 28, 2009.

<sup>18</sup> 508 Phil. 726 (2005).

<sup>19</sup> *Rollo*, p. 48. The PTA is created by Presidential Decree No. 564.

<sup>20</sup> *Id.* at 36-37. G.R. No. 134151, December 7, 1998. Resolution signed by First Division Clerk of Court Virginia Ancheta-Soriano.

<sup>21</sup> *Id.* at 16.

### The COA Decision

The COA partly granted the Duty Free's petition for review and ruled as follows:

*First*, the *DFPEA* case did not rule that the Duty Free is bound to pay the 14<sup>th</sup> Month Bonus.<sup>22</sup> In that case, the Court denied through a minute resolution, the Duty Free's petition questioning the Med-Arbiter decision allowing the certification election. The Duty Free's petition was insufficient in form (lacks material dates) and substance (the Med-Arbiter did not gravely abuse his discretion).<sup>23</sup> This Court did not resolve the propriety of the 14<sup>th</sup> Month Bonus.

*Second*, the Duty Free employees are government employees. Their compensation structure is subject to Republic Act No. 6758 or the Salary Standardization Law (*SSL* for brevity).<sup>24</sup>

Applying our decision in *Philippine Ports Authority v. COA*,<sup>25</sup> the COA ruled that the additional (*i.e.*, not integrated with the base salary) allowances and benefits granted to incumbent government employees before the effectivity of the *SSL* (July 1, 1989)<sup>26</sup> shall not be diminished. The Duty Free employees who have been receiving the 14<sup>th</sup> Month Bonus as of July 1, 1989 shall continue to receive it. The Duty Free employees hired after July 1, 1989 shall not be entitled to the 14<sup>th</sup> Month Bonus although their employment contracts with *DFPSI* gave such entitlement.<sup>27</sup>

Citing the Civil Code, the COA stressed that contracting parties may establish stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.<sup>28</sup> Since salaries and compensation benefits of government employees are governed by the *SSL*, they cannot be the subject of negotiation, and any benefit not allowed under the *SSL* although stipulated in the employment contracts is disallowed.<sup>29</sup>

The dispositive portion of the COA decision reads:

**WHEREFORE**, premises considered, the herein petition for review is **PARTIALLY GRANTED**. Those [Duty Free] employees who have been receiving the 14<sup>th</sup> Month Bonus as of July 1, 1989, the effectivity date of the *SSL*, shall continue to receive the same while those hired after July 1, 1989 shall not be entitled thereto. LSS Decision No. 2009-006 dated January 28, 2009 and ND No. PTA-2006-001 dated July

<sup>22</sup> *id.* at 17.

<sup>23</sup> *Ibid.*

<sup>24</sup> *Id.* at 18.

<sup>25</sup> G.R. No. 100773, October 16, 1992, 214 SCRA 653.

<sup>26</sup> Section 23 of the *SSL*.

<sup>27</sup> *Rollo*, p. 18.

<sup>28</sup> Citing Article 1306. Civil Code.

<sup>29</sup> *Roilo*, pp. 18-19.

13, 2006 disallowing the payment of 14<sup>th</sup> Month Bonus to [Duty Free] officials and employees in CY 2002 are **MODIFIED** accordingly.<sup>30</sup>

The COA denied the Duty Free's motion for reconsideration.<sup>31</sup> Aggrieved, the Duty Free came to this Court for relief through the present petition for *certiorari*.

### The Petition

The Duty Free maintains that it was authorized and had the duty to grant the 14<sup>th</sup> Month Bonus on the main ground that it would have diminished the employees' benefits if it had discontinued the payment.<sup>32</sup>

The Duty Free argues that there is no substantial distinction between the employees hired before the effectivity of the SSL and the employees hired after.<sup>33</sup> All Duty Free employees whether hired before or after July 1, 1989 had the vested right to the 14<sup>th</sup> Month Bonus granted under their employment contracts.

The Duty Free submits that the distinction between employees hired before and after the effectivity of the SSL in *Philippine Ports Authority* case is inapplicable here. Unlike the Philippine Ports Authority employees who are clearly government employees, the Duty Free employees were initially hired by DFPSI, a private contracting agency.<sup>34</sup>

The Duty Free posits that the Med-Arbiter's ruling did not allow the diminution of employee benefits. In any case, it was only in 1998 in the *DFPEA* case that this Court upheld that the Duty Free is the employer of the DFPSI personnel. Even then, it was only in the 2005 *Mojica* case that this Court held that the Duty Free officials and employees are subject to Civil Services rules. The Duty Free underscores that before *Mojica*, disputes in Duty Free involving terms of employment were resolved under the Labor Code.<sup>35</sup>

The Duty Free also insists that the COA erred when it invoked the 2005 *Mojica* case in disallowing the payment of the 14<sup>th</sup> Month Bonus made in 2002. Assuming the SSL is applicable to the Duty Free employees, it should only be applied to cases after *Mojica*.

Finally, the Duty Free submits that the payment of the 14<sup>th</sup> Month Bonus was made in good faith, supported by then existing jurisprudence, and based on the recognition of the Duty Free employees' vested rights to the benefits granted under their employment contracts.

---

<sup>30</sup> Id. at 19.

<sup>31</sup> *Supra* note 4.

<sup>32</sup> *Rollo*, p. 9.

<sup>33</sup> *Ibid*.

<sup>34</sup> *Ibid*.

<sup>35</sup> *Id.* at 10.

On March 24, 2014, the Office of the Government Corporate Counsel (OGCC) filed its entry of appearance as counsel for Duty Free.<sup>36</sup> The next day, the OGCC moved for the issuance of a temporary restraining order (TRO) and preliminary injunction<sup>37</sup> to bar the execution of the COA decision.

On April 22, 2014, the Court issued the TRO.<sup>38</sup>

On June 17, 2014, the COA, through the Office of the Solicitor General (OSG), filed its comment.<sup>39</sup>

### The COA's Comment

The COA refutes the Duty Free's claims on the following grounds:

*First*, the Med-Arbiter did not rule that the Duty Free must continue paying all the benefits enjoyed by the contractual personnel supplied by DFPSI. The Med-Arbiter's determination of the employer-employee relationship between the Duty Free and the members of the DFPEA was necessary in deciding whether to allow the certification election. That determination did not require the Duty Free to pay the 14<sup>th</sup> Month Bonus.<sup>40</sup>

The COA posits that when we dismissed the Duty Free's petition questioning the Med-Arbiter decision, what we upheld was the propriety of the certification election and not the payment of the 14<sup>th</sup> Month Bonus.<sup>41</sup>

*Second*, the July 1, 1989 cut-off date to determine the entitlement of the Duty Free employees to the 14<sup>th</sup> Month Bonus is consistent with the Court's past ruling<sup>42</sup> construing Section 12<sup>43</sup> of the SSL on the consolidation of allowances and compensation. The Court has held that incumbent government employees as of July 1, 1989, who were receiving allowances or fringe benefits, whether or not included in the standardized salaries under the SSL, should continue to enjoy such benefits.<sup>44</sup>

<sup>36</sup> Id. at 57-59.

<sup>37</sup> Id. at 62-71.

<sup>38</sup> Id. at 89-91.

<sup>39</sup> Id. at 104-115.

<sup>40</sup> Id. at 107.

<sup>41</sup> *Rollo*, pp. 107-108.

<sup>42</sup> *Agra et al. v. COA*, 677 Phil. 608 (2011).

<sup>43</sup> Section 12 of the SSL provides that:

*Section 12. Consolidation of Allowances and Compensation.* – All allowances, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad, and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized.

<sup>44</sup> *Rollo*, p. 109.

*Third*, the Duty Free employees are government employees subject to the SSL.<sup>45</sup> The employees did not retain their benefits under the employment contracts with DFPSI when, in view of the Med-Arbiter's decision, Duty Free terminated its manpower services contract with DFPSI.

### **The Issue**

The basic issue is whether the COA gravely abused its discretion when it disallowed the payment of the 14<sup>th</sup> Month Bonus. We also resolve whether the concerned Duty Free officers and employees may be held personally liable for the disallowed amount.

### **Our Ruling**

#### **We partly grant the petition.**

The COA did not gravely abuse its discretion when it disallowed the payment of the 14<sup>th</sup> Month Bonus. However, the Duty Free officers who approved and the employees who received the 14<sup>th</sup> Month Bonus are not required to refund the disallowed payment.

***The Duty Free employees are government employees subject to the SSL.***

There is no dispute that PTA, a government-owned and controlled corporation attached to the DOT, operates and manages the Duty Free.<sup>46</sup> There is also no question that the employees supplied by DFPSI became government employees when the Duty Free terminated its manpower services contract with DFPSI.

The only question now is whether the Duty Free had the duty to continue paying the 14<sup>th</sup> Month Bonus. The Duty Free argues in the affirmative and invokes the principle of non-diminution of benefits. The COA insists the opposite and cites the SSL, the primary law on the compensation structure of government employees.

We agree with the COA's contention.

The Duty Free was established under Executive Order (EO) No. 46<sup>47</sup> to improve the service facilities for tourists and to generate revenues for the government. In order for the government to exercise direct and effective control and regulation over the tax and duty free shops, their establishment and operation were vested in the DOI through its implementing arm, the PTA. All the net profits from the merchandising operations of the shops

<sup>45</sup> *Ibid.*

<sup>46</sup> *Supra* note 6.

<sup>47</sup> Dated September 4, 1986.

accrued to the DOT.<sup>48</sup> Thus, the Duty Free is without a doubt *a government entity*.

Executive Order No. 180, on the other hand, defines *government employees* as all employees of all branches, subdivisions, instrumentalities, and agencies, of the Government, including government-owned or controlled corporations with original charters.<sup>49</sup>

Plainly, as *government employees* working in a *government entity*, the Duty Free personnel's compensation structure must comply with and not contradict the SSL.

The SSL took effect on July 1, 1989. Relevant provisions of the law include:

*Section 4. Coverage.* – The Compensation and Position Classification System herein provided shall apply to **all positions, appointive or elective, on full or part-time basis, now existing or hereafter created in the government**, including government-owned or controlled corporations and government financial institutions. [Emphasis supplied]

*Section 12. Consolidation of Allowances and Compensation.* – **All allowances**, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, **shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized.** [Emphasis supplied]

For better focus, we identify when the SSL became applicable to the Duty Free employees originally supplied by DFPSI.

The record does not disclose the exact date but based on the COA's findings, the Duty Free terminated its manpower services contract with DFPSI after this Court denied its petition questioning the Med-Arbiter's decision in 1998, but before it paid the 14<sup>th</sup> Month Bonus in 2002.<sup>50</sup>

At the time the Duty Free paid the disallowed amount, the employees were already under its direct supervision and control. They were by then

<sup>48</sup> *Supra* note 18, at 730.

<sup>49</sup> Section 1 of Executive Order No. 180, entitled, Providing Guidelines for the Exercise of the Right to Organize of Government Employees, Creating a Public Section Labor-Management Council, and for Other Purposes (June-1, 1987).

<sup>50</sup> *Relio*, p. 7.

government employees, whose compensation and benefits must, from that point onward, be consistent with the SSL.<sup>51</sup>

We emphasize that Section 12 of the SSL mandates that only incumbents as of July 1, 1989 are entitled to continue receiving *additional compensation*, whether in cash or in kind, not integrated with the standardized salary rates.<sup>52</sup> The 14<sup>th</sup> Month Bonus was an *additional benefit* granted under the employees' contracts with DFPSI. The COA thus correctly ruled that the 14<sup>th</sup> Month Bonus had no legal basis as far as the employees hired after July 1, 1989 are concerned.

Viewed from another perspective, there is no diminution of benefits because the SSL is deemed to have superseded the contracts of the employees with DFPSI. The link between DFPSI and the employees was severed when the Duty Free terminated its manpower services contract with DFPSI and assumed the obligations of the latter. The Duty Free, however, could not legally assume an obligation (granting the 14<sup>th</sup> Month Bonus) that contradicts an express provision of law (Section 12 of the SSL).

We thus uphold the COA's ruling that only those incumbents as of July 1, 1989 are entitled to continue receiving the 14<sup>th</sup> Month Bonus. We are aware, however, that the Duty Free employees and management had been exempted from the coverage of the SSL upon the effectivity of Republic Act No. 9593 or the *Tourism Act of 2009*.<sup>53</sup> Our ruling here is thus relevant only to the period before the employees' exemption from the SSL.

Finally, we reject the Duty Free's claim that we upheld the payment of the 14<sup>th</sup> Month Bonus in the *DFPEA* case.

In that case, we denied, *through a minute resolution*, the Duty Free's petition for *certiorari*, which sought to void the Med-Arbiter's order to conduct a certification election. We did not discuss the propriety of the 14<sup>th</sup> Month Bonus because the sole issue was whether the Med-Arbiter gravely abused his discretion. The *DFPEA* case had nothing to do with the legality of the 14<sup>th</sup> Month Bonus.

***The Duty Free officers who approved and the employees who received the 14<sup>th</sup> Month Bonus are not required to return the disallowed amount.***

Although the 14<sup>th</sup> Month Bonus may have been paid without legal basis, we find that the Duty Free officials who approved and the employees

---

<sup>51</sup> Duty Free employees and management were exempted from the coverage of the SSL upon the effectivity of Republic Act (R.A.) No. 9593 or the *Tourism Act of 2009*. See Section 105 of R.A. No. 9593, which was approved on May 12, 2009.

<sup>52</sup> *Supra* note 25.

<sup>53</sup> *Supra* note 51.

who received the disallowed amount can take refuge under the good faith doctrine.

Good faith, in relation to the requirement of refund of disallowed benefits or allowances, is "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 transactions unconscientious.'"<sup>54</sup>

Citing earlier jurisprudence, this Court in *Mendoza v. COA*<sup>55</sup> and in the more recent case of *Zamboanga Water District v. COA*<sup>56</sup> recognized that the officers who approved and the employees who received the disallowed amount may not be held personally liable for refund absent a showing of bad faith or malice. This recognition stems from the rule that every public official is entitled to the presumption of good faith in the discharge of official duties.

In particular, we held in *Zamboanga Water District* that lack of knowledge of a similar ruling by this Court prohibiting a particular disbursement is a badge of good faith.

Applying these rulings to the present case, we find no credible basis to hold the concerned Duty Free officials and employees personally liable for the disallowed amount. On the contrary, we find that there are compelling grounds to believe that they acted in good faith.

*First*, similar to the above-cited cases, there was no controlling jurisprudence applicable at the time Duty Free granted the disallowed amount. There was no definitive guide that would have informed Duty Free that it could legally stop paying a contractually-granted employee benefit.

We recognize that the present case is complex. It involves private sector employees who later became part of the government involuntarily. That their employment contracts with DFPSI granted the 14<sup>th</sup> Month Bonus added another layer of nuance to the case. To our mind, these factors, coupled with the lack of relevant ruling from this Court, created sufficient doubt on the legality of discontinuing the grant of the 14<sup>th</sup> Month Bonus.

True, the *Philippine Ports Authority* case determined the entitlement of the employees to additional benefits on whether they were hired before or after the effectivity of the SSL. That case is not squarely applicable here. The Philippine Ports Authority employees were, without question, government employees. At no point did the terms and conditions of their

<sup>54</sup> *PEZA v. COA*, 690 Phil. 104, 115 (2012), cited in *Zamboanga Water District v. COA*, G.R. No. 213472, January 26, 2016.

<sup>55</sup> G.R. No. 195395, September 10, 2013, 705 SCRA 306.

<sup>56</sup> *Supra* note 54.

employment govern by private contracts as in the case of the Duty Free (formerly DFPSI) employees.

*Second*, we accept the Duty Free management's explanation that they continued paying the 14<sup>th</sup> Month Bonus in recognition of what they thought to be the employees' vested right to their benefits. That they were mistaken should not be taken against them absent a clear showing of malice or bad faith on their part.

We believe that the approving Duty Free officials merely erred on the side of caution when they continued paying the 14<sup>th</sup> Month Bonus. We share their concern that had they unilaterally stopped paying the benefits granted under the employees' contracts with DFPSI, the Duty Free would have been exposed to complaints and litigations. This distinct possibility could have disrupted the operation of the shops.

Consequently, the employees who received the 14<sup>th</sup> Month Bonus are also deemed to have acted in good faith. They merely accepted what they thought was contractually due them. Besides, we cannot fairly expect them to verify the legality of every item of their compensation package; especially so in this case because the 14<sup>th</sup> Month Bonus was granted under their contracts with DFPSI.

**WHEREFORE**, in view of the foregoing findings and legal premises, we **PARTLY GRANT** the petition and **MODIFY** the August 17, 2011 decision and December 6, 2013 resolution of the Commission on Audit in Decision No. 2011-059, such that the **officers who approved** and the **employees who received the 14<sup>th</sup> Month Bonus** are **NOT** personally liable to refund the disallowed amount.

The Temporary Restraining Order issued on April 22, 2014 is **LIFTED**.

**SO ORDERED.**



**ARTURO D. BRION**  
Associate Justice

WE CONCUR:



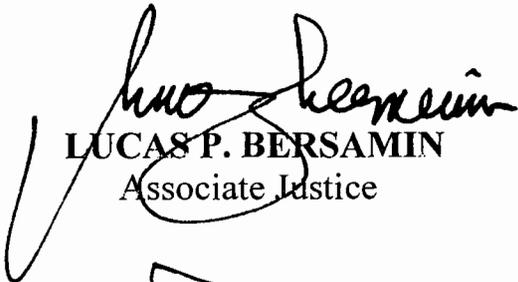
**MARIA LOURDES P. A. SERENO**  
Chief Justice



**ANTONIO T. CARPIO**  
Associate Justice

**PRESBITERO J. VELASCO, JR.**  
Associate Justice

*Teresita Leonardo de Castro*  
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice

  
**DIOSDADO M. PERALTA**  
Associate Justice

**LUCAS P. BERSAMIN**  
Associate Justice

  
**MARIANO C. DEL CASTILLO**  
Associate Justice

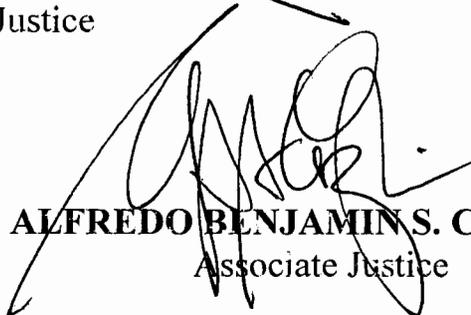
**JOSE PORTUGAL PEREZ**  
Associate Justice

(On Official Leave)  
**JOSE CATRAL MENDOZA**  
Associate Justice

(On Leave)  
**BIENVENIDO L. REYES**  
Associate Justice

  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice  
**MARVIC M.V.F. LEONEN**  
Associate Justice

(No Part)  
**FRANCIS H. JARDELEZA**  
Associate Justice

  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court.



**MARIA LOURDES P. A. SERENO**  
Chief Justice

**CERTIFIED XEROX COPY:**



**FELIPA B. ANAMA**  
CLERK OF COURT, EN BANC  
SUPREME COURT