

MALACAÑANG

RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER No. 332

REMOVING ADMINISTRATOR RUBEN VILLALUZ
AND SUSPENDING ASSISTANT ADMINISTRA-
TOR AURELIO DE LEON, BOTH OF THE MOTOR
VEHICLES OFFICE

This is an administrative case against Messrs. Ruben Villaluz and Aurelio de Leon, Administrator and Assistant Administrator, respectively, of the Motor Vehicles Office (MVO). The case arose from a complaint by the Chairman of the Committee on Good Government of the House of Representatives and the Secretary of Public Works and Communications against respondents for gross mismanagement, inefficiency, and negligence in the performance of their duties, consisting of the following charges:

- I. Irregular and anomalous acceptance or handling of backpay applications and certificates of indebtedness in payment of registration fees for motor vehicles;
- II. Acceptance of negotiable certificates of indebtedness after May 20, 1959, for payment of registration fees of motor vehicles whose owners are not the original backpay holders, Opinion No. 69, series of 1959, of the Secretary of Justice notwithstanding;
- III. Inefficient and negligent methods of collection of registration fees;
- IV. Irregular and anomalous procedure in the requisition and disposition of license plates; and
- V. Inadequate accounting control system or intentional toleration of the same, thereby facilitating the commission of graft and corruption in the disbursement of funds.

I

Charge No. 1 contained the following specifications, namely: (a) faulty receiving, filing, processing, and recording of backpay applications and certificates of indebtedness; (b) negligent transmittal of said applications and certificates to, and/or irregular receipt thereof from, the Bureau of Treasury; (c) commission of anomalies and fraud causing loss to the government. Respondent Villaluz denies this particular charge, stating that the Registration Division of the MVO since 1949 has maintained a complete record of all backpay applications filed by the motor vehicles registrants. On the other hand, respondent De Leon admits the truth of the prevalent conditions of the backpay applications and certificates of indebtedness tendered for payment of registration fees as specified in the complaint. However, he disclaims responsibility there-

for on the ground that this state of things transpired before he became Assistant Administrator and that as soon as he assumed office he initiated a system for the proper receiving, filing, and processing of backpay applications and certificates of indebtedness.

The claim of respondent Villaluz that the Registration Division of the MVO has maintained since 1949 a complete record of all backpay applications tendered in payment of registration fees is without any basis in fact. On the contrary, in the investigation against respondents, tremendous evidence was adduced establishing beyond doubt that, from January 1953 to September 1958, the handling of backpay applications and certificates of indebtedness in payment of registration fees of motor vehicles was a messy and obnoxious affair. Several backpay applications were received but not recorded; some of those received and recorded did not have a complete data; and plenty were lost or could not be accounted for. Thousands of these applications were not sent to the Bureau of Treasury for the issuance of the corresponding certificates of indebtedness. Of those that were so transmitted, several were not recorded as such and several others were recorded as transmitted but were not recorded as received by the MVO. This overall picture of the backpay applications and certificates of indebtedness tendered in payment of registration fees of motor vehicles during that period was indeed a sad and depressing spectacle of wanton waste which was allowed to remain uncorrected for quite a long time.

Romeo Q. Lopez, the leader of the team of auditors which from September 1958 to April 1959 conducted an examination of the accounts and operations of the MVO, testified that his team has found that from January 1953 to September 1958 the MVO received 12,941 backpay applications in payment of registration fees. Of this number, according to him, only 7,531 applications with a total value of ₱3,506,363.06 were recorded; 4,925, with a total value of ₱1,813,547.60 were not recorded in the books provided for the purpose; and 485, although recorded, did not contain complete data, e.g., names and addresses of applicants, amounts, application numbers, etc. He further testified that of the number of applications received by the MVO, whether recorded or not, 9,848 with a total value of ₱4,594,233.39 were not transmitted to the Bureau of Treasury; that 2,621 with a value of ₱1,766,256.86 which were recorded as received could not be located or accounted for; and that while on record the MVO sent 3,093 applications to the Bureau of Treasury, it received from the latter 3,699 certificates of indebtedness or an excess of about 600 certificates.

Lopez also disclosed that in the course of their work his team had discovered that backpay applications received in

the field agencies of the MVO were not promptly reported or sent to its central office; that motor vehicles registrants paying registration fees with backpay applications were not required to submit certifications of balances of their backpay and, if there were any submitted, these were based on true copies only; that the total amount due for redemption could not be determined; that circulars prescribing the control of backpay applications were not issued to the offices concerned; and that vehicles the registration fees of which were not collected were allowed to be sold.

Respondent Aurelio de Leon in his testimony confirmed the findings of the auditing team as testified to by Lopez. Messrs. Pedro de Castro and Eusebio H. Domingo, chief of the Administrative Division and chief teller, respectively, of the MVO, also corroborated the findings of the auditing team. The former testified that neither of the respondents exerted any effort to remedy the faulty procedure in the acceptance and handling of backpay applications in payment of registration fees and that it was only when the present Acting MVO Administrator assumed office that steps were taken to have a complete record of backpay applications and certificates of indebtedness filed with and received by the MVO. According to the latter, it was only in 1959 that he began sending certificates of indebtedness to the Bureau of Treasury for redemption, after receiving instructions so to do from the auditing team of Lopez and that as of March 9, 1960, barely one fourth of the certificates of indebtedness received by the MVO amounting to ₱11,270,277.57 had so far been sent to the Bureau of Treasury.

The MVO's inept and defective system of effecting payment of registration fees of motor vehicles with backpay applications then was utterly detrimental to the Government, making it pitifully suffer a disastrous and incalculable loss of revenue. Payment of registration fees was avoided by the loss of backpay applications. On this score, the auditing team found that 2,621 applications with a value of ₱1,766,256.86 were missing and could not be located. Alterations of the amounts of backpay applications, the filing dates thereof, and the names of applicants were made possible, enabling motor vehicle registrants to evade penalties, circumvent the law, and defraud the government. Encouraged and facilitated was the acceptance of backpay applications with insufficient amounts and those that were forged or falsified.

The hand-carrying of backpay applications tendered in payment of registration fees by the registrants themselves, having been tolerated, has effected the non-transmittal thereof to the Bureau of Treasury, resulting in the non-issuance of the corresponding certificates of indebtedness and the non-deduction of the amount for registration fees.

in the holders' acknowledgment certificates. Unwarranted delay in the transmittal of backpay applications to the Bureau of Treasury has enabled the holders thereof to obtain full redemption of their backpay so that nothing was left for the payment of the registration fees. Indorsements of certificates of indebtedness by the holders could not be obtained, for these were forwarded to the holders who usually did not return them to the MVO and, even if forwarded to the MVO, the holders could not be located. In the province of Nueva Ecija alone, certificates of indebtedness amounting to ₱161,526.85 were not indorsed, as their holders could not be found.

II

Under this charge, the evidence presented in the investigation established the following facts: On April 27, 1959, the Secretary of Justice rendered Opinion No. 69, reiterating his previous ruling that negotiable certificates of indebtedness may be used only in payment of the tax obligations of the original backpay holder. Respondent Villaluz asked for, and was furnished with, a copy of said opinion. On May 20, 1959, he issued an urgent circular to all MVO officials and employees, inviting their attention to the aforesaid opinion and directing that backpay applications and certificates of indebtedness be not accepted in payment of registration fees unless the motor vehicle registrants are themselves the original holders thereof. Two days later, as it appeared that the opinion of the Secretary of Justice was in conflict with that of the Auditor General contained in Provincial Auditor Circular No. 46, series of 1958, respondent Villaluz inquired from the Secretary of Public Works and Communications as to which of the two opinions should be followed.

Immediately after sending his inquiry and before receiving an answer thereto, respondent Villaluz approved the acceptance of 66 negotiable certificates of indebtedness in payment of registration fees of motor vehicles whose owners were not the original holders thereof. This moved the MVO resident auditor to suspend the payment of registration fees thus affected in a letter to respondent Villaluz dated August 21, 1959. But the auditor's letter did not deter him from repeating his impugned action. He again approved the acceptance of 67 negotiable certificates of indebtedness under a similar circumstance. As before, the MVO auditor sent another letter of suspension of payment to him on September 9, 1959. Parenthetically, the opinion of the Secretary of Justice was later on confirmed by the Executive Secretary, acting by authority of the President and the Auditor General.

For his part, respondent De Leon washes his hand of any liability for the acceptance of the certificates in ques-

tion, averring that he had not done anything in connection therewith. The evidence does not dispute his stand in this instance. He is therefore blameless. On the other hand, respondent Villaluz candidly admits that, while the question he raised as to which of the two conflicting opinions should prevail was still pending resolution, he accepted negotiable certificates of indebtedness with a total value of P287,000.00 for the payment of registration fees in direct contravention of his own circular of May 20, 1959, re Opinion No. 69, series of 1959, of the Secretary of Justice. He justifies his act of so doing, however, in that he allegedly accepted said certificates with the express promise of the registrants concerned to make good in cash the value of the certificates so accepted if and when the final decision on his inquiry was to confirm said opinion of the Secretary of Justice.

A prudent official would have done otherwise. The Government does not stand to benefit under the opinion of the Auditor General. Moreover, considering that the opinion of the Secretary of Justice was rendered much later than that of the Auditor General, respondent Villaluz should have given the former due respect instead of the latter. But it seems that to him the interests of the registrants paying the registration fees with the questioned certificates, who incidentally are big transportation operators, were paramount to those of the government to whom he is bound in duty to serve faithfully and well. If he were in doubt as to the correctness of the opinion of the Secretary of Justice and was more inclined to agree with that of the Auditor General, he nevertheless would have required the registrants to pay their obligations in cash with the condition that they be allowed later to substitute their cash payment with the certificates in question, if and when his views on the matter were sustained. Instead he did the other way around. Later, events soon proved the difficulty, if not impossibility, of the MVO to compel the registrants to make good their promise to pay in cash the registration fees of their vehicles now that the opinion of the Secretary of Justice has become the settled law on the subject.

III

On the charge of inefficient and negligent methods of collection of registration fees, the specifications are as follows: (a) that collections made by the MVO agencies have not been reported to it; (b) that no serious efforts were made to effect the collection of delinquent registration fees; and (c) that no appreciable steps were taken to straighten out the matter of registration fees paid with dishonored and/or uncertified checks.

Auditor Lopez testified that his team had found that as of June 30, 1958, collections made by MVO agencies in the sum of ₱1,811,806.83 were not reported to it. But while this assertion is not controverted, it is also an undisputed fact that numerous letters and telegrams had been sent to all treasurers reminding and urging them to submit their monthly reports; that where these communications failed to produce the desired results, the matter was brought to the attention of the Secretary of Finance and the Auditor General; and that the treasurers are not under the administrative supervision of the respondents. For these reasons, respondents may not be held liable for the unreported collections. But had they been more devoted to the interest and welfare of the government, they would have exerted more efforts in finding a more effective and potent way to remedy the situation.

It was revealed in the investigation that vehicles the registration fees of which have not been fully paid were not properly identified. This practice, not only jeopardized the collection of delinquent registration fees but even caused the loss of substantial collectible fees. In the City of Manila alone, registration fees for the second semester of 1958 in the sum of ₱65,000.00 have not been paid. Respondents, particularly De Leon, have not exerted any effort to facilitate the possibility of collecting delinquent fees. The indifference of respondent De Leon towards the collection of delinquent fees was even proved in the investigation. Evidence was presented showing that his attention was invited to this matter of delinquent fees by the Chief of the MVO Registration Division who, in a memorandum to the heads of the law enforcement and inspection and examination divisions coursed through respondent De Leon, suggested the confiscation of license plates of delinquent vehicles to effect the collection of the unpaid fees. To this suggestion, respondent De Leon did nothing but write the word "approved" on the memorandum. In fact, there had been no case of delinquency where he or respondent Villaluz for that matter, ordered the confiscation of license plates.

It was also disclosed in the investigation that as of June 30, 1958, the checks received by the MVO in payment of registration fees which later on were dishonored amounted to ₱25,065.40. Some of these checks have been outstanding since 1946. Only a few of them were brought to the attention of the Office of the Solicitor General for appropriate legal action. No circular was issued to the MVO agencies to prevent the re-registration of vehicles the registration fees of which were paid with these checks. It was further established that uncertified checks were accepted for the payment of registration fees in violation

of Regulation No. 11 dated February 8, 1956, of the Secretary of Public Works and Communications.

Respondent Villaluz belittles the gravity of the charge relative to the rubber checks, contending that the amount of the dishonored checks is only about one per cent of the amount of the good checks and, compared with the total amount of registration fees collected since 1946, is insignificant and negligible. On his behalf, respondent De Leon asserts that all the dishonored checks except one were accepted by the MVO prior to his assumption of his office and that the one accepted after he had assumed office was already redeemed.

The amount of the rubber checks accepted in registration fees in the sum of about P25,000.00 may be insignificant, to paraphrase respondent Villaluz. But this is no excuse for him not to take appropriate measures to recover the amount involved. It is not material that the Government collected more registration fees than what it was not able to collect as represented by the bouncing checks. The important thing was that respondent Villaluz, as head of the MVO, should have taken effective steps for the recovery of the uncollected fees and not satisfied himself with the fact that the MVO collected more than what it lost nor abandoned the uncollected fees as bad debts.

IV

On the charge of irregular and anomalous requisition and disposition of license plates, it was established that the MVO had not adopted an accurate system for determining the number of license plates that should be requisitioned every year. For the years 1957 and 1958, a total of 37,000 plates remained unsold. This meant a loss of P62,000.00 to the Government. Had the MVO authorities instituted a procedure by which excess in the requisition of license plates could be avoided or reduced to a minimum, the Government would not have suffered a substantial loss on this matter alone.

V

The charge that the MVO had an inadequate and faulty accounting control system was fully proven at the investigation. It was found that the obligations for travel expenses, supplies and materials, and equipment exceeded the allotments in the MVO, and were expensive and cumbersome and not in accordance with auditing circulars. The MVO did not even have a centralized record system, each division maintaining a record of its own. This sad state of affairs has enabled not only MVO employees but even outsiders to ply their nefarious trade of graft and corruption.

In resume, I find both respondents guilty as charged. As to respondent De Leon, however, considering that he occupied a position of lesser responsibility and that he assumed office only in June 1958, I find him guilty of a lighter gravity than that of respondent Villaluz.

WHEREFORE, respondent Ruben Villaluz is hereby dismissed from the service and respondent Aurelio de Leon suspended for a period of six months effective as of the dates of their respective preventive suspensions.

Done in the City of Manila, this 29th day of July, in the year of Our Lord, nineteen hundred and sixty, and of the Independence of the Philippines, the fifteenth.

CARLOS P. GARCIA
President of the Philippines

By the President:

NATALIO P. CASTILLO
Executive Secretary