


**FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)**



'11 DEC 19 P1:13

S E N A T E

RECEIVED BY: 

COMMITTEE REPORT NO. 95

Submitted by the Committee on Accountability of Public Officers and Investigations (*Blue Ribbon*) on DEC 19 2011.

Re: Proposed Senate Resolution No. 519

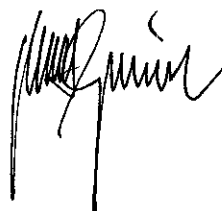
Recommending its approval.

Sponsor: Senator Teofisto "TG" Guingona III

MR. PRESIDENT:

The Committee on Accountability of Public Officers and Investigations (*Blue Ribbon*) has conducted an inquiry, in aid of legislation, on the following referral:

Proposed Senate Resolution No. 519, introduced by Senators Teofisto "TG" Guingona III and Panfilo M. Lacson, entitled:



RESOLUTION DIRECTING THE SENATE COMMITTEE ON ACCOUNTABILITY OF PUBLIC OFFICERS (BLUE RIBBON) TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE ALLEGED NUMEROUS VIOLATIONS OF REPUBLIC ACT NO. 3019 OTHERWISE KNOWN AS THE ANTI-GRAFT AND CORRUPT PRACTICES ACT BY THE PREVIOUS BOARD OF THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE (PCSO) WITH THE END VIEW OF CRAFTING LEGISLATIVE MEASURES TO CURB CORRUPTION AND PROMOTE TRANSPARENCY AND ACCOUNTABILITY IN GOVERNMENT.

The Committee has the honour to submit its Final Report.

Recommending the adoption of the proposals contained herein.

COMMITTEE REPORT

PRELIMINARIES

Excess and extravagance is his own business if a private man uses his own money to fund his own vices. However, when a person uses public funds to sustain his excesses and extravagance, he should be made answerable for violations of law.

The series of hearings conducted on the alleged anomalous transactions committed during the previous administration of the Philippine Charity Sweepstakes Office (PCSO) revealed a pattern of unabashed assaults against the law, a shameless perpetuation of excessive and improper use of public funds, and offensive displays of

utter disregard of the interest of the government and the people of the Philippines. In a nation where the poor and marginalized must find help in government, the scandalous instances where PCSO funds were squandered left and right leave them further deprived of needed support.

We must be reminded that through its charter, Philippine Legislature Act No. 4130 (30 October 1934), the PCSO is tasked with raising and providing funds for health programs, medical assistance and services, and charities of national character.

PCSO has several mandated core services, and these are the following:

- (a) Direct out-patient care through PCSO's charity clinic department and medical outreach missions in communities;
- (b) The grant of individual medical assistance programs;
- (c) The grant of institutional assistance through endowment funds;
- (d) The grant to individuals in crisis situations;
- (e) The grant of financial assistance to PCSO's regular beneficiaries;
- (f) Donations of ambulance units to qualified institutions and local government units; and
- (g) Donations of medicines, medical equipments, wheelchairs, prosthetics and the like.¹

¹ TSN: ADMasicap III-1 July 6, 2011 9:50 a.m. p. 2.

In order to fund the delivery of their core services, "the PCSO holds and conducts charity sweepstakes, races, and lotteries, and engages in health and welfare-related investments, projects, and activities to provide for permanent and continuing sources of funds for its programs. It also undertakes other activities to enhance and expand such fund-generating operations as well as strengthen the agency's fund-management capabilities."²

Because of PCSO's clear mandate, tales of excessive intelligence funds and over-bloated advertising budgets were but a few of the triggers that elevated the need to investigate these cases to a point of acute urgency.

Pursuant to its mandate, the Senate of the Republic of the Philippines, through the Blue Ribbon Committee of the 15th Congress, conducted six (6) hearings in the year 2011, on the following dates: July 6, July 7, July 13, July 14, July 18, and July 26.

After six hearings, this Committee hereby submits this Report. It discusses the facts, findings, and recommendations for the following topics:

1. Intelligence Funds
2. Excessive Public Relations/Advertising Spending and the Case against Former PR Manager, Manuel Garcia
3. Equipment Lease Agreement for PCSO's online lottery system
4. STL remittances, Ambulance Donations, and Co-mingling of Funds

² COMMISSION ON AUDIT, Annual Audit Report on the Philippine Charity Sweepstakes Office, For the year ended December 31, 2008.

5. Joint Venture Agreement
6. Donations of vehicles to members of the Catholic Church
7. Possible conflicts of interests in relation to the properties of Manuel Morato
8. Possible election offenses committed by Manuel Morato

The last section of the Report is a discussion of this Committee's legislative and policy recommendations.

I. INTELLIGENCE FUNDS

History has many uses, among others, a reminder of why and how things were done. In the year 2000, the Chairman (Annex A)³ and Vice-Chairman/General Manager (Annex B)⁴ of PCSO requested P5 million each from then president Joseph Ejercito-Estrada as confidential/intelligence funds (CIF).

In the request for CIF in the year 2000, PCSO cited the need to address threats against the operations of the PCSO, such as:

1. Incidents where medicines with *Botika ng Masa* labels of PCSO ended up for sale in the commercial market.⁵

³ Letter dated February 21, 2000 from then Chairman Rosario Lopez

⁴ Letter dated February 21, 2000 from then Vice-Chairman/General Manager Ricardo G. Golpeo.

⁵ *Id.*, "A concrete example to justify the immediate release of intelligence fund to PCSO is its current investigation of medicines with *Botika ng Masa* labels of the PCSO which ended up for sale in the commercial market. These medicines are labelled "Not for Sale" and as previously stated, given away free to deserving charity patients of government hospitals. Our investigation on the matter has to be done in utmost secrecy lest the image and credibility of the project and of the participating government hospitals be put in question by the media."

2. Instances where some of the drugs and medicines procured for the *Botika ng Masa* projects were not listed in the National Drug Formulary and were not procured from DOH-accredited suppliers. Irregularities were also observed in the deliveries of these drugs.⁶
3. Instances where PCSO ambulances were used for commercial purposes, and even as “getaway” vehicle and in transporting prohibited drugs.⁷
4. Syndicates operating to convince certain persons to deposit certain amounts to an account so that these persons can, supposedly, claim their winnings from the PCSO.

For essentially the same purposes, it is however mind-numbingly shocking that for the years 2008 to 2010, the pot for PCSO’s CIF contained Php 325 million. Neither common sense nor meticulous analysis can explain the necessity, relevance, and reasonableness of the sudden bloat in the CIF budget of the PCSO.

For the reasons that are presented in the next section, it is without hesitation that the Blue Ribbon Committee recommends that cases for plunder and technical malversation are filed against Mrs. Rosario Uriarte and former president, Gloria Macapagal-Arroyo (GMA).

⁶ *Id.*, “Even the procurement of drugs and medicines for the *Botika ng Masa* project has to be secretly investigated upon because some of the drugs therein were not even listed in the National Drug Formulary and were not procured from DOH accredited pharmaceutical suppliers/manufacturers. Likewise an inventory thereof which was conducted at the initiative of the undersigned revealed that there were so many slow moving and even non-moving drugs in participating hospitals. Per report, the delivery of these drugs and medicine, usually done in the evening, is another area worth looking into.”

⁷ *Id.*, “In the same vein and for the same reasons, PCSO has to continuously monitor the usage of the ambulances given to the various NGOs, municipalities and provinces specially those in the remotest areas of the country. Recently, we were informed by various congressmen during the hearings of House Bill No. 8135 that certain ambulances donated by PCSO were utilized for commercial purposes, others were personally used and still others were used as “getaway” vehicle in an ambush and in transporting prohibited drugs.”

A. FACTS

On the issue of PCSO's intelligence funds for the years 2008, 2009, and 2010, the following are undisputed facts:

1. Rosario Uriarte, former Vice-Chairman and General Manager of the PCSO, requested a total of Php 325 million as additional CIF in a span of approximately three years;
2. Mrs. Uriarte addressed these requests to the former president, Gloria Macapagal-Arroyo, through several memoranda.
3. GMA approved these requests by mere marginal notes; oftentimes in the presence of Mrs. Uriarte.
4. The former PCSO Board confirmed GMA's approval of the request for confidential/intelligence funds.
5. The amounts were subsequently released and checks were issued in the name of Rosario Uriarte who was designated as the Special Disbursing Officer of the funds in question.
6. The disbursements were liquidated by mere certifications of Mrs. Uriarte that the funds were used for a variety of reasons. However, the liquidation receipts were never presented by either Mrs. Uriarte or GMA.
7. A portion of these funds were used as "blood money" for OFWs with cases in foreign countries, contrary to the purposes for which these funds were requested and approved.

A detailed discussion of these undisputed facts will now be made.

**REQUESTS and RELEASE OF and FOR
ADDITIONAL BUT EXCESSIVE**

CONFIDENTIAL AND/OR INTELLIGENCE FUNDS

Prior to the years 2008-2010, it has been mentioned that the Office of the Chairman and the Vice-Chairman were given P5 million each in the form of a regular fund devoted for confidential/intelligence purposes.

However, despite an existing allocation for CIF in the agency's Regular Fund/corporate budget for the years 2008-2010, Rosario Uriarte, then Vice Chairman and General Manager of the PCSO, admitted⁸ that she wrote several memoranda to the then president GMA, requesting for additional intelligence funds for various purposes. In the certifications submitted by Mrs. Uriarte to the COA, these additional releases were designated as "Special Fund" and a notation of "By Special Authority of the President" appeared on the same documents.

Copies of Mrs. Uriarte's memoranda of request are attached and made part of this report (Annexes C to J). From these memoranda, the following amounts, totalling to Php 325 million, were requested:

2008: a total of Php 75 million

2009: a total of Php 90 million

2010: a total of Php 160 million

⁸ TSN, Caturia, VIII-1, July 7, 2011, 10:46am, p4ff.

Immediately observable is the fact that Mrs. Uriarte simply reproduced, with very minor modifications, the reasons cited by former officers of the PCSO in their previous requests for a Php 10 million allocation for confidential/intelligence purposes. The glaring and suspicious difference in their requests, however, is the fact that Mrs. Uriarte requested for P325 million, not just Php 10 million, despite the similarity of purposes for which these funds were requested. Mrs. Uriarte's requests cited the following problems as the reasons for the additional CIF:

1. Donated medicines sometimes end up in drug stores for sale even if they were labelled, "Donations by PCSO-Not for Sale"
2. Unwarranted or unofficial use of ambulances by beneficiary-donees;
3. Unauthorized expenditures of endowment fund for charity patients and organizations;
4. Lotto and Sweepstakes scams victimizing innocent people into believing that they had won the jackpot prize and selling tampered tickets as winning tickets.
5. Conduct of illegal gambling games (*jueteng*) under the guise of Small Town Lottery;
6. Fixers for the different programs of PCSO such as Ambulance Donation Projects; Endowment Fund Program, and individual Medical Assistance Program;
7. Other fraudulent schemes and activities which put the PCSO in a bad light.

During the hearings, Mrs. Uriarte narrated the procedure through which these additional funds were released. She admitted that she personally wrote the memoranda addressed to the former President, personally presented these memoranda to her who, in turn, approved them by affixing her signature in Mrs.

Uriarte's presence. Responding to the questions of the Chairman (Senator Guingona), and of Senators Drilon and Escudero, Mrs. Uriarte related Gloria Macapagal-Arroyo's participation in the approval of these requests:

For the request of Php 50 million, dated January 19, 2009 (Annex C) where a handwritten notation, "OK. GMA" appears, Mrs. Uriarte testified that the former president signed the document in her presence.⁹

SEN. ESCUDERO: Iyong January 19 po na sulat, iyong pag-approve po niyang "Okay", Slide No. 3, pinirmahan din po niya iyan sa harap ninyo at pirma po ba ni Pangulong Arroyo iyan?

MS. URIARTE: Opo.

For the request of Php 25 million, dated April 2, 2009 (Annex A) where a handwritten notation, "OK. Gloria M. Arroyo" appears, Mrs. Uriarte testified that the signature that appears on the memorandum is GMA's signature.¹⁰

SEN. ESCUDERO: Sabi nyo po kanina malapit kayo at sumusulat kayo ng rekta sa kanya.

MS. URIARTE: Opo.

SEN. ESCUDERO: Sa inyong pagkakaalam, pirma niya po ba iyan?

MS. URIARTE: Opo.

Furthermore, upon the inquiry of the Chairman of the Committee [Senator Guingona], Mrs. Uriarte said that former president signed the document in her presence.¹¹

⁹ TSN, Jmbaisa, XIII-1, July 7, 2011 11:36am page 4

¹⁰ TSN, Jmbaisa, XIII-1, July 7, 2011 11:36am page 3-4.

¹¹ TSN, Jmbaisa, XIII-1, July 7, 2011 11:36am page 4.

THE CHAIRMAN [SEN. GUINGONA]: Sandali, sa tanong ni Senator Escudero, at nagsabi ka ng "opo", pinirmahan sa harap mo iyan?

MS. URIARTE: Pinirmahan po.

For the request of Php 50 million, dated August 13, 2009 (Annex B) where a handwritten notation, "OK. GMA" appears, Mrs. Uriarte testified that the signature that appears on the document is the former president's and that it was signed in her presence.¹²

SEN. ESCUDERO: Iyong kaninang tinatanong ni Senador Enrile sa susunod po na slide, Slide o. 2, wala rin pong "Received" stamped ng Malacanang at ganoon din po Slide No. 3, walang "Received" stamped ng Malacanang, may nakalagay po lamang "Okay". Tapos, tila—parang "GMA" po iyong nakalagay. Ito po ba ay pirma din niya at pinirmahan sa harap ninyo dahil—

MS. URIARTE: Opo.

SEN. ESCUDERO: Pirma po ni Pangulong Arroyo ito?

MS. URIARTE: Opo.

For the request of a minimum of Php 150 million, dated January 4, 2010 where a handwritten notation, "OK, GMA" appears (Annex G), Mrs. Uriarte likewise testified that the former president signed the document in her presence.¹³

SEN. ESCUDERO: May isa pa po pala, Slide No. 7—ipapakita po namin sa inyo kung maarari, Slide No. 7, sulat na may petsang January 4, 2010, ito po iyong halagang Php 150 million, iyong received date na ipinakita ni Senator Lacson kanina, Agosto pa ho iyon—malamang ibang opisina iyong nag-receive noon—pinirmahan po ba din ito ni Pangulong Arroyo sa harap ninyo at pirma po ba niya iyan?

MS. URIARTE: Opo.

¹² TSN, Jmbaisa, XIII-1, July 7, 2011 11:36am page 4.

¹³ TSN, Jmbaisa, XIII-1, July 7, 2011 11:36am page 5.

GMA's approval of the request for additional confidential/intelligence funds was subsequently confirmed by the previous Board, through board resolutions, for this was the practice in the agency.^{14 15}

Subsequently, corresponding checks were released from the Philippine National Bank. A copy of PNB's partial certification is attached to this Report (Annex K). In subsequent discussions, the other check releases are discussed based on certifications submitted by PCSO.

It is an undisputed fact that the checks were released in the name of Mrs. Uriarte who was designated as the Special Disbursing Officer of the PCSO through the following PCSO Board Resolutions:

- Resolution No. 217, series of 2009, February 18, 2009 (Annex L);
- Resolution No. 2356, series of 2009, December 09, 2009 (Annex M);
- Resolution No. 029, series of 2010, January 06, 2010 (Annex N);

In these resolutions, the designation was similarly worded as follows:

RESOLVE FURTHER, to designate the Vice Chairman and General Manager Rosario C. Uriarte, as Special Disbursing Officer for the Confidential/Intelligence Fund.

Mrs. Uriarte's admissions are in the records of the Blue Ribbon Committee and are further confirmed by the official documents that she submitted to the

¹⁴ See, PCSO Resolution NO. 217, series of 2009, February 19, 2009, which states, in part: "Resolved, that the Board of Directors of PCSO confirm, as it hereby confirms, the Confidential/Intelligence Fund approved by the Office of the President;"

¹⁵ SgIrobles, XI-1 July 7, 2011 11:16am, p4.

Commission on Audit and documents submitted by different persons to the Committee.

**MISUSE/MALVERSATION/
CONVERSION OF THE ADDITIONAL
CONFIDENTIAL/INTELLIGENCE FUNDS**

From the records of the Commission on Audit and the PCSO, the additional and special confidential/intelligence funds released to Mrs. Uriarte were liquidated as follows:

Year of Release	Amount used/liquidated	Liquidation
2008	Php 25,000,000.00 (Annex O)	Excerpts from the PCSO's accomplishment report (Annex Q):
	Php 50,000,000.00 (Annex P)	<p>"Reduction if not total elimination in submitting fraudulent claims for winning prizes to all our games."</p> <p>Curbing illegal and fraudulent schemes in relation to the PCSO's programs.</p> <p>"Activities and programs coming from the Office of the President which does not only involved (<i>sic</i>) the PCSO's operation but the national security threat (destabilization, terrorist act, bomb scare, etc.) in general which require enough funding from available sources coming from different agencies under the Office of the President."</p>

2009 (Annex R)	Php 70,000,000.00	Bomb threat, kidnapping, destabilization, and terrorism
	Php 37,000,000.00	Bilateral and security relation
2010 (Annex S)	Php 47,500,000.00	Bomb threat, kidnapping, terrorism, and destabilization
	Php90,000,000.00	Bilateral talks and security concern

Close attention is invited to the fact that Mrs. Uriarte's requests for additional CIF were premised on her claimed need to protect the operations of the PCSO. However, in her own certification to the COA for the years 2009 and 2010 [Annex P and Annex Q], expenses to address "fraud and threat that affect integrity of operation" were charged against the Regular Fund for confidential/intelligence purposes and not the Special Fund or the additional CIF requested from Gloria Macapagal-Arroyo.

As a result, the additional CIF fund, Special Fund, was used to address "Bomb threat, kidnapping, destabilization, and terrorism" and Bilateral and security reasons": purposes that were clearly not indicated in Mrs. Uriarte's memoranda of requests. Liquidation documents, except for the mere certifications, were never submitted to the Committee because of Mrs. Uriarte's claim that she turned these over to the former president.

It was also established from Mrs. Uriarte's testimony that a portion of the confidential/intelligence funds was used for "blood money" because of an order from the Office of the President.¹⁶

THE CHAIRMAN [SEN. GUINGONA]: ...Let us go back to the intelligence funds, the use of blood money for intelligence funds.

Ms. Uriarte, sino po ang nag-utos sa inyo na gamitin yung intelligence funds para sa blood money?

MS. URIARTE: May I consult my lawyer, Your Honor.

THE CHAIRMAN [SEN. GUINGONA]: Yes, please.

MS. URIARTE: Nakatanggap po ako ng tawag sa Malacanang tungkol sa pangangailangan ng blood money.

THE CHAIRMAN [SEN. GUINGONA]: Sino pong tumawag?

MS. URIARTE: Hindi ko na po siya matandaan at that time. Ang sabi ko lamang po nuon kailangan ko lang po ng authority para gamitin iyon.

It is clear from the records that the diversion of the funds was made only because of an order from the Office of President. The Chairman (Senator Guingona) elicited the fact that for this instance, no board resolution was ever issued to authorize the altered use of PCSO intelligence funds.¹⁷

THE CHAIRMAN [SEN. GUINGONA]: Chairman Valencia, this use of the blood money, getting the intelligence funds and using it for the blood money is very specific. **Was there a board resolution authorizing the use of the intel funds for blood money?**

MR. VALENCIA: The board resolutions, Your Honor, were based on what was presented in the projector, basically the operations of the ambulance, the text-

THE CHAIRMAN [SEN. GUINGONA]: Ah, those four reasons.

MR. VALENCIA: Yes, Your Honor.

THE CHAIRMAN [SEN. GUINGONA]: **So therefore, there's no blood money there?**

MR. VALENCIA: **Wala po, wala po.**

¹⁶ CFDRIZ, VII-I July 14, 2011 10:09AM, p.4.

¹⁷ MHBALAGNE, IX-1 July 14, 2011 10:29am, p.7-8.

THE CHAIRMAN [SEN. GUINGONA]: Wala.

(Emphasis supplied)

Concerned with the possibility of an illegal diversion of funds, this Committee clarified whether or not the term "bilateral and security relation" which appears in the liquidation certifications includes the use of funds as 'blood money'. Mrs. Uriarte answered in the affirmative and stated:¹⁸

SEN. DRILON: All right. So what is now—can you now—you know, you have consulted counsel, Mrs. Uriarte, can you respond to us what you meant by "bilateral and security relation" as a liquidation of the intelligence funds?

MS. URIARTE: Yeah. Sir, related din po ito sa mga katulad ng ganitong bagay sa OFW. Hindi ko na lamang po matandaan ang mga detalye.

SEN. DRILON: So 'yan ang ibig mong sabihin ng "bilateral and security relation".

MS. URIARTE: Opo.

SEN. DRILON: Related sa OFW.

MS. URIARTE: Opo.

These are the undisputed facts of the case and a discussion of the Committee's findings will now follow.

B. Findings, Analysis, and Recommendations

From the facts gathered through testimonies and documents made available to the Blue Ribbon Committee, the following findings are hereby made:

¹⁸ BRHGonzales, IV-1 July 17, 2011 9L39am, page 4.

1. From 2008 to 2010, the total amount of intelligence/confidential funds released to the PCSO was grossly excessive and disproportionate to the claimed reasons for their release.
2. Gloria Macapagal-Arroyo and Mrs. Rosario Uriarte should be charged with the crime of plunder.
3. Gloria Macapagal-Arroyo and Mrs. Rosario Uriarte should be charged with at least one count of technical malversation for using funds allotted for confidential/intelligence purposes for the payment and purchase of relief goods.
4. Gloria Macapagal-Arroyo and Mrs. Rosario Uriarte should be held liable for technical malversation for using confidential/intelligence funds as "blood money".

Finding No. 1: From 2008 to 2010, the total amount of intelligence/confidential funds released to the PCSO was grossly excessive and disproportionate to the claimed reasons for their release.

The PCSO is not an intelligence agency. Neither is it mandated to pursue complex intelligence projects. It is therefore extremely offensive for this agency to have been suspiciously gifted with a pot of intelligence funds so large, it dwarfs the share of agencies and offices that are, by nature of its mandated functions, required to pursue confidential/intelligence projects at varying degrees.

To put this finding in context, the budget of the PCSO for confidential/intelligence funds in the years 2008 to 2010 are presented vis-à-vis the same item in the budget of the Intelligence Service Armed Forces of the Philippines,

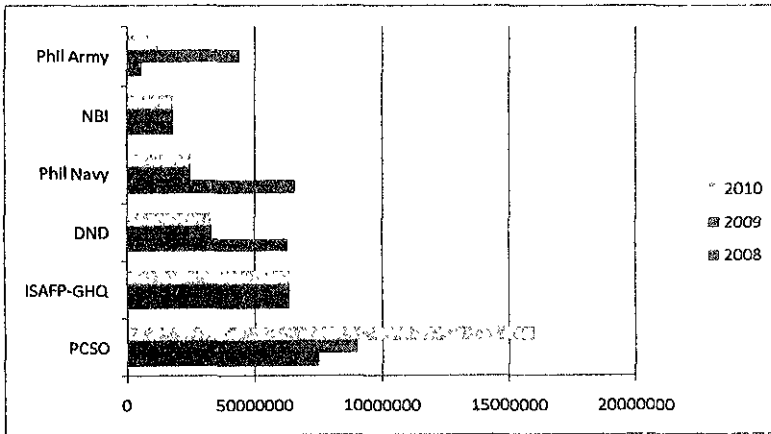
the Department of National Defense, the Philippine Navy, the Philippine Army, and the National Bureau of Investigation.

In 2010 alone, PCSO's intelligence fund budget was 12.5 times larger than the Philippine Army's, 2.357 times larger than the ISAFP-GHQ's, 4.55 times larger than the DND's, 6.06 times larger than the Navy's, and 8.3 times larger than the NBI's budget.¹⁹

Agency	2010	2009	2008
PCSO	160,000,000.00	107,000,000	75,000,000.00
Intelligence Service Armed Forces of the Philippines (ISAFP-GHQ)	63,648,000.00	63,648,000.00	63,648,000.00
Department of National Defense	33,000,000.00	33,000,000	63,000,000.00
Philippine Navy	24,749,000.00	24,749,000	65,763,000.00
National Bureau of Investigation	18,000,000	18,000,000	18,000,000.00
Philippine Army	12,000,000.00	44,000,000	5,500,000.00

To emphasize the excessive allocations that PCSO received as confidential/intelligence funds, a comparative bar chart is provided below:

¹⁹ See Annex.



Recommendation:

The Blue Ribbon Committee strongly suggests that the intelligence/confidential fund allocation of the PCSO be significantly reduced. Considering its mandate, this agency must not have an allocation for confidential/intelligence funds greater than fifteen million (Php 15 million) pesos every year for the next three years, whether or not the allocation is through its regular corporate budget or as a special allocation through the Office of the President. It must be noted that when the PCSO asked for intelligence funds in the year 2000, the amount of Php 10 million was deemed sufficient for its purposes.

Finding No. 2: Gloria Macapagal-Arroyo and Mrs. Rosario Uriarte should be charged with the crime of plunder.

The crime of plunder, based on its definition in Section 2 of Republic Act 7080, has the following elements:

1. That the offender is a public officer who acts by himself or in connivance with members of his family, relatives by affinity or consanguinity, business associates, subordinates or other persons;
2. That he amassed, accumulated, or acquired ill-gotten wealth, "any asset, property, business enterprise or material possession of any person, acquired by him directly or indirectly through dummies, nominees, agents, subordinates and/or business associates by any combination or series of the following means or similar schemes:
 - (a) through misappropriation, conversion, misuse, or malversation of public funds or raids on the public treasury;
 - (b) by receiving, directly or indirectly, any commission, gift, share, percentage, kickback or any other form of pecuniary benefits from any person and/or entity in connection with any government contract or project or by reason of the office or position of the public officer;
 - (c) by the illegal or fraudulent conveyance or disposition of assets belonging to the National Government or any of its subdivisions, agencies or instrumentalities of Government owned or controlled corporations or their subsidiaries;
 - (d) by obtaining, receiving or accepting directly or indirectly any shares of stock, equity or any other form of interest or participation including the promise of future employment in any business enterprise or undertaking;
 - (e) by establishing agricultural, industrial or commercial monopolies or other combinations and/or implementation of decrees and orders intended to benefit particular persons or special interests; or
 - (f) by taking advantage of official position, authority, relationship, connection or influence to unjustly enrich himself or themselves at the expense and to the damage and prejudice of the Filipino people and the Republic of the Philippines; and,

3. That the aggregate amount or total value of the ill-gotten wealth amassed, accumulated or acquired is at least Php 50,000,000.00.

In the section that follows, the elements of the crime of plunder will be discussed in relation to the facts and circumstances of the case investigated by the Blue Ribbon Committee.

Element 1: Mrs. Uriarte was a public officer when the alleged offense was committed.

There is no doubt that Mrs. Rosario Uriarte was a public officer when the multiple misuses of the PCSO's intelligence funds were committed. She was the General Manager/Vice Chairman of the PCSO. Furthermore, she was designated, through a board resolution, as the special disbursing officer for the confidential/intelligence funds released by special authority from the then president, Gloria Macapagal-Arroyo.

Element 2: Mrs. Uriarte amassed, accumulated or acquired ill-gotten wealth amounting to at least Php244,500,000.00, with the indispensable participation of Gloria Macapagal Arroyo.

The Blue Ribbon Committee strongly believes that at least Php 244.5 million of PCSO funds, released to Mrs. Uriarte from the years 2008 to 2010, were never used for public purposes but were illegally siphoned into the pockets of Mrs. Uriarte and Gloria Macapagal-Arroyo.

In order to establish this strong assertion, the Committee hereby wishes to establish the following facts and circumstances:

1. Because of GMA's approval, several checks were indeed released to the PCSO, through Mrs. Uriarte whose name appears on these checks and the liquidation certifications submitted to the Commission on Audit.
2. These funds were liquidated by mere certifications but the existence of receipts and actual documents that would support these certifications is highly doubtful based on Mrs. Uriarte's own conflicting and inconsistent testimonies. Instead of immediately proving her innocence by producing the supporting documents to her own COA certifications, Mrs. Uriarte hid behind the defense of 'I gave all the documents to GMA.'
3. Despite the gargantuan amounts released to Mrs. Uriarte, it was clearly established that she performed, all by herself, all roles relevant to an intelligence project. She was the project officer and at the same time, the disbursing officer of all the intelligence projects that were allegedly implemented by the PCSO during her time. Based on her own admission, the entire scheme was started and finished by herself and then president, Gloria Macapagal-Arroyo.

Several checks amounting to Php 244.5M were released because of GMA's approval.

For the year 2009, eight checks were issued and Mrs. Uriarte herself reviewed and certified the liquidation for these disbursements. Amounting to a total of Php 70 million, the funds were allegedly used for "bomb threat, kidnapping, destabilization, and terrorism (Annex R)." The liquidation instrument (Annex T) submitted by PCSO shows that the following checks were released:

Dates	Check No.	Amount
February 26, 2009	101116	P5M
February 26, 2009	101117	P10M
March 18, 2009	101466	P10M
August 11, 2009	104211	P10M
August 11, 2009	104210	P10M
October 9, 2009	9744381	P5M
May 8, 2009	102357	P10M
July 6, 2009	103473	P10M
	Total	P70M

For the year 2009, two checks were issued and Mrs. Uriarte herself reviewed and certified the liquidation for these disbursements. Amounting to a total of Php37 million, the funds were allegedly used for "bilateral and security relation (Annex R)." The liquidation instrument (Annex U) submitted by PCSO shows that the following checks were released:

Dates	Check No.	Amount
October 22, 2009	974597	P20M
October 22, 2009	974964	P17M
	Total	P37M

Note that Mrs. Uriarte's memoranda of requests for the year 2009 involved Php 90 million pesos. The additional Php17 million pesos (Check no. 974964) reflected in PCSO's liquidation refers to the amount additionally approved by GMA, as intelligence funds, but which was instead used as blood money.

For the year 2010, five checks were issued and Mrs. Uriarte herself reviewed and certified the liquidation for these disbursements. Amounting to a total of Php90 million, the funds were allegedly used for "bilateral and security relation" (Annex S) The liquidation instrument (Annex V) submitted by PCSO shows that the following checks were released:

Dates	Check No.	Amount
January 8, 2010	975602	P10M
January 25, 2010	975872	P25M
March 10, 2010	976775	P20M
March 29, 2010	206361	P10M
April 30, 2010	977685	P25M
	Total	P90M

Also for the year 2010, five checks were issued and Mrs. Uriarte herself reviewed and certified the liquidation for these disbursements. Amounting to a total of Php47.5 million, these funds were allegedly used for "bomb threat, kidnapping, destabilization, and terrorism (Annex S)." The liquidation instrument (Annex W) submitted by PCSO shows that the following checks were released:

Dates	Check No.	Amount
February 3, 2010	976159	P10M
February 19, 2010	976433	P20M
June 7, 2010	978461	P5M
June 17, 2010	978581	P2.5M
June 17, 2010	978582	P10M
	Total	P47.5M

It must be mentioned that in the year 2008, three checks were also issued by 'Special Authority of from the President'. These were the following:

Dates	Check No.	Amount
April 2, 2008	205928	P15M
April 15, 2008	205941	P5M
June 2, 2008	75943	P5M
	Total	P20M

Unlike the liquidation certifications for the years 2009 and 2010, the 2008 certification did not indicate, vis-à-vis the specific amounts, the purposes for which

these funds were used. However, it is clear that an unidentified portion was not used to address frauds and threats that affect the integrity of PCSO's operations. In the Accomplishment Report on the Utilization of the Confidential/Intelligence Fund (CIF) of the PCSO attached to the 2008 certifications submitted by Benigno Aguas (Annex O), PCSO's Manager for Budget and Accounting, it was stated that a portion of the fund was used for:

Activities and programs coming from the Office of the President which does (sic) not only involved (sic) the PCSOs operation but the national security threat (destabilization, terrorist act, bomb scare, etc.) in general which require enough funding from available sources coming from different agencies under the Office of the President.

At least Php 244.5M of confidential funds were released but liquidated simply through mere certifications. The actual receipts and documents to support these certifications have never been produced and inconsistent testimonies from Mrs. Uriarte leads one to the reasonable conclusion that these funds were, in fact, illegally diverted to the pockets of GMA and Uriarte.

In order to liquidate these funds, Mrs. Uriarte merely submitted certifications to inform the COA that these funds were used to address "bomb threat, kidnapping, destabilisation, and terrorism" and for "bilateral and security relation".

If Mrs. Uriarte or GMA was confident that these funds were used for public purposes, they could have easily ended the investigations and allegations raised in the hearings of the Blue Ribbon Committee by submitting the actual documents to prove the use of these funds. These documents should, in fact, be in their possession based on Mrs. Uriarte's own certification (Annex X) that she submitted to the Commission on Audit, which states:

She also certifies that the details and supporting documents and papers on these highly confidential missions and assignments are in our custody and kept in our confidential file which can be made available it (sic) circumstances so demand.²⁰

However, Mrs. Uriarte then contradicted her own written certification because when she was asked to produce these same documents, she immediately explained that it was no longer possible to do so since she turned all these over to former president, Gloria Macapagal-Arroyo. Considering the allegations of unlawful acts on her part, red flags should thus be frantically waved because Mrs. Uriarte could have saved herself if those documents, if proper, were presented. There is, therefore, reasonable ground to believe that these documents do not really exist.

In a substantial exchange with the Senate President (Senator Enrile), the following statements were made:²¹

THE SENATE PRESIDENT [SEN. ENRILE]: Ngayon ang question ko lang dito, with the permission of the Committee, is this: Tama yung sinabi ni Senator Lacson, bawat project may covered intelligence project iyan at iyang mga dokumento na iyan ay iniingatan sapagkat ang Commission on Audit kung kuwan eh kailangan nila iyan eh, ha? **Merong kayong liquidation na procedure at liquidating instruments, ano? Ngayon, sino ang in charge nung dokumento na iyon? Ikaw?**

MRS. URIARTE: **Ako po lahat**

THE SENATE PRESIDENT [SEN. ENRILE]: Ikaw.

MS. URIARTE: Opo.

THE SENATE PRESIDENT [SEN. ENRILE]: Iniwanan mo ba iyon sa PCSO?

THE CHAIRMAN [SEN. GUINGONA]: Pakisagot lang.

MS. URIARTE: **Isinumbit (submit) ko po lahat yung record kay ma'am.**

²⁰ Rosario Uriarte's certification dated 24th July 2008.

²¹ TSN, HSGAYAPA XII-1 July 7, 2011 11:26AM, p.3ff.=

THE SENATE PRESIDENT [SEN. ENRILE]: Isinumbit (submit) mo sa Malacanang?

MS. URIARTE: Opo, sinubmit (submit) ko po sa Office of the President po.

THE SENATE PRESIDENT [SEN. ENRILE]: Wala na bang naiwan sa PCSO na kopya?

MS. URIARTE: Wala. Isa lamang po iyan. Isinubmit (submit) ko po sa Office of the President.

THE SENATE PRESIDENT [SEN. ENRILE]: Bakit mo pinadala sa Office of the President?

MS. URIARTE: Dahil siya po ang nag-approve nung project—

THE SENATE PRESIDENT [SEN. ENRILE]: Ha?

MS. URIARTE: Dahil siya po ang nag-a-approve sa amin dahil under po kami sa Office of the President. Because the PCSO is under the Office of the President.

(Emphasis supplied)

Because of these circumstances, it is reasonable to believe that these funds were illegally diverted for personal use. The Blue Ribbon Committee makes a categorical assertion that it does not accept the veracity of the certifications submitted in support of these excessive releases of funds.

Especially for the year 2010, an election year, the amount of confidential/intelligence funds used by PCSO for the first six (6) months of the year was already Php 137,500,000.00 out of the Php150,000,000 that was approved by the former president at the beginning of the year. One must be reminded again that this amount was incredibly larger than the amounts allocated to agencies/offices that are clearly dependent on intelligent/confidential funds to execute their mandate. Note the comparison of allocations again:

Agency	2010	2009	2008
PCSO	160,000,000.00	107,000,000	75,000,000.00
Intelligence Service Armed Forces of the Philippines (ISAFP-GHQ)	63,648,000.00	63,648,000.00	63,648,000.00
Department of National Defense	33,000,000.00	33,000,000	63,000,000.00
Philippine Navy	24,749,000.00	24,749,000	65,763,000.00
National Bureau of Investigation	18,000,000	18,000,000	18,000,000.00
Philippine Army	12,000,000.00	44,000,000	5,500,000.00

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To emphasize, the lack of detailed liquidation documents and receipts and the facts and circumstances surrounding the release of these excessive amounts of money allow a reasonably prudent person to believe and conclude that the crime of plunder was committed.

Attention must be given to Mrs. Uriarte's letter to the Commission on Audit, dated July 19, 2010 (Annex V) where she admitted that the regular confidential/intelligence funds included in the budget of the PCSO was still not fully utilized. It is thus highly questionable why she would ask for additional funds when the regular funds remained unutilized. In her letter, she said:

As to the annual regular Intelligence Fund of 5 million pesos, for the Office of the General Manager, only 723,490 pesos was spent, leaving a substantial amount for use for the remainder of the year.

²² This table contains a compilation of figures gathered from separate reports from the Commission on Audit in relation to intelligence fund allocations for different agencies/offices of government.

Any ordinary person, confronted by these circumstances, must ask: If she could not even fully utilize the regular fund of Php 5 million to address the confidential/intelligence needs of the agency, why would she ask for Php 150 million more from the former President? Furthermore, if only 723,490 pesos was spent for the first six (6) months of the year 2010, for what purpose did Mrs. Uriarte devote the P137,500,000.00 that was released in the first 6 months of the election year, 2010?

With no hesitation, this Committee asserts that at least Php 244.5 million was, in fact, amassed, acquired, or accumulated by Mrs. Rosario Uriarte within the purview of the Plunder Law. She did this in conspiracy and in fulfillment of direct orders from Gloria Macapagal-Arroyo whose acts and liabilities will be discussed in the sections that follow.

Element 3: In order to amass at least Php244.5 million, Mrs. Uriarte, through the indispensable participation of Gloria Macapagal-Arroyo, committed a series of malversation, misuse, and/or misappropriations of public funds.

The Blue Ribbon Committee believes that a series/combination of acts of malversation, misuse, and/or misappropriations of public funds were committed so that Mrs. Uriarte and GMA were able to build up a personal fund of at least Php 244.5 million.

The continuous, sophisticated, and criminal scheme to plunder away people's money began when Gloria Macapagal-Arroyo immediately and indiscriminately approved additional confidential/intelligence funds despite the enormously large sums of money being requested by Mrs. Uriarte: sums that were obviously greater than the regular allocation of PCSO for confidential/intelligence funds, and sums incredibly greater than the allocations of even the Armed Forces of the Philippines, which obviously has a real need for intelligence funds.

The mere approval of these excessive and disproportionate requests is already an act of misusing public funds. The PCSO, an agency within the control and supervision of the president, had no urgent and significant need for such enormous fund allocations for confidential/intelligence purposes.

The former President knew that. Mrs. Uriarte knew that. However, the scope and limitations of the PCSO's mandate are irrelevant in the minds of people who were *determined to steal from the coffers of government.*

Furthermore, at least Php 244.5 million was acquired through the conversion, misappropriation, or malversation of funds that were originally requested for the following purposes:

1. Donated medicines sometimes end up in drug stores for sale even if they were labelled, "Donations by PCSO-Not for Sale"
2. Unwarranted or unofficial use of ambulances by beneficiary-donees;
3. Unauthorized expenditures of endowment fund for charity patients and organizations;
4. Lotto and Sweepstakes scams victimizing innocent people into believing that they have won the jackpot, and selling tampered tickets as winning tickets.
5. Conduct of illegal gambling games (*jueteng*) under the guise of Small Town Lottery;

6. Fixers for the different programs of PCSO such as Ambulance Donation Projects; Endowment Fund Program, and individual Medical Assistance Program;
7. Other fraudulent schemes and activities which put the PCSO in bad light.

The malversation, misuse, and/or misappropriations to ensure that at least Php 244.5M would be amassed happened with or through the following schemes:

- First, ensuring that the funds will be released by virtue of the notations of approval signed by GMA herself on the actual memoranda of requests prepared by Mrs. Uriarte.
- Second, instead of using these funds to address “fraud and threat that affect integrity of (PCSO’s) operation”, they instead claimed that these funds were used to address “bomb threat, kidnapping, destabilisation, and terrorism” and for “bilateral and security relation” – these claimed uses already amounts to technical malversation.

It is established that for the year 2009, the following amounts were used for purposes different from those for which the funds were released:

- Php 70M—*bomb threat, kidnapping, destabilization, and terrorism*
- Php 37M- *bilateral and security relation*

Likewise, it is also established that for the year 2010, the following amounts were used for purposes different from those for which the funds were released:

- P47.5M- *bomb threat, kidnapping, destabilization, and terrorism*
- P90M- *bilateral and security relation.*

- Third, based on the discussion made in relation to the second element of plunder, this Committee asserts that the claim that these funds were used to address bomb threat, kidnapping, destabilisation, and terrorism” and for “bilateral and security relation” are bogus, unsupported, and false claims to hide the actual illegal diversion of public funds to private pockets.

The Case of Plunder against Gloria Macapagal-Arroyo

For the misuse of government funds, the Blue Ribbon Committee finds the former President, Gloria Macapagal-Arroyo, liable of the crime of plunder.

Section 2 of the Plunder Law provides that “Any person who participated with said public officer shall likewise be punished.” This provision automatically imposes equal liability to any person who was part of the scheme that led to the commission of the crime of plunder. In the case at bar, the liability of Rosario Uriarte for the crime of plunder has already been discussed. This section now discusses the liability of Gloria Macapagal-Arroyo.

Because she grossly and repeatedly failed to properly exercise her power of control and supervision over the Philippine Charity Sweepstakes Office, she must equally face the harsh consequences of law.

On the power of control and supervision, Article VII, section 17 of the Constitution provides:

The President shall have control of all the executive departments, bureaus and offices. He shall ensure that the laws be faithfully executed.

The Supreme Court has explained this provision in these words:²³

An officer in control lays down the rules in the doing of an act. If they are not followed, he may, in his discretion, order the act undone or re-done by his subordinate or he may even decide to do it himself. Supervision does not cover such authority. The supervisor or superintendent merely sees to it that the rules are followed, but he himself does not lay down such rules, nor does he have the discretion to modify or replace them. If the rules are not observed, he may order the work done or re-done but only to conform to the prescribed rules. He may not prescribe his own manner for the doing of the act. He has no judgment on this matter except to see to it that the rules are followed.

Furthermore, Isagani Cruz explains:²⁴

Section 17 is a self-executing provision. The President derives his power of control directly from the Constitution and not from any implementing legislation. Such a law is in fact unnecessary and will even be invalid if it limits the exercise of his power or withdraws it altogether from the President.

The PCSO's charter, Republic Act No. 1169, placed the PCSO under the control and supervision of the Office of the President. On November 8, 2004, by virtue of Gloria Macapagal-Arroyo's Executive Order No. 383, PCSO was placed under the control and supervision of the Department of Social Welfare and Development. Later, on August 22, 2005, through Executive Order No. 455, Gloria Macapagal-Arroyo placed the PCSO under the supervision and control of the Department of Health. This status was retained until November 19, 2010 when President Benigno Aquino III transferred the direct control and supervision of the PCSO back to the Office of the President.²⁵

²³ *Dillon vs. Lim*, 235 SCRA 135, August 4, 1994.

²⁴ *Philippine Political Law*, 2002.

²⁵ Executive Order No. 14.

However, despite GMA's act of placing the PCSO within the direct control and supervision of the DSWD, and then the DOH, this did not, in any way, remove her power of control and supervision over the executive agency, PCSO, as these powers are provided for in the Constitution. True enough, GMA's own acts further reveal that not only did she exercise perversely her power of control and supervision over the PCSO, she also manifested her stubborn and greedy insistence of retaining control over the release and use of millions of pesos from the PCSO. The following circumstances cannot be ignored:

1. GMA, on several occasions, personally wrote her notations of approval, as mere marginal notes, on the requests for large sums of money from Mrs. Uriarte.
2. Despite the transfer of direct control and supervision first to DSWD then to the DOH, disbursements in the amount of Php5,000,000.00 and above needed prior clearance from the President. This was confirmed by Senator Recto during the hearing on the 6th of July 2011.

MR. ROJAS: Prior clearance—all disbursements are confirmed by the OP but five million and up will get a prior clearance from the OP.

SEN. RECTO: So all disbursements may clearance sa Office of the President? Tama ho ba iyon?

MR. ROJAS: Yes.

3. The liquidation reports submitted by Mrs. Uriarte to the Commission on Audit all indicate that these funds were released and used because of a "Special Authority from the President" or that they are "Special" releases as opposed to the "Regular" confidential/intelligence fund of Php5,000,000.00 each for the Chairman and the Vice Chairman of the PCSO. The dates indicated after the phrase "Special Authority from the

President" correspond to the dates in Mrs. Uriarte's personal requests to the former president.

4. As early as 2008, despite GMA's own executive order to place PCSO under the control and supervision of the DOH, it was clear that the confidential/intelligence funds were still used for projects and programs of the Office of the President. More importantly, these were for projects that were not related to PCSO's operation. A report submitted to the COA by Benito Aguas, PCSO's Manager of Budget and Accounting Department clearly states:

But what is more pronounce (*sic*) in the disposition and handling of the CIF was those activities and programs coming from the Office of the President which do not only involved (*sic*) the PCSOs operation but the national security threat (destabilization, terrorist act, bomb scare, etc) in general which require enough funding from available sources coming from different agencies under the Office of the President.

Former president Gloria Macapagal-Arroyo grabbed the pot and forgot to let it go. For years, she continued to approve the release of significant amounts of money and did not exercise her power of control and supervision to stop the indiscriminate misuse of public funds. Not once did she stop and ask Mrs. Uriarte why PCSO would need millions of pesos for confidential/intelligence purposes.

An active participant. An indispensable perpetrator of a crime. A plunderer.

Finding 3. Mrs. Uriarte must be charged with at least one count of technical malversation for using funds allotted for confidential/intelligence purposes for the payment and purchase of relief goods.

This was clearly admitted by Mrs. Uriarte herself during the hearing of the Blue Ribbon Committee. This exchange is relevant:

MS. URIARTE: Bumili po kami ng mga relief-

THE SENATE PRESIDENT [SEN. ENRILE]: Ha?

MS. URIARTE: Bumili po at nanguha po kami ng mga relief goods noong panahon ng Ondoy at yon po ay-

THE SENATE PRESIDENT [SEN. ENRILE]: At dinistribyut (distribute) ninyo.

MS. URIARTE: Dinistribyut po naming. Opo.

THE SENATE PRESIDENT [SEN. ENRILE]: Out of the intelligence fund.

MS. URIARTE: Opo. Kasi madalian po yong panahon na yon.

THE CHAIRMAN [SEN. GUINGONA]: But may charity fund kayo. Bakit hindi niyo ginamit yong charity fund? Bakit intelligence fund ang ginamit nyo?

MS. URIARTE: Dahil nga po mabilisan at kailangang-kailangan na po ang pagkain noong panahon na yon.

Finding No. 4: Mrs. Uriarte and Gloria Macapagal-Arroyo should be held liable for technical malversation for using confidential/intelligence funds as “blood money”.

“Blood money” refers to funds used by the government to save overseas foreign workers who have been convicted of certain crimes in foreign countries. While it is often a necessary act for the Philippine government to provide blood money to citizens with grave cases in foreign countries, the rule of law cannot be suspended regardless of the nobility of purpose. It is important that the source of these funds is one that has been identified for this purpose. Getting these funds from an allocation which was not made out for this purpose amounts to an illegal use of public funds and criminal liabilities arise from said action. This was exactly what happened when a portion of PCSO’s additional CIF was used as “blood money”, through GMA’s orders. These are the undisputed facts:

1. In October 20, 2009, Eduardo Ermita, former Executive Secretary, approved by authority of then president GMA, the release of seventeen million pesos (Php 17,000,000.00) for "the negotiation for tanazul in exchange for blood money, relative to the case of OFW Jakatia Pawa". (Annex Y)

The authority given by GMA to use the special and additional CIF for this purpose is likewise shown in the PCSO's own submission to the PCSO entitled "SCHEDULE OF CASH ADVANCES AND LIQUIDATION" (ANNEX S). For the amount of Php 17 million, the document indicates Special Authority from the President (October 20, 2009).

Mrs. Uriarte's own testimony confirms that she received a call from the Office of the President in relation to this matter.

2. On the same day, check no. 974964 for Php17,000,000.00 was released to PCSO.
3. The same amount was in fact used for the OFW Jakatia Pawa. Esteban Conejos, Jr., Undersecretary of Migrant Workers Affairs of the DFA confirmed this fact:

MR. CONEJOS: Your Honor, in addition to the money that PCSO gave for the blood money of the Gonzales brothers, that's the one that I testified on earlier, **there was another blood money payment funded by PCSO**, and that is the case that you mentioned, Your Honor, **in the case of OFW Jakatia Pawa** who has been charged and convicted and has been sentenced to death by a final and executory judgment in Kuwait. We **confirm that**, Your Honor. (*emphasis ours*).

It is clear that the use of CIF for blood money is not one of the reasons cited by Mrs. Uriarte in her request for additional funds from the former president. This is

a clear case of technical malversation on her part and on the part of former president Gloria Macapagal-Arroyo.

II. EXCESSIVE PUBLIC RELATIONS/ADVERTISING SPENDING and the Case against FORMER PR MANAGER, MANUEL GARCIA

A. FACTS

Atty. Fidela Tan of the Commission on Audit testified that based on the financial audit reports of the PCSO, this agency spent Php 2.3 billion in advertising from 2001 to 2005; Php 1 billion in 2006; Php 686, 900,000 in 2007; Php 968,961, 234 in 2008; Php 1.65 Billion in 2009; and Php 1, 075, 998,000 from January to November 2010.²⁶ From 2007 to 2010, PCSO spent approximately 54 percent of its maintenance and operating fund on advertising alone. The COA stated:

MS. TAN: ...But the data available is that the ratio of the budget for advertising in 2007 to 2010 is equivalent to, more or less, 54 percent of the maintenance and operating expenses of the agency.²⁷

The revelations of excessive spending on public relations led Senate President Juan Ponce Enrile to ask:

...Just like in the case of intelligence fund, why is there a need for the PCSO to have a fund for public relations – maybe, for public relations to attend to some miscellaneous matters, that would enhance the operations of PCSO, yes. **But advertising PCSO, what's the need for this when you're operating lotto, and the people know that the prize is very big?** I know that everybody lines up to buy the ticket. What is the need for advertising your operation? Can anyone tell us?²⁸ (*Emphasis supplied*)

²⁶ TSN: MHulep V-2 July 14, 2011 11:59 a.m. p. 6.

²⁷ TSN: BRH Gonzales IX-2 July 18, 2011 1:44PM, p.2.

²⁸ TSN: MHulep July 14, 2011 11:59 a.m. p. 4.

Senator Franklin Drilon, in the subsequent hearing, also pursued the same line of questioning:

SEN. DRILON. Mr. Rojas, pag wala po ba kayong advertisement walang tataya sa lotto? Tinatanong ko po ito dahil sa mga views expressed in the previous hearings here, particularly by our Senate President, when the questions were raised on the propriety or the need for PCSO to advertise. **So the question is, pag wala ba kayong PR fund, wala bang tataya sa lotto, sa tingin ninyo?**

MR. ROJAS. In my own opinion, Your Honor, **there would still be people who would be betting on the lotto.**

SEN. DRILON. Correct. There would still be people betting on the lotto. Kasi pag nilagay mo sa dyaryo 200 milyon ang premyo, hindi mo na kailangan siguro mag-advertise eh. Pupunta ang tao sa lotto betting station at tataya, hindi po ba?

MR. ROJAS. Yes, Your Honor. In my own opinion, Your Honor, the important thing really is to have the results printed out, our foot ads especially when the lotto proprietors are going up and there are no winnership and also the live telecast daily in PICC of the live lotto draw.

SEN. DRILON. Yes. **We are just wondering why so much money is being spent for an activity which an ordinary Filipino would find unnecessary. Pwede pang pumunta iyan sa mga pangangailangan ng mahihirap para sa gamut.** Bakit naman po daang milyon, pitong bilyon ang ginastos natin para sa isang activity na sa tingin ng taongbayan hindi naman kailangan? I-publish n'yo lang po na 200 milyon, 300 milyon, 400 milyon ang premyo ng lotto, ang haba ng pila doon sa lotto betting station. You televise. Yes, you televise, 'yong lotto itself but that does not require 7.2 billion in five years.²⁹

(Emphasis supplied)

Aside from the large amounts devoted to advertising, the COA also noted several irregularities in how these funds for public relations were spent. In its 2008 Financial Audit Report, it was stated that there was needless and excessive advertising:

There were too many commercial spots for a day in the same radio/TV station. It is our view that a total of 20 spots per day in the

²⁹ TSN: JAdela Cruz VIII-2 July 18, 2011 1:34 p.m. pp. 7-9 and BRHGonzales ix-2 July 18, 2011 1:44 PM p. 1.

same radio or TV station may be construed as excessive placement of commercial ads which constitutes unnecessary disbursement of government funds.³⁰ (*Emphasis supplied*)

Aside from its reckless spending, PCSO did not exercise due diligence in its contracts with advertisers. It had overlapping contracts within the same program, and it simply relied on the proposals of the advertisers without conducting their own evaluation. The COA further stated:

Media plans were prepared based on proposals submitted by media agents. Each media plan was not supported by a study or evaluation of what form of media, where, and when the ad placements should be made, rather, **PCSO merely relied on proposals submitted by media agents and radio/television stations (*Emphasis supplied*)**.³¹

B. Findings, Analysis, and Recommendations

Finding 1: There was extensive and repetitive misuse of public relations/advertising fund during the past administration of the PCSO.

The hearings revealed astronomical amounts running into billions spent by PCSO on advertising alone. Instead of spending its funds for more charitable causes, these were instead wasted on needless commercials and a television program "with no substantial audience share."³²

³⁰ Par. 11.2.2, 2008 COA Report.

³¹ Par. 11.3.3, 2008 COA Report.

³² TSN: Mhulep X-2 July 18, 2011 1:54 p.m. p. 8.

Sen. Ejercito Estrada: "Kasi I have here a copy of the audience share of 'Dial M'. It says here, **0 percent, 0.1, 0.2**. Paano ho makatulong sa pagbentang maraming..." (*Emphasis supplied*)

In the Philippines, where the gambling culture is prevalent, one does not need to see a PCSO commercial to lure people into making bets. The gargantuan lottery jackpots, that progressively increase until someone is declared a winner, is enticement enough for people to endure the long lines in front of PCSO lottery outlets. The possibility of becoming an instant multi-millionaire or even a billionaire is what ultimately drives the Filipino to gamble. It is worthy to note that even the PCSO itself admitted that airing commercials is not a *condicio sine qua non* for people to stake their chances. Clearly, there is a need to radically cut-down advertising costs to its bare essentials.

Considering that COA has been reiterating the same findings of excessive advertising costs since 2005, the previous PCSO Board should have immediately heeded the warning, and made the necessary changes to reduce its advertising expenditure to a reasonable level. Regrettably, as the hearings have uncovered, the PCSO still spent lavishly on advertisements: roughly Php7.3 billion from 2001 to 2010. This persistent resolve to spend extravagantly on advertising is a deliberate rebuff and disrespect towards the state's auditing agency, which is sanctioned by the fundamental law of the land to provide recommendations to "prevent and disallow irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds and properties."³³ It is the responsibility of the PCSO Board to uphold and reinforce its mandate of "providing funds for health programs, medical assistance and services, and charities of national character," by guaranteeing that its money is well-spent and geared towards fulfilling its mandate to the best of its ability.

The Blue Ribbon Committee strongly urges the current board of the PCSO to continue reducing its budget for public relations and instead utilize the same for more appropriate activities directly related to the maintenance and operation of the

³³ Par. 2, Sec. 2, Art. IX, 1987 Philippine Constitution.

agency. It is noted that as one of its acts of reforms, the current PCSO Board has cut down its public relations budget to 2% of its maintenance and operations budget—a cut from the previous Php 975 million budget to the current budget of Php 550 million.³⁴

Finding 2: Manuel Garcia should be liable for violations of the Anti-Graft and Corrupt Practices Act

In the midst of the public relations controversy emerged Manuel C. Garcia, the PCSO's former manager for Public Relations. It was alleged that every time an advertising agency/block-timer or producer collects payments from PCSO after producing TV advertisements for it, Garcia demanded for a "share" under threat that advertising proposals will not be recommended.

Both Alexander B. Quisumbing, the CEO of Quizgem, an advertising agency/block-timer and producer, and Ludovico I. Yuseco, the manager of operations of Cross-Channel Advertising Services, also a block-time promoter, executed their respective affidavits and filed their respective cases against Garcia for violations of sec. 3(e)³⁵ of the Anti-Graft and Corrupt Practices Act and P.D. 46.³⁶ The case is now pending at the Office of the Ombudsman.

Quisumbing, in his Affidavit stated that:

³⁴ TSN: JAdela Curz VIII-2 July 18, 2011 1:34 p.m. p. 7.

³⁵ (e) Causing any undue injury to any party, including the Government, or giving any private party any unwarranted benefits, advantage or preference in the discharge of his official administrative or judicial functions through manifest partiality, evident bad faith or gross inexcusable negligence. This provision shall apply to officers and employees of offices or government corporations charged with the grant of licenses or permits or other concessions.

³⁶ MAKING IT PUNISHABLE FOR PUBLIC OFFICIALS AND EMPLOYEES TO RECEIVE, AND FOR PRIVATE PERSONS TO GIVE, GIFTS ON ANY OCCASION, INCLUDING CHRISTMAS

Everytime I collected payment from PHILIPPINE CHARITY SWEEPSTAKES OFFICE, MANUEL C. GARCIA demanded his "share" from me, under threat that our advertising proposals shall not be recommended and acted upon unless his "share" shall have been paid...

Yuseco likewise alleged the following in his Affidavit:

Everytime we collected payments from PHILIPPINE CHARITY SWEEPSTAKES OFFICE (PCSO), MANUEL C. GARCIA demanded his "share" from us, under threat that our proposals and collections would not be acted upon unless his "share" shall have been paid...

In addition, a tax evasion case has been filed against Garcia by the Bureau of Internal Revenue.³⁷

According to Quisumbing, Garcia demands 40% "commission" upon collection of payment for every contract. From 2006 to 2009, Quisumbing alleged that Garcia received a total of around Php16 million worth of kickbacks.³⁸ On the other hand, Yuseco claimed that from 2008 to 2010, Garcia accumulated a total of around Php12.6 million.³⁹ As a result of the compulsion to pay kickbacks to Garcia, Yuseco asserted that "the program quality suffers."⁴⁰

Both Quisumbing and Yuseco maintained that Garcia has received more, but due to the onslaught of Typhoon Ondoy, some of their documentary evidence, such as deposits slips, have been destroyed.⁴¹

³⁷ "BIR FILES P18-M Tax Evasion Raps vs ex PCSO Ad Manager Manuel Garcia," Philippine Daily Inquirer, 8 July 2011.

³⁸ TSN: Mhulep II-2 July 6, 2011 12:10 p.m. p. 1.

³⁹ TSN: ADMasicap III-2 July 6, 2011 12:20 p.m. pp. 1-2.

⁴⁰ TSN: ADMasicap III-2 July 6, 2011 12:20 p.m. p. 5.

⁴¹ TSN: Mhulep II-2 July 6, 2011 12:10 p.m. p. 6. and AdMasicap III-2 July 6, 2011 12:20 P.M. P. 4.

To put things in perspective, Senator Franklin Drilon asked for the total advertisement budget of PCSO from 2001 to 2010. Atty. Ma. Aleta L. Tolentino, PCSO Board Member, stated that the budget for those years was approximately P7.3 billion. This would indicate that Garcia received more or less Php1.5 billion in commissions.⁴²

Garcia, in his defense, swore that he cannot demand a "commission" either from Quisumbing or Yuseco because he merely recommends approval.⁴³ In his Opening Statement, read on July 14, 2011, Garcia stated:

Your Honors, I am not a top official of the Philippine Charity Sweepstakes. I am just a mere manager. **I have no power beyond recommending the approval for the promotions program. I have no power to disburse funds;** I have no power to fire people. In other words, Your Honors, I am not a big fish at the PCSO... (*Emphasis supplied*)

Recommendations

The Blue Ribbon Committee is aware that the Bureau of Internal Revenue (BIR) has filed a Php 19-million tax evasion case against Manuel Garcia. According to the BIR, Garcia violated Sections 254 and 255 of the National Internal Revenue Code (NIRC) of 1997. Garcia's tax deficiency amounts to Php 18.91 million.⁴⁴ In addition to this case, Yuseco and Quisumbing, the two advertising agency executives, filed a Php 28-million graft complaint against Garcia for allegedly demanding a cut from their payments from the PCSO for a number of years.⁴⁵

⁴² TSN: CGCastro IV-2 July 6, 2011 12:30 pm. pp. 4-6.

⁴³ TSN: JADela Cruz III-2 July 14, 2011 11:39 a.m. p. 2.

⁴⁴ "BIR files P19M tax evasion case vs. PCSO ex promo manager Manuel Garcia," ABC 5, 7 July 2011.

⁴⁵ "PCSO Exec Faces P28-M graft rap," Philippine Daily Inquirer, 19 May 2011.

The Blue Ribbon Committee strongly recommends the immediate resolution of these cases. It shall closely monitor the progress of these cases, with the clear commitment to help in the judicious resolution of the same by submitting this Report and all other pertinent documents to the BIR and the Office of the Ombudsman for their consideration.

III. EQUIPMENT LEASE AGREEMENT BETWEEN PGMC and PCSO

A. FACTS

From the documents and testimonies gathered during this Committee's investigation, it was discovered that a company named International Totalizator System (ITS) initially offered to sell lotto equipment to PCSO for US\$25million. However, instead of buying the equipment from ITS, the PCSO instead conducted a public bidding to lease, not buy, the same equipment from private suppliers.

This contract had to be investigated by the Blue Ribbon Committee because:

First, the decision to lease instead of purchase continues to impose a great financial burden to the Philippines. Instead of spending US\$25 million to purchase the machines, the government instead has paid the private suppliers approximately US\$148 million in rental fees and will continue to pay exorbitant amounts until the contract ends in 2015. This clear manifestation of a lapse in financial judgment was immediately observed by Senator Enrile, who said:

THE SENATE PRESIDENT [SEN. ENRILE]: ...
Now, the total rental payments made by the PCSO under this lease agreement from the time it started commercial operation using this

particular software and machine systems is \$148 million, and that's why I'm raising the question, and this is what I want to know in this hearing, why the Philippine Charity Sweepstakes did not buy the system at 25 million US dollars when it was offered to them, given the fact that they knew the business; they knew the potential of the business; and they could have made a wise judgment at that point to acquire the system by paying \$25 million instead of renting it—⁴⁶

On the questionable decision to lease the lotto equipment instead of buying the same, two important observations must be noted:

1. The company that offered to sell (ITS) and the company that leases, Philippine Gaming Management Corporation (PGMC) these equipments to PCSO are related to each other. The answers gathered through Senator Estrada's line of questioning revealed:⁴⁷

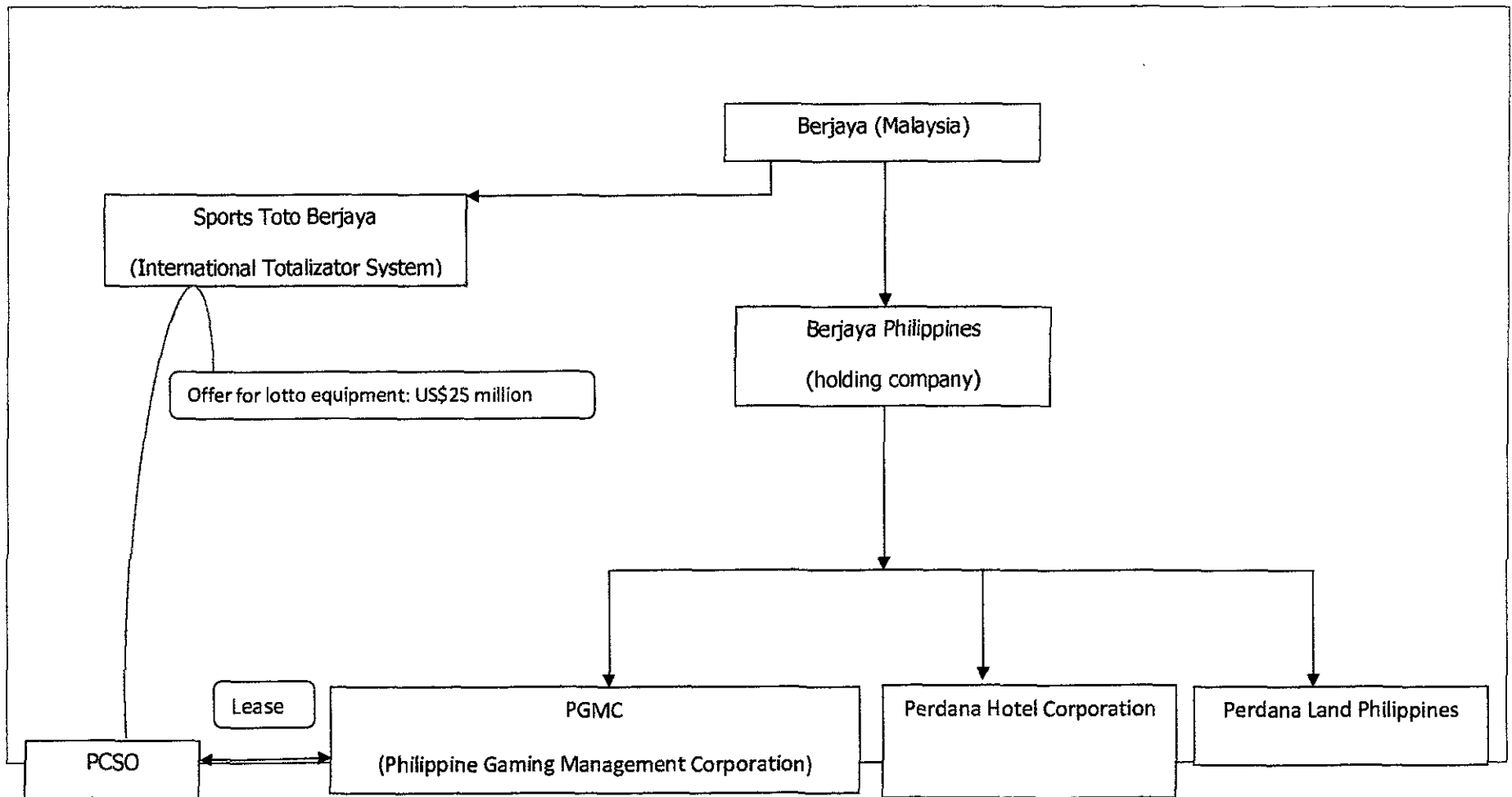
SEN. EJERCITO ESTRADA: Okay. What do you know about PGMC aside from 60 percent Filipino and 40 percent Malaysian?

MR. MORATO: Well, Your Honor, they have interest also aside from lotto, supplying lotto worldwide, the lotto system worldwide. Because what Dr. Carrascoso mentioned, the ITL (*ITS, correction ours*) belongs to them. The International Totalizator System in the United States belong (*sic*) to the Sports Toto of Berjaya. They are owner—where based in the US in their factory.

In schematic form, this is the relationship of the companies mentioned in the exchanges pertaining to the lease agreement: (see next page)

⁴⁶ TSN: M.R. CATADMAN VII-1 July 18, 2011 11:04AM, p. 6.

⁴⁷ TSN: MHSantos II-2 July 18, 2011 12:34pm, p.4.



2. The equipment offered by ITS and the current lessor of the PCSO are the same. The Senate President (Senator Enrile) confirmed from the former general manager of the PCSO, Dr. Fernando Carrascoso, if indeed the equipment offered for sale and the equipment subsequently rented were of the same kind.⁴⁸

THE SENATE PRESIDENT [SEN. ENRILE]: Ay may nag-offer sa halagang \$25 million upang itayo "yung kanilang online...

MR. CARRASCOSO: Operation.

THE SENATE PRESIDENT [SEN. ENRILE]: ...equipment...

MR. CARRASCOSO: Yes, yes, Your Honor.

THE SENATE PRESIDENT [SEN. ENRILE]: ...for their gaming operation.

MR. CARRASCOSO: Yes, Your Honor.

THE SENATE PRESIDENT [SEN. ENRILE]: Ngayon, ang nangyari ay pumasok ang Philippine Charity Sweepstakes sa joint venture doon sa Malaysian company, di ba?

MR. CARRASCOSO: Opo, at pareho hong makina ang in-offer ng joint venture na 'yon at saka 'yung nagbigay ho ng offer sa akin. It all comes from the International... (*Emphasis supplied*).

THE SENATE PRESIDENT [SEN. ENRILE]: Pareho 'yung—

MR. CARRASCOSO: Pareho ho.

THE SENATE PRESIDENT [SEN. ENRILE]: Parehong makina, pareho 'yung nag-offer na ipagbili 'yung \$25million...

MR. CARRASCOSO: Opo.

Second, despite the fact that PGMC won the bidding, the PCSO now has contracts containing the same terms as the contract with PGMC, but with the two losing bidders: Tanjung Public Limited and GTech Philippines. Because of this

⁴⁸ TSN: M.R. CATADMAN VII-1 July 18, 2011 11:04AM p. 1-2.

unusual decision to award the contracts to entities other than the one with the best bid, the Committee had to investigate the reasons for such action.

The facts of the case will now be discussed in detail.

Public Bidding to Contract Award

On December 17, 1993, the Philippine Gaming Corporation (PGMC), a domestic corporation, won the international bidding to operate an online lottery system for the Philippines.⁴⁹ The two losing bidders were Tanjung Public Limited and GTech Philippines.

However, it was observed that as early as October 28, 1993, then president Fidel Ramos already expressed concerns of a potential monopoly that will be created if one company is allowed to operate in the entire country. As a result, even prior to the bidding on December 17, 1993, then president Ramos already decided to award the contract to all the three bidders: PGMC, Tanjung Public Limited, and GTech Philippines. On this issue, a document was read by the Senate President (Senator Enrile) during one of the hearings of the Committee.⁵⁰

THE SENATE PRESIDENT [SEN. ENRILE]: I have in my possession, with the permission of Senator Drilon, a letter dated October 28, 1993 signed by General Ramos. It did not—it has a letterhead, "Malacanang, Manila". It does not carry the stationery of the President. And it says, "Memorandum to Chairman, Philippine Charity Sweepstakes Office. Subject: Online lottery project: And I would like to read this for the record: "This is to inform you that the special review committee on the online lottery system which I created on October 4, 1993 has completed its assigned task of reviewing, validating, and analyzing the different proposals as well as the respective report of both the SPBAC and its technical committee.

⁴⁹ Letter addressed to the Board of Directors of the PCSO thru Manuel Morato, signed by Ng Foo Leong of PGMC. Dated August 25, 1997.

⁵⁰ TSN: RJOrtiz III-1 July 26, 2011 9:46Am, p4ff.

Based on all studies made by the SPBAC technical committee and the special review committee in the Office of the President as well as my own analysis of the different bids proposals, I have approved the award of the project to the Philippine Gaming Management Corporation, PGMC. I am also awarding the contract to the GTech Philippines, Incorporated and Tanjung Public Limited.” What is this contract, it was part of the bidding or not? And then with this continued, “Provided, that the latter two can match all the conditions and stipulations contained in the bid proposal of the Philippine Gaming Management Corporation (PGMC) and the RFP.” What was the RFP?

The decision to award the contract to entities other than the winning bidder was further confirmed by the Chairman (Sen. Guingona) of this Committee during one of the hearings on this issue:⁵¹

THE CHAIRMAN [SEN. GUINGONA]: O, bakit ngayon-if PGMC won the bidding nationally—ang ibig sabihin noong nationally, kasama ang Visayas at Mindanao, hindi po ba?

MR. MORATO: Correct.Yeah.

THE CHAIRMAN [SEN. GUINGONA]: So bakit may Pacific Online ngayon sa Visayas at Mindanao. Akala ko PGMC ang nanalo nationally.

MR. MORATO: Kasi ganito po ang sinabi ni Presidente Ramos sa akin.

THE CHAIRMAN [SEN. GUINGONA]: Presidente Ramos?

MR. MORATO: Yes. Hatiin raw po natin, ibigay sa losing bidder ang Visayas and Mindanao at the winning bidder, 'yung PGMC, sa Luzon na lang para wala po raw masabi na may monopoly na isang kompanya sa Pilipinas. Hinati.

Because of the Ramos decision, PGMC was given the contract to operate the Luzon area and the losing bidders, GTech Philippines and Tanjung Public Limited,

⁵¹ TSN: L. Sapida 1-2 July 18, 2011 12:24PM, p.8-9.

which merged to form, Pacific Online, were allowed to operate in Visayas and Mindanao.

Equipment Lease Agreement versus the Supreme Court

After the award of the contract to the three suppliers, a contract of lease was executed. However, this contract was declared void by the Supreme Court on May 5, 1994⁵² on the ground that it was contrary to law as PCSO was effectively extending its charter to grant PGMC the authority to operate the online lottery system. The Supreme Court ruled:

The language of the section⁵³ is indisputably clear that with respect to its franchise or privilege "to hold and conduct charity sweepstakes races, lotteries and other similar activities," the PCSO *cannot* exercise it "in collaboration, association or joint venture" with another party. This is the unequivocal meaning and import of the phrase "except for the activities mentioned in the preceding paragraph (A)," namely, "*charity sweepstakes, races, lotteries and other similar activities.*"

⁵² Kilosbayan, et al vs. Guingona, Jr. et al, G.R. No. 113375, May 5, 1994

⁵³ Referring to Section 1(b) of the PCSO Charter, Republic Act 1169, section 1: *The Philippine Charity Sweepstakes Office. — The Philippine Charity Sweepstakes Office, hereinafter designated the Office, shall be the principal government agency for raising and providing for funds for health programs, medical assistance and services and charities of national character, and as such shall have the general powers conferred in section thirteen of Act Numbered One thousand four hundred fifty-nine, as amended, and shall have the authority:*

A. To hold and conduct charity sweepstakes races, lotteries and other similar activities, in such frequency and manner, as shall be determined, and subject to such rules and regulations as shall be promulgated by the Board of Directors.

B. Subject to the approval of the Minister of Human Settlements, to engage in health and welfare-related investments, programs, projects and activities which may be profit-oriented, by itself or in collaboration, association or joint venture with any person, association, company or entity, whether domestic or foreign, except for the activities mentioned in the preceding paragraph (A), for the purpose of providing for permanent and continuing sources of funds for health programs, including the expansion of existing ones, medical assistance and services, and/or charitable grants: Provided, That such investment will not compete with the private sector in areas where investments are adequate as may be determined by the National Economic and Development Authority. (emphasis supplied)

On January 25, 1995, after renegotiating the terms of the invalidated contract, PCSO entered into an equipment lease agreement with the Philippine Gaming Management Corporation (PGMC). Similar contracts were entered into with Tanjung Public Limited and GTech Philippines.

The validity of this contract was upheld by the Supreme Court who ruled that PCSO may enter into a lease contract of this nature for as long as it operates the lottery itself, and not the private corporation.⁵⁴

Provisions and Terms of the Equipment Lease Agreement and the Amended Equipment Lease Agreement

The reader must be reminded that three separate but substantially equivalent contracts to lease lotto equipment were executed in favor of the following suppliers: PGMC, Tanjung Public Limited, and GTech Philippines. In the subsequent sections, a discussion of the terms of the contract with PGMC must be understood as a discussion of similar contracts awarded to the other two suppliers.

Among others, the Equipment Lease Agreement (ELA) provided for the following terms:

1. A rental fee equivalent to four point three percent (4.3%) of the gross amount of ticket sales from all of PCSO's online lottery operations in Luzon (section 2).
2. A lease term of eight (8) years, commencing on the date of commercial operation (section 3).

⁵⁴ See Kilosbayan, et. al. v. Morato, G.R. No. 118910 November 16, 1995.

3. An obligation to deliver, among others, 2,000 terminals and associated equipment.
4. The obligation of PCSO as lessee to bear the costs of maintenance and necessary repairs (section 8). No fixed rate or amount was given for the cost of these items. The provision simply provides:

8. REPAIR SERVICES. LESSEE shall bear the costs of maintenance and necessary repairs, except those repairs to correct defective workmanship or replace defective materials used in the manufacture of Equipment discovered after delivery of the Equipment, in which case LESSOR shall bear the costs of such repairs and, if necessary, the replacements. The LESSEE may at any time during the term of the lease, request the LESSOR to upgrade the equipment and/or increase the number of terminals, in which case the LESSEE and LESSOR shall agree on an arrangement mutually satisfactory to both of them, upon such terms as may be mutually agreed upon.

5. The option to purchase the equipment upon the expiration of the lease period for the sum of twenty-five million pesos (Php 25,000,000.00).

On November 14, 1997, the ELA was amended to reduce the original number of required terminals from 2,000 to 1,250 terminals. Additionally, because of delays caused by intervening cases filed in court, the 8-year lease period was set to commence in 1999 instead of 1995, thus ending in 2007.

Three years before the expiration of the contract, the Equipment Lease Agreement was again amended to allow for an upgrade of the equipments that were supposedly becoming obsolete. In an explanatory letter⁵⁵ dated 26 July 2011 and addressed to Senate President Juan Ponce Enrile, the circumstances that triggered talks of upgrade were discussed, to wit:

On May 28, 2004, PGMC proposed for the upgrade/replacement of the Luzon On-line Lottery System/Terminals. Hewlett Packard

⁵⁵ Signed by Rosario Uriarte, Jose R. Taruc, Raymundo Roquero, and Manuel Morato.

Philippines Corporation (HP), the maintenance provider for the hardware has advised that the servers have reached its end of support date and as such, support will no longer be available effective May 1, 2005. End of support means that all HP warranties will have expired, technical assistance will no longer be available and that no repaired units or exchange services will be available.

Also, at that time, the telecom industry has started to use newer networking procedures. There was a switch to internet protocol and the old machines could not handle their speed. The computer terminal for the lotto shall no longer be compatible. Therefore the equipment have become obsolete. Hence, the PGMC proposal included also the Telecommunications Integration. PGMC also included in their proposal the adoption of the same total rate of 10% as what PCSO granted PGMC earlier.

The resulting amended ELA contained the following terms:

1. A rental fee equivalent to six point eighty-five percent (6.85%) of the gross amount of ticket sales from all of PCSO's online lottery operations in Luzon (section 2).
2. A provision extending the lease term for a period of eight (8) years commencing from 23 August 2007 (section 3) and thus ending on 23 August 2015.
3. An obligation to deliver, among others, 2,000 terminals and associated equipment.
4. On top of the increased rental fee of 6.85%, the amended ELA obliged the PCSO to pay for the following:
 - a. Maintenance and repair fee that is equivalent to point fifteen percent (0.15%) of the gross amount of ticket sales from all of the PCSO's online lottery operations in Luzon, payable for a period of eight (8) years commencing on 23 August 2007 (section 5).
 - b. A communications integration service fee equivalent to three percent (3%) of the gross amount of ticket sales from all of PCSO's online lottery operations in Luzon (section 6).

The communications integration service fee was a payment for PGMC to perform the following services (section 6, in part):

- a) Deal with and, with the approval of the LESSEE, enter into service contracts with the most appropriate telecommunications carrier (s) depending on the area;

- b) Attend to all technical matters relating to telecommunication connection requirements of the online lottery system;
- c) Coordinate with lotto agents/operators in resolving their telecommunication connection problems; and
- d) Pay the telecommunication service providers the Monthly Recurring Rate (MRR) for their telecommunication services directly rendered to the lottery terminals installed in the Territory and in commercial operation, inclusive of those already installed at the time of the execution of this agreement, except that the installation cost of telecommunications connection shall be borne by PCSO and/or PCSO's lotto agents/operators.

To date, the terms in the amended Equipment Lease Agreement remain in effect despite ongoing re-negotiations between PCSO and the companies that are operating the online lottery system: PGMC, GTech Philippines, and Tanjung Public Limited.

B. Findings, Analysis, and Recommendations

The Blue Ribbon Committee must emphasize that the legal validity of the contract is not in question. *It accords respect to the Supreme Court decision which upheld its validity. As emphasized at least twice by the Senate President (Senator Enrile), the legality of the ELA and the amended ELA are not questioned:*

THE SENATE PRESIDENT:[Sen. Enrile] ... **The validity of the contract worked out by then Presidential Legal Counsel Antonio Carpio and now Chief Justice Rene Corona is not an issue.** These people who are good lawyers, brilliant lawyers and they worked out a contract. Now, the question is, while the contract was and is valid, why was it that the management, the Board of Directors and management of the Philippine Charity Sweepstakes did not exercise the right that would have safeguarded the interest of the corporation and the Republic. That is the issue⁵⁶ (**Emphasis supplied**).

⁵⁶ TSN: BRHGonzales IX-1 July 18, 2011 11:24AM, p.4.

THE SENATE PRESIDENT [Sen. Enrile]: I would like to comment. We are not questioning the validity of the lease agreement. We're not. I'm not, anyway. I'm not questioning the validity.⁵⁷

However, this Committee finds that, despite compliance with the requirements of contractual law, the financial repercussions of the ELA and the amended ELA are still an unfathomable exercise of pure disregard of the interest of the government and its people. In simple words: A contract that is legal is not always good for the people.

The next section is a discussion of this Committee's primary findings as regards the lease agreement.

Finding 1: Despite proper bidding, the resulting award of the contract not only to the winning bidder but also the two other losing bidders is questionable.

From the records of the Blue Ribbon Committee, it is clear that the winning bidder, PGMC, wanted to operate for the entire country.

THE SENATE PRESIDENT [Sen. Enrile]: Why did you bid for the whole nation?

MR. P. SOO: No, we bid for the whole nation, we were given Luzon. As Mr. Morato said, instruction came from the Palace. Now I can only guess because this happened 1993. **But was our interest total country? Yes, our interest was total country (Emphasis supplied).**

⁵⁷ TSN: JADELA CRUZ VIII-1 July 18, 2011 11:14AM, p.1.

However, based on the narration made in the previous section of this Report, the contract was subsequently awarded to PGMC, and the other two losing bidders: *Tanjung Public Limited* and *GTech Philippines*. While the Ramos decision is questionable, the following points are also immediately observable:

- i. As the rightful winner, PGMC has not officially objected, via court action, the decision to likewise award its contract to two other companies. Certainly, if this transaction was executed in the ordinary course of things, PGMC should have forwarded an opposition because an obvious downgrade of its contractual scope and profits is the immediate result of the decision to divide the entire contract among three companies.
- ii. Subsequent lease agreements signed by the two losing bidders contain exactly the same terms as the agreement between PCSO and PGMC. On this issue, the Senate President (Sen. Enrile) astutely observed:⁵⁸

THE [SEN. ENRILE]: Evidently, my interpretation here-I hear Mr. Morato said that the purpose was not to create a monopoly but actually what was created was worse than a monopoly. It was a cartel.

--

THE [SEN. ENRILE]: Because there is no difference between the terms and condition of the contracts, they're the same terms and condition. So all that you did is for the entire country to cut the pie under the same terms and condition and the hell with consumers.

Recommendation

On this matter, the Blue Ribbon Committee strongly recommends further investigation by the Ombudsman in order to address the following issues:

⁵⁸ TSN: MELNOVERO VI-1 July 26, 2011 9:56AM, p.4

- Was the award of the contract to the losing bidders, GTech Philippines and Tanjung Public Limited made pursuant to a second and/or third round of biddings?
- What was the legal basis invoked by the former president, Fidel V. Ramos, to order the splitting of the contract originally awarded to PGMC?
- Is PGMC related to either GTech Philippines or Tanjung Public Limited such that the decision to split the contract substantially has no more financial repercussions for any of them and thus would justify PGMC's lack of objection over the decision to split the award?
- Did former president Fidel V. Ramos violate any provision of law when he decided to award the contract to three suppliers?

The next sections will be a discussion of the problems and irregularities in relation to the execution of the terms and provisions of the Equipment Lease Agreement.

Finding 2: Deducting the rental and maintenance fee imposed by the ELA from the gross receipts instead of the operating fund of PCSO is a clear violation of the agency's charter.

In violation of its own charter, PCSO utilized an accounting system that allowed for the deduction of the 10% rental and maintenance fee from the gross sales of tickets instead of deducting the same from the operating fund of the

agency. This accounting treatment is incorrect and was clearly emphasized by the Commission on Audit, to wit:

11.1 With every lotto sales transaction were inherent expenses such as a) five percent commission; b) rental and maintenance of equipment; c) E-VAT on rental; and d) documentary stamps tax (DST). Expenses a) to c) represented cost of sales deducted from gross sales to arrive at net sales. Two percent printing cost was deducted from net sales to arrive at the net receipts allocated to the Prize, Charity and Operating funds in accordance with the rates prescribed in the PCSO Charter/Republic Act No. 1169. This accounting treatment is illustrated as follows (*Emphasis supplied*):

Gross sales		1,000.00
Less	Cost of sales	
	5% Commission	50.00
	10% rental and maintenance	100.00
	12% E-VAT on rental	12.00
Net sales		838.00
Less	2% printing cost	20.00
Net receipts		818.00
Allocation of net receipts"		
	55% Prize fund	449.90
	30% Charity Fund	245.40
	15% Operating Fund	122.70
Total		818.80

11.2 However, pursuant to the hereunder quoted Section 6 of the PCSO Charter, only the two percent printing cost may be deducted from the gross sales/receipts before the allocation of the resulting net receipts to the Prize, Charity and Operating funds at the prescribed rates of 55 percent, 30 percent and 15 percent, respectively:

"Section 6. Allocation of Net Receipts. – From the gross receipts from the sale of sweepstakes tickets, whether for sweepstakes races, lotteries, or similar activities, shall be deducted the printing cost of such tickets, which in no case shall exceed two percent of such gross receipts to arrive at the net receipts. The net receipts shall be allocated as follows:

A. Fifty-five percent (55%) shall be set aside as a prize fund for the payment of prizes, including those for the owners, jockeys of running horses, and sellers of winning tickets.

B. Thirty percent (30%) shall be set aside as contributions to the charity fund from which the board of Directors . . . shall make payments or grants for health programs, including the expansion of existing ones, medical assistance and services and/or charities of national character

C. Fifteen percent (15%) shall be set aside as contributions to the operating expenses and capital expenditures of the Office."

11.3 The Charter did not mention the first three items of expense as allowable deductions from gross sales. Although PCSO has no choice but to deduct the subject expenses from the gross receipts considering that the 15 percent allocation of the Operating fund would not suffice to answer for these lotto expenses which are equivalent to 16.2 percent of gross sales, the accounting treatment for these expenses had no legal basis. If the provisions of the Charter were strictly adhered to, the five percent commission, 10 percent rental and maintenance of lotto equipment, and the 12 percent E-VAT on rental had to come from the Operating fund allocation (*Emphasis supplied*).

Shockingly, this accounting treatment was approved through a Board Resolution. Excerpts thereof were read into the record on the 26th of July 2011.⁵⁹

MS. TOLENTINO: It should be- as per charter. And that was what we have been telling them that we have to comply with the charter.

And by the way, Your Honor, I have here on record the history of why that 10 percent was done. It was through a Board Resolution, Series of 2000, Resolution 2157, when the board, not them, Your Honor, chaired by then Honorable Rosario Lopez with—the members were Mr. Chaves, Mr. Reyes, Mr. Moral and Mr. Santiago—resolved to have this lease and MRR be deducted from the retail receipts. It is from a board resolution, Your Honor.

This accounting scheme is not only an issue of numbers. It deprived the PCSO of funds that could have been used primarily for its charity functions. Based on the simplified presentation of the COA and if the charter is complied with, for every Php

⁵⁹ TSN, Caturia VII-1 July 26, 2011 10:26am, p.6.

1,000 gross receipts less 2% for printing cost, Php 294 should have gone to the charity fund. With PCSO's manipulation of the accounting method, only Php 245.40 went to the charity fund. This deprived and it continues to deprive the citizens of public funds that could be used to address their medical and social welfare needs.

Recommendations

- A. For violating the PCSO charter, this Committee strongly recommends that administrative cases be pursued by the current board, against remaining members of the board who approved this system of accounting and members of the subsequent Boards who failed to change the system to be compliant with the charter of the agency.

- B. If it has not been done, the Blue Ribbon Committee strongly reminds the current board of the PCSO to restore the accounting method in accordance with its charter, not later than thirty (30) days from its receipt of this Report.

Finding 3: The rental fee based on gross amount of ticket sales is financially prejudicial to the government.

This Committee hereby presents a hypothetical situation to show the extreme prejudice that the government has to bear because of the decision to base the rental fee on the gross amount of tickets.

Hypothetical case based on the amended Equipment Lease Agreement and the actual gross receipts in 2008		
Applicable rate in the contract	Gross receipts in 2008	Expected annual rental value
6.85	13,774,570,320 ⁶⁰	Php 943,558,066.92
If the rental fee was on a per terminal basis:		
No. of terminals	Minimum annual rental fee	Expected annual rental value
1250	P50,000	P 62,500,000
Difference		P881,058,066.92

From the table above, it is obvious that if only PCSO based the rental on the number of terminals it leased from PGMC, the government could have saved P881,058,066.92 in 2008 alone. It is beyond the ordinary course of things that the board of the PCSO, despite knowing that it was renting lotto equipment, decided to base the rental fee not on the number of terminals rented but on the gross receipts of tickets instead. Clearly, this contract is extremely prejudicial to the nation.

Recommendations

- A. For signing the Equipment Lease Agreement, Manuel Morato as former chairman of the PCSO should be charged with a violation of section 3, paragraph g of Republic Act 3019, Anti-Graft and Corrupt Practices Act, which provides that "in addition to acts or omissions of public officers

⁶⁰ COA Report (2009), par. 10.3, p.26

already penalized by existing law, the following shall constitute corrupt practices of any public officer and are hereby declared to be unlawful”:

g) Entering, on behalf of the Government, into any contract or transaction manifestly and grossly disadvantageous to the same, whether or not the public officer profited or will profit thereby.

Rosario Uriarte, former General Manager of the PCSO, who signed the Amendments to the Equipment Lease Agreement, should likewise be charged for the same offense.

- B. The Blue Ribbon Committee notes the manifestation of the current Board of the PCSO that ongoing renegotiation for this contract is being pursued. The Committee urges the new board to ensure that the basis for the fees is commensurate to the cost of the subject of the lease and that the amount thereof is not unduly burdensome to the public. Since the lease agreements of the three companies contain the same terms, renegotiations must be pursued with these companies and not only with PGMC.

Finding 4: The provision providing for a maintenance and repair fee that is equivalent to point fifteen percent (0.15%) of the gross amount of ticket sales is irregular and economically prejudicial to the government.

The amended ELA also required the PCSO to pay for maintenance and repair fees. This, again, was based on the gross amount of ticket sales. Surprisingly, PCSO also agreed to pay for these fees on a regular basis, even if repairs and/or

maintenance were not warranted. This fact was confirmed when Senator Lacson raised the issue:⁶¹

SEN. LACSON: Point of clarification. Yung .15 percent sa repair and maintenance, iyon ba'y minimum or maximum?

MS. TOLENTINO: Straight po yun.

SEN LACSON: Straight na?

MS. TOLENTINO: Oo, straight na. It's a fix rate.

SEN. LACSON: Que magrepair—

MS. TOLENTINO: Que magrepair—

SEN. LACSON: Que hindi, may .15 on top of the 4.3?

MS. TOLENTINO: Opo, 6.85 na po yun ngayon plus 15, so ano na iyon seven na ang total.

Common sense dictates that a contracting party can only be made liable for a maintenance or repair fee if, in fact, repair and maintenance works were indeed done. In the case of the lease agreement, PCSO stood by and agreed while private companies figuratively continue to walk away with sums of money it should not be receiving. This unusual arrangement did not escape the attention of the committee. The Senate President (Sen. Enrile) articulated this concern in the following manner:

THE SENATE PRESIDENT [SEN. ENRILE]: Okay. Now, we know how much the government paid under the 4.3 percent flat rental. We want to know how much was spent under that 0.15 percent repair and maintenance costs and what was the actual cost really incurred to repair it? Because that is already- that's a flat rate for repair and maintenance. **They get that whether they repair or not. And which I find very unusual.** Now, what was the actual repair cost to the PCSO for the same period of eight years? And also was that 0.15 percent for repair and maintenance increased also during the extension—extended contract?⁶² (*Emphasis supplied*)

⁶¹ TSN: CFDRIZ XIII-1 July 18, 2011, 12:04PM, p.6.

⁶² TSN: RJOritz XIV-1 July 18, 2011 12:14PM, p.6.

Recommendations

Aside from cases for the violation of section 3, paragraph g of Republic Act 3019, Anti-Graft and Corrupt Practices Act, the Blue Ribbon Committee likewise recommends the amendment of the lease agreement so that the repair and maintenance fee be computed based on instances where repairs and maintenance works are actually performed. It is senseless to require the Government to pay for repairs and maintenance not otherwise done.

Finding 5: The amended ELA's provision for a communications integration service fee equivalent to three percent (3%) of the gross amount of ticket sales is inexcusable and thus prejudicial to the government.

Under the original lease agreement, PCSO paid the telecommunications companies directly for services extended in order to operate the lotto equipment.⁶³ Strangely, when the ELA was amended, PCSO was then obligated to pay the so-called communications integration service fee to PGMC, a company not providing

⁶³ TSN, Caturia VII-1 July 26, 2010 10:26am, p.7

THE CHAIRMAN: There is also this matter of the telecom fee, is that correct, and the service repair fee?

MS. TOLENTINO: Yes, Your Honor.

THE CHAIRMAN: What is this?

MS. TOLENTINO: The telecom integration fee was integrated into their contracts when it was extended in 2004 and it was supposed to be 3 percent. Before that, it was PCSO that pays the telecom companies straight.

THE CHAIRMAN: Now, they're the ones that pay the telecom companies?

MS. TOLENTINO: Yes, yes.

telecommunications service. As a result, the total amount of fees that the PCSO is paying to PGMC has increased exponentially.

The Commission on Audit (2009) made several observations on this irregularity, to wit:

10.2 Prior to the amendment, the MRR was directly paid by PCSO to the telecommunications companies and the telecommunications integration function was performed by PCSO. With the amended ELA, telecommunications integration function was performed by PCSO. With the amended ELA, telecommunications integration was provided by lessors for service fees equivalent to three percent of the gross amount of ticket sales. Thus, from a fixed overhead cost based on the number of terminals installed, the present MRR is now a variable cost based on the amount of gross sales. Including the 12 percent value-added tax, the MRR is computed at the effective rate of 3.36 percent.

10.3 Comparison of the cost of MRR if paid directly to the telecommunications companies and the MRR paid to the lessors under the amended ELA showed that PCSO incurred additional expenses ranging from P41.992 million to P376.770 million per year, computed as follows.

Year	Sales	Monthly Recurring Rate	Percent to Sales	Increase	
				Amount	Percent
PGMC - LUZON					
*based on the highest payment to telecommunications					
Direct payment to telecommunications service providers					
2004	8,610,111,310	139,525,926	1.62		
2005	11,189,101,690	152,413,974	1.36	*	
Payments to PGMC					
Jan.-July 13, 2006	6,739,144,130	104,041,338	1.54		
Ju. 14-Dec. 31, 2006	5,252,074,050	176,469,688	3.36		
Total 2006	11,991,218,180	280,511,026		128,097,053	84.05
2007	11,709,332,200	393,433,562	3.36	241,019,588	158.13
2008	13,774,570,320	462,825,563	3.36	310,411,589	203.66
2009	15,749,533,790	529,184,335	3.36	376,770,362	247.20
POSC-VISMIN					
Direct payment to telecommunications service providers					
2002	1,761,623,620	48,952,555	2.78	*	
2003	2,194,206,050	47,051,839	2.14		
Payments - POSC					
2004	2,706,697,600	90,945,039	3.36	41,992,485	85.78
2005	3,377,347,180	113,478,865	3.36	64,526,311	131.81
2006	4,042,609,130	135,831,667	3.36	86,879,112	177.48
2007	4,795,914,910	161,142,741	3.36	112,190,186	229.18
2008	6,490,629,360	218,085,147	3.36	169,132,592	345.50
2009	7,690,344,690	258,395,582	3.36	209,443,027	427.85

10.4 Thus, amendment of the ELA by including the communication integration fees at three percent of gross sales was prejudicial to PCSO as it resulted in substantial increase in expenses considering the continuous increase in lotto sales.

Recommendations

On the issue of the communications integration service fee, Senate President Enrile had several questions:

THE SENATE PRESIDENT [SEN. ENRILE]: Why was the need for that when if you are using the system of PLDT, all you have to do is to receive the billings of PLDT? Why do you need another party to pay, to handle a what-what integration? Yes.⁶⁴

⁶⁴ TSN: L.Sapida I-2 July 18, 2011 12:24PM, p.4.

The current Board of the PCSO must negotiate the removal of the communications integration service fee in the lease agreement. The previous system of directly paying the telecommunications company is the better option and no reason exists to maintain the current scheme of the PCSO.

This Committee hereby requests the current members of the Board of the PCSO to provide, on or before the 30th of every month, a progress report on the ongoing renegotiations for this Equipment Lease Agreement and its related amendments.

IV. STL remittances, Ambulance Donations, and Co-mingling of Funds

A. Co-mingling of Funds

The PCSO Charter apportions the net receipts into 3 funds: (1) Prize Fund, (2) Charity Fund, and (3) Operating Fund. Section 6 stipulates that:

SECTION 6. Allocation of Net Receipts. - From the gross receipts from the sale of sweepstakes tickets, whether for sweepstakes races, lotteries, or similar activities, shall be deducted the printing cost of such tickets, which in no case shall exceed two percent of such gross receipts to arrive at the net receipts. **The net receipts shall be allocated as follows:**

A. **Fifty-five percent (55%)** shall be set aside as a **prize fund** for the payment of prizes, including those for the owners, jockeys of running horses, and sellers of winning tickets.

Prizes not claimed by the public within one year from date of draw shall be considered forfeited, and shall form part of the charity fund for disposition as stated below.

B. **Thirty percent (30%)** shall be set aside as contributions to the **charity fund** from which the Board of Directors, in consultation with the Ministry of Human

Settlement on identified priority programs, needs, and requirements in specific communities and with approval of the Office of the President (Prime Minister), shall make payments or grants for health programs, including the expansion of existing ones, medical assistance and services and/or charities of national character, such as the Philippine National Red Cross, under such policies and subject to such rules and regulations as the Board may from time establish and promulgate. The Board may apply part of the contributions to the charity fund to approved investments of the Office pursuant to Section 1 (B) hereof, but in no case shall such application to investments exceed ten percent (10%) of the net receipts from the sale of sweepstakes tickets in any given year.

Any property acquired by an institution or organization with funds given to it under this Act shall not be sold or otherwise disposed of without the approval of the Office of the President (Prime Minister), and that in the event of its dissolution all such property shall be transferred to and shall automatically become the property of the Philippine Government.

C. **Fifteen (15%)** percent shall be set aside as contributions to the **operating expenses and capital expenditures** of the Office.

D. **All balances** of any funds in the Philippine Charity Sweepstakes Office shall **revert to and form part of the charity fund** provided for in paragraph (B), and shall be subject to disposition as above stated.

(Emphasis supplied)

The co-mingling of PCSO Funds became apparent during the discussions concerning the Funds for Public Relations and Intelligence. Mr. Sergio O. Valencia, former Chairman of PCSO, mentioned that both funds belong to the 15% Operating Fund.⁶⁵ The hearings uncovered the fact that the PCSO Board went beyond the 15% Operating Fund:

MS. MENDOZA. Your Honor, may I refer the attention of the Committee to the Statement of Income and Expenditures for 2009. As we have reported, **kino-mingle (co-mingle) po nila iyong mga funds, iyong operating, charity and prize.** Kaya hindi po nila talaga makikita –

⁶⁵ TSN: CGCastro VI-1 July 14, 2011 9:59 a.m. p. 4.

THE CHAIRMAN [SEN. GUINGONA] . You mean, it was co-mingled?

MS. MENDOZA. **Pinagsama-sama po. Hindi ho nila pinaghihiwa-hiwalay.** Therefore nung pinresent (present) po naming iyong income statement –

XXX

THE SENATE PRESIDENT [SEN. ENRILE] . Yung income ng PCSO was not broken into separate accounts?

MS. MENDOZA. Iyon pong collections ng PCSO hindi po nila pinaghiwa-hiwalay into operating, charity –

THE SENATE PRESIDENT [SEN. ENRILE] . Hindi ba may account for prizes and account for charity and account for operating expenses?

MS. MENDOZA. Opo. **Pero iyon pong actual cash hindi po nila pinaghihiwa-hiwalay.**

XXX

THE SENATE PRESIDENT [SEN. ENRILE] . Each fund don't (sic) – get its share of the revenue flow of the organization.

MS. MENDOZA. Yes, Your Honor. Kaya nga po – let me just finish, Your Honor. **In the Statement of Income and Expenditure, nung amin pong pinaghiwa-hiwalay yung operating, charity and prize, there is a net loss of 43, 632, 942 kasi nga ho nasobrahan iyong operating dahil masyado hong malaki iyong ginastos for confidential funds na na-charge po doon sa operating expense.** Now, makikita po natin iyong effect into –

THE CHAIRMAN [SEN. GUINGONA]. Let me just – for a while. There was a negative because nasobrahan nila ang paghugot sa...

MS. MENDOZA. Sa operating fund, opo.

THE CHAIRMAN [SEN. GUINGONA]. ...operating funds. Okay. Please proceed...

MS. MENDOZA. Pero, Your Honor, pag po ito ay pinagsama-sama, hindi po natin makikita. Kaya po pag tinitignan po natin iyong income statement, doon po sa total – ang ibig sabihin kapag sinam-up (sum up) po natin iyong mga results from the different funds, hindi natin makikita. **It is still net income of 83, 204, 490. But if we try to categorize them, break them into operating fund, ang result po nito is a net loss of 43, 632, 942 for the operating fund; and 128, 665, 765 for the charity; so net loss din po. And**

the only net income ay manggagaling po sa prize fund, which is a measly 255, 503, 197.

THE CHAIRMAN [SEN. GUINGONA]. Were they authorized to co-mingle or would you say this is illegal?

MS. MENDOZA. Your Honor, this is one of the findings of the Commission on Audit already, Your Honor. It is included already in the annual audit report, Your Honor, that **they co-mingled the different funds since 2007**, Your Honor. We have been reiterating this (sic) findings since 2007, Your Honor.⁶⁶

(Emphasis supplied)

The aforementioned testimony of COA Commissioner Heidi Mendoza was further supplemented by Atty. Fidela M. Tan of COA, when she stated that PCSO prepares a distribution to the three funds at the end of every month, without however assuring the corresponding transfer of cash to the respective funds.⁶⁷

Ms. Margarita P. Juico, the present Chairperson of PCSO has assured the Blue Ribbon Committee that PCSO is now maintaining separate accounts for each fund.⁶⁸

B. Deficiencies in the Implementation of the PCSO Ambulance Donation Program

There has been mismanagement in the execution of PCSO's Ambulance Program. Under the Program, PCSO would shoulder 60% of the cost, while the 40% shall be paid by the beneficiary.⁶⁹ In its 2009 Financial Audit Report, the COA observed that local government units (LGUs) of a higher class category (1st to 4th class category) were prioritized, as they received a total of 170 ambulances

⁶⁶ TSN: CGCastro vi-1 July 14, 2011 9:59 a.m. pp. 5-6.

⁶⁷ TSN: RPAIger VIII-2 July 14, 2011 12:29 p.m. p. 2.

⁶⁸ TSN: RPAIger VIII-2 July 14, 2011 12:29 a.m. pp. 2-3.

⁶⁹ Par. 13, 2009 COA Report.

compared to the 39 received by lower class category of LGUs (5th to 6th class category), defeating the intended benefit for the poorest sector.⁷⁰

This inequitable distribution of ambulances was also highlighted during the hearing. According to Atty. Jose Ferdinand M. Rojas II, PCSO General Manager, the current PCSO board discovered the unbalanced allocation of ambulances made by the previous PCSO, when it conducted an ambulance mapping and assessment procedure. For instance, it was revealed that for the province of Ilocos Sur alone, PCSO granted a total of 22 ambulances. In view of the disproportion, a policy question arose as to what standard PCSO adheres to in bestowing ambulances.

The present PCSO Board assured the Blue Ribbon Committee that it is now the policy of the PCSO to provide fourth, fifth, and sixth class municipalities with ambulances free of charge. This means they are not required to pay the required 40% share.⁷¹

Mr. Manuel L. Morato, Chairman of PCSO during the Ramos Administration, however refuted the misleading assumption that all LGUs need ambulances. He opined that:

MR. MORATO: Ito pong maliliit na munisipyo ano ito, ayaw po nila tumanggap ng ambulansiya, because they have no funds for maintenance; pag nasiraan, walang pangsuweldo sa driver. Kaya ang gusto po nila idaan sa congressman nila. Kasi kaya po ang congressman ang humihingi, pag ang congressman ang nagbibigay sa kanila, sinsagot po sa pork barrel 'yung suweldo, 'yung maintenance ng ambulansiya, kasi wala po silang pambili raw ng spare parts. **So it becomes a curse to the small, little municipality to give them a luxury ambulance.** At tapos ang layu-layo po ng service center. Sometimes they have to go to other islands to get the spare parts. (*Emphasis supplied*)

⁷⁰ Par. 13.2, 2009 COA Report.

⁷¹ TSN: RJOrtiz July 7, 2011 10:16 a.m. p. 6.

Mayroon pong nag-request na jeepney na lang po ang ibigay sa kanila at mas madali raw pong to maintain, mas mura, madali nilang ayusin. 'Yung mga bagay pong 'yan comes into consideration. It's not a question of just giving this municipality, huwag, kawawa naman. Ayaw po nila eh. Wala raw po silang pambayad sa maintenance at saka sa drivers ng ambulances. They can't afford the overhead. (*Emphasis supplied*)⁷²

More than 200 ambulances left behind by the previous PCSO Board, which have been exposed to sun and rain for the past year, also became the topic of discussion. It was made known by the present PCSO Board that they had to honor the commitments already made by the previous board. This was for the purpose of releasing the ambulances at the soonest possible time, instead of leaving them vulnerable to depreciation and damage. However, aside from the approved requests, the present board also took into consideration the following: a) whether or not the LGU has been given an ambulance unit in the last five years; and b) whether or not the LGU belongs to the 4th, 5th or 6th class category.⁷³

C. Unaccountable Remittance of Small Town Lottery (STL) Share to Congressmen and to the Philippine National Police

As an innovation of PCSO, the Small Town Lottery (STL) was meant to generate more funds to provide greater help to local projects. With the use of computers and new technology, the STL also aimed to eradicate *jueteng*, *masiao*, and other similar illegal number games that were rampant in the country.⁷⁴

Under the STL charity fund sharing scheme,⁷⁵ revenues accruing to the STL will be divided as follows:

⁷² TSN: SgIrobles XII-1 July 14, 2011 10:59 a.m. p. 8.

⁷³ TSN: Ctsotto III-1 July 18, 2011 10:24 a.m. p. 6.

⁷⁴ www.pcsso.gov.ph.

⁷⁵ *Ibid.*

RECIPIENT	PERCENTAGE OF STL SHARE
City or municipality	10%
Provincial government	5%
Congressional District	2.5%
Philippine National Police (PNP)	5%

The principle behind remitting STL share to the LGUs and the various PNP offices is to effectively decentralize the use of charity funds. Atty. Ma. Aleta L. Tolentino, PCSO Board Member, expanded on the rationale:

MS. TOLENTINO. *Your Honor, the allocation to the LGUs and PNPs are from the charity fund. **The idea being that instead of the charity fund going straight to PCSO, this will be used locally to support the locality, since the revenue is obtained or generated from that locality, so it is but just that the part of the charity fund of PCSO will go back to them and then support the community for health and medical expenses.** So it should be now – like, if it’s an LGU, the mayor should now set it aside and really support the health and medical needs of their constituency. That’s the idea of that, Your Honor.⁷⁶ (*Emphasis supplied*)*

The share⁷⁷ of the PNP is further broken down as follows:

RECIPIENT	PERCENTAGE OF STL SHARE
PNP Headquarters at Camp Crame	0.5%
Regional PNP Offices	0.5%
Provincial PNP Officer	1%
City & Municipal PNP Officer	3%

⁷⁶ TSN: MPMendoza V-1 July 18, 2011 10:44 a.m. p. 5.

⁷⁷ TSN: mhSantos II-1 July 18, 2011 10:14 a.m. p. 1.

Atty. Jose Ferdinand M. Rojas II, PCSO General Manager, informed the Blue Ribbon Committee that the STL share is being remitted on a monthly basis, wherein PCSO directly pays the PNP Headquarters, while the STL operators disburse the STL share directly to the "local" PNP (regional, provincial, city and municipal PNP Offices).

Evidence that the local PNP, as a matter of fact, regularly receives STL share from the STL operators were not presented. This was raised as a concern by Sen. Teofisto "TG" Guingona III:

THE CHAIRMAN [SEN. GUINGONA]. May pruweba ba kayo na tinanggap ng PNP 'yan?

MR. ROJAS. **We were furnished acknowledgment receipts by the operators of our STL.**

THE CHAIRMAN [SEN. GUINGONA]. So all you have are acknowledgement receipts, you do not have copies of the checks that were presumably – presumably the payments were made in check and they were deposited into accounts of the PNP, local.

MR. ROJAS. Uhuh.

THE CHAIRMAN [SEN. GUINGONA]. But if that was not, you have no proof at all.

MR. ROJAS. Right now, Your Honor, we are making an audit of all our existing STL operators and part of that audit is the procurement of acknowledgment receipts and other proof of remittances.

THE CHAIRMAN [SEN. GUINGONA]. Hindi po. **Kasi, hindi po tayo sigurado kung napunta nga talaga sa operations ng PNP, o pumasok sa bank account ng PNP, o pumunta sa ibang account sapagkat hindi kayo ang may control, hindi po ba?**

MR. ROJAS. That is correct, Your Honor.

THE CHAIRMAN [SEN. GUINGONA]. At base sa sabi mo, acknowledgement receipt. Papel lang 'yan na nakalagay, "We acknowledge that we received this amount," tapos nakapirma. Pero hindi nakalagay kung saan pumunta. Tama po ba?

MR. ROJAS. That is correct, Your Honor.⁷⁸

(Emphasis supplied)

Director General Raul Bacalzo, as chief of the PNP, confirmed the lack of information, with respect to the STL share of the local PNP:

Your Honors, per records available to the Philippine National Police, the remittances to the PNP National Headquarters are all released by PCSO, all deposited in one account, disbursements were accounted for and audited and liquidated. **But with respect to remittances to the regions, to the provinces and to the cities and municipalities, we have no reports, Your Honor. We have no information. (Emphasis supplied)**

COA similarly cannot verify if the STL share of the local PNP is actually being deposited to the local PNP accounts.⁷⁹ Eventually, however, the Office of the Cluster Director (Cluster C, Corporate Government Sector) of the COA submitted its "Initial Report on the result of the audit of the share of the local offices of the PNP in the net sales proceeds of the STL operations within their areas of jurisdiction," dated 8 August 2011. In the report, "as of May 2010, there are 23 authorized corporations operating within regions I, II, III, IV, V, VI, VIII, and XIII." The report further provides that from May 2006 to May 2011, the remittances to local PNP amounted to Php 446, 883, 041. 60.

Some deficiencies noted by COA in the report are the following:

(A) Payees of checks for remittances to PNP local offices were either "Cash" or specific name of a police officer. This is in violation of Sec. 77, Vol. 1 of the Government Accounting and Auditing Manual (GAAM), which provides that "checks in payment for indebtedness to

⁷⁸ TSN: mhSantos li-1 July 18, 2011 10:14 a.m. pp. 1-2.

⁷⁹ *Ibid*, p. 4.

the government must be drawn by the payor himself and **made payable to the agency or head or treasurer of agency. In the latter case, only the *official title or designation of the official concerned shall be stated as the payee. Under no circumstances shall the following checks be accepted (a) checks drawn payable to the name of agency head or any of its officers (*Emphasis supplied*);***

(B) No official receipt was issued, instead only acknowledgement receipts prepared by the authorized corporations, were submitted as proof of remittances to PNP local offices. The authorized corporations merely prepared pro-forma Acknowledgment Receipts (AR) to be signed by recipients as proof of their acceptance of the remittances. **Without the issuance of official receipts to evidence acceptance of the remittances, the transactions could not have been recorded in the books of the accounts of the PNP and the funds could not have been used for the purpose intended (*Emphasis supplied*);**

(C) Acknowledgement receipts issued as proof of remittances to PNP local offices had incomplete information and were not properly accomplished; and

(D) Iloilo STL Gaming Corporation had not remitted the PNP shares from the start of operations (September 2006) until June 2010. This amounts to Php 18, 623, 021. 90. Receipt of remittances effective July 2010 were only evidenced by mere acknowledgement receipts.

On account of this lack of transparency and accountability, Bacalzo, Chief of the PNP, has already issued a Memorandum (dated 17 January 2011) regarding the use of STL shares of the PNP, entitled: "Guidelines on the Utilization of PCSO-STL Fund to PNP." For collections and remittances, the Memorandum provides that "The PNP Financial Service shall designate Collection Officers/Fund Custodians in regional and provincial Offices," who will issue an official PNP receipt to the PCSO, upon receipt of any funds remitted in favour of the PNP.⁸⁰ Moreover, the Memorandum requires the collection officers/fund custodians of NHQ/PROs/PPOs to submit a monthly Report of Collections and Disbursements, together with a duly authenticated copy of the deposit slips, to the Directorate for Comptrollership not later than the 15th day of the following month.⁸¹

⁸⁰ PNP Memorandum Circular No. 2011-002.

⁸¹ *Ibid.*

The current PCSO Board stated that it has already put to a stop the practice of making STL operators remit directly to the local PNP. Incidentally, PCSO is in the process of evaluating the performance of existing STL operators to determine whether or not they may apply as operators of *Loterya ng Bayan*, STL's substitute.⁸²

With respect to the STL share of congressional districts, it was alleged that, in violation of its own rules, PCSO remitted the 2.5% share from the STL directly to the Congressmen, instead of remitting it to hospital/s-health facility/ies, welfare institution/s and/or particular projects.

Paragraph 2 of PCSO Board Resolution No. 558, series of 2007, provides that:

The two and a half percent (2.5%) share/allocation from the STL Charity Fund for every Congressional District where the STL Project is operational shall be directly remitted to the Treasury Department of the PCSO which **shall release the amount/s allocated to the hospital/s-health facility/ies, welfare institution/s and/or particular projects** identified and chosen by the Office of the Congressman/woman concerned.

In its 2008 Financial Audit Report, COA noted that:

Review of remittances by AACs to PCSO representing the Congressional District's share from the period December 2007 to March 2008 amounting to P7.043 million revealed that PCSO directly remitted to the individual Members of the House of Representatives, instead of releasing the share to the hospital/s, health facility/ies, welfare institution/s and/or particular projects identified and chosen by the Office of the Congressman/woman concerned due to the revocation provided for in BR 248. **Further, the concerned Congressman/woman issued only acknowledgement receipts for the foregoing remittances.**⁸³ (*Emphasis supplied*)

⁸² TSN: ADMasicap IX-I July 26, 2011 10:46 a.m. p. 1.

⁸³ Par. 12.4.4, 2008 COA Report.

Furthermore, COA discovered that the remittances of the 2.5% share of congressional districts were not recorded in the books of the Account Services of the House of Representatives.⁸⁴

Upon Sen. Panfilo Lacson's probing, the hearings also revealed that none of the congressmen who received their respective STL shares had submitted liquidation instruments to the COA:

SEN. LACSON. So, from 2006 up to the present, you had not received any liquidating instruments from anyone among the congressmen?

MS. TAN. None, sir.⁸⁵

The feasibility and expediency of the STL was once again a topic of debate. When asked how much revenues are produced by STL, PCSO Chairperson, Ms. Margarita P. Juico stated, that PCSO earns more from the Lottery than STL.⁸⁶ Senator Teofisto "TG" Guingona III, in turn, wondered if it would instead be best to terminate STL permanently and to cancel *Loteriya ng Bayan*:

Iyon nga ang punto ko, kasi kausap ko si Secretary Robredo the other day, and tinatanong ko iyong anti-jueteng operations. At nahihirapan daw sila sa anti-jueteng sapagkat kung nanghuhuli sila nang naghu-jueteng eh and pinapakita ay ID ng STL. **So, obviously, well, nahihirapan ang kapulisan na mag-anti-jueteng operations sapagkat ginagamit talaga iyong STL at later on Loterya Ng Bayan as a front.** Eh kung ganoon, tanggalin na natin ito. Itigil na natin ito. Ano ang tingin ninyo? (*Emphasis supplied*)

⁸⁴ Par. 12.4.5, 2008 COA Report.

⁸⁵ TSN: Caturia IV-1 July 18, 2011 10:34 a.m. p. 8.

⁸⁶ TSN: ADMasicap IX-1 July 26, 2011 10:46 a.m. p. 2.

The current PCSO Board, nevertheless upheld the merit of Loterya ng Bayan. Atty. Jose Ferdinand M. Rojas II, PCSO General Manager, described the objectives of Loterya ng Bayan:

With regard again to the Loterya ng Bayan, it's a two-pronged objective. The first objective is really to curb and/or eradicate illegal number games. Through the help of other agencies, we shall be coordinating with them through the Loterya ng Bayan. And secondly also is to earn or increase government revenues...

Eventually, PCSO Chairperson Ms. Margarita P. Juico agreed that if the Loterya Ng Bayan, notwithstanding all the new measures and preparations carried out by PCSO, will still persist as a disguise for *Jueteng*, it might be best to annul it.⁸⁷

V. JOINT VENTURE AGREEMENT
between TMA GROUP of COMPANIES and PCSO:
Setting up of a Thermal Coating Plant

A. Facts

Two cases are pending in relation to the Joint Venture Agreement between the TMA Group of Companies (TMA) and the PCSO: one filed by TMA in Makati for specific performance arising from the current board's decision to cancel the contract; and another for violations of the Anti-Graft and Corrupt Practices Act filed by the current board against the former board for entering into this contract with TMA.

The Blue Ribbon Committee respects the jurisdiction of the courts to make the relevant rulings on the said pending cases but in the exercise of its mandate to determine acts of malfeasance, misfeasance, and non-feasance by public officials, it

⁸⁷ TSN: ADMasciap IX-1 July 26, 2011 10:46 a.m. p. 6.

hereby wishes to present its own reasons for concluding that the Joint Venture Agreement should be cancelled and that violations of the Anti-Graft and Corrupt Practices were in fact committed by members of the former board of the PCSO.

On December 4, 2009, the PCSO and TMA Group of Companies PTY Limited entered into a Contractual Joint Venture Agreement [CJVA] with the following contractual intent⁸⁸:

In entering into this Agreement, the Parties hereby declare and affirm that their primary contractual intent is to enter into a joint venture **for the purpose of establishing the first thermal coating plant in the Philippines, and to generally engage in the production and marketing of thermal-coated paper, synthetic substrates and other related products for the primary purpose of export sales with the balance of production capacity to be used for sales in the local market for creation of profit for both parties (Emphasis supplied).**

This CJVA was approved pursuant to PCSO Resolution No. 2171, series of 2009 and signed by the following:

- Rosario Uriarte, General Manager/Vice Chairman
- Jose Taruc V, Director
- Ma. Fatima A.S. Valdes, Director
- Raymundo Roquero, Director
- Manuel Morato, Director

Sergio Valencia, then Chairman of the PCSO, did not sign the resolution and it was Rosario Uriarte, then General Manager, who signed the CJVA.

Among the relevant provisions are the following:

⁸⁸ Section 2 of the CJVA

1. A term of fifty (50) years as the period for the joint venture;
2. On contribution:
 - a. TMA shall invest approximately Php 4.4 billion over the life of the joint venture for the establishment and operation of the first thermal coating plant in the Philippines.
 - b. PCSO shall commit all its thermal paper and other specialized paper products and consumables requirements for all current, future, and other gaming activities, for the next fifty (50) years, subject to the provisions for negotiation contained in paragraph 4.3 above.
 - c. The CJVA also provides: "The Parties agree and understand that the value of the supply contract of PCSO for the abovementioned paper requirements for the duration of the JV is equivalent to 20% equity of the JV activity.
3. On the sharing of profits:
 - a. TMA will receive 80% of the profits after all applicable taxes in the Philippines.
 - b. PCSO will receive 20% of profits after all applicable taxes in the Philippines.
4. On management:

- 9.1 of the CJVA provides: "The JV shall be managed by a Governing Board consisting of seven (7) members appointed annually. TMA shall nominate four (4) directors and PCSO shall nominate three (3) directors.

B. Findings, Analysis, and Recommendations

The Blue Ribbon Committee finds several problems with the CJVA.

First, the profit-oriented CJVA entered into by PCSO violates its own charter which limits the agency's ability to engage in profit-oriented ventures only to "health and welfare-related investments, programs, projects and activities."⁸⁹ The CJVA clearly shows that the primary purpose of the parties is to establish a thermal coating plant. No amount of imagination can lead to a conclusion that this is a health and welfare-related investment. In her testimony, Ms. Tolentino, a member of the current board of the PCSO narrated:

MS. TOLENTINO: Your Honor, we also would like to point out that the PGCC, present OGCC has already stated also that a thermal coating plant for the primary purpose of exporting is not within the mandate of PCSO. And under the joint venture guidelines, you should be going into joint venture activities in accordance with activities in your mandate.

Second, the government allows joint ventures because it seeks "to encourage pooling of resources and expertise between government and private sector entities."⁹⁰ No such pooling of resources exists in the CJVA. It can be gleaned from the text of the CJVA that this is simply a supply contract wherein the PCSO's only contribution is to "commit all its thermal paper and other specialized paper products and consumables requirements for all current, future, and other gaming activities,

⁸⁹ Section 1(B), Republic Act 1169, as amended.

⁹⁰ Guidelines and Procedures for Entering into Joint Venture (JV) Agreement between Government and Private Entities.

for the next fifty (50) years.” If this is the only function and obligation of PCSO in this contract, it is suspicious why an ordinary supply contract, awarded through proper bidding procedures, was not chosen. It can only be concluded that this so-called Contractual Joint Venture Agreement was entered into to bypass the requirements of the Government Procurement Reform Act. It is vital to note that to date, the PCSO has three more local suppliers for the same products provided by TMA.⁹¹ These companies offer the same price as TMA. This further supports the conclusion that a simple supply contract would have sufficed for this purpose.

The mere commitment to purchase paper is not a contribution in the form of “money/capital, services, assets” as envisioned in the definition of “Joint Venture” in the Guidelines and Procedures for Entering into Joint Venture (JV) Agreements between Government and Private Entities (2008 Guidelines):

A contractual arrangement whereby a private sector entity or a group of private sector entities on one hand, and a Government Entity or a group of Government Entities on the other hand, contribute money/capital, services, assets (including equipment, land or intellectual property), or a combination of any or all of the foregoing. Parties to a JV share risks to jointly undertake an investment activity in order to accomplish a specific, limited or special goal or purpose with the end view of facilitating private sector initiative in a particular industry or sector, and eventually transferring ownership of the investment activity to the private sector under competitive market conditions. It involves a community or pooling of interests in the performance of the service, function, business or activity, with each party having a right to direct and govern the policy in connection therewith, and with a view of sharing both profits and losses, subject to agreement by the parties. A JV may be a contractual JV, or a corporate JV.

Third, even if PCSO’s promise to source its thermal paper requirements from TMA is considered as an “investment” pursuant to the 2008 Guidelines, the determination of its value was still in breach of the mentioned guidelines. Section 6.2b of 2008 Guidelines provides that that value or price of the investment should be subject to a 3rd party independent valuation. However, the CJVA’s violative

⁹¹ See TSN, MELNOVERO IV-2 July 7, 2011 12:36 PM, p.4.

provision simply provides: "Prices for new paper products and specifications shall be determined by the governing Board of the JV, voting unanimously."

Fourth, the provisions of the contract are highly disadvantageous to the Government. Note that the TMA's investment is set at approximately Php 4.4 billion over the life of the joint venture, which is fifty (50) years. If PCSO's commitment to buy thermal paper is considered as its investment, then based on the calculations of members of the current board, PCSO's total contribution would be Php 42 billion. This exchange is relevant:⁹²

SEN. DRILON: And how much exposure would the PCSO have as a result of this commitment to purchase thermal paper?

MS. TOLENTINO: We estimated it at 42 billion, Your Honor, 42 billion, only at the current requirement of 800 million a year paper requirement.

Furthermore, Senator Drilon observed:⁹³

SEN. DRILON: So, at 800 million a year in five years' time, the Australian company would have recovered their investment from the sales that they made to PCSO.

It is therefore unacceptable that while the government contributes approximately 91% of investments of the joint venture, it only get 20% of the profits.

	Contribution	Percentage of Contribution	Profit-sharing under the CJVA
TMA	Php 4.4 billion	9%	80%
PCSO	Php 42 billion	91%	20%
Total	Php 48.4 billion		

⁹² TSN, ADMasicap III-2 June 7, 2011 12:26 a.m.,p.6.

⁹³ TSN, ADMasicap III-2 June 7, 2011 12:26 a.m., p7.

Recommendations

The Blue Ribbon Committee supports the move of the current board of the PCSO to cancel this grossly prejudicial contract. Likewise, the case for graft already filed by the members of the current board against the members of the former Board who approved this contract should be resolved immediately.

VI. DONATIONS of VEHICLES to SOME MEMBERS of the CATHOLIC CHURCH: "PAJERO SEVEN"

A. Facts

Before the start of the Committee hearings on the alleged anomalies committed during the previous administration of the PCSO, several media reports indicated that religious leaders from the Roman Catholic Church each received a *Pajero*, a luxury sport utility vehicle manufactured by *Mitsubishi Motors*. For these vehicles, it was mentioned that a total of Php 8.3 million was released during the administration of Gloria Macapagal-Arroyo.⁹⁴ The beneficiaries were eventually tagged as the "Pajero Seven".⁹⁵

The claim was on its face outrageous, as it seemed to be an outright violation of the Constitutional principle of separation of Church and State. The Committee made further investigations on the issue to determine if a breach of the Constitution was committed when these grants were made in favor of the so-called "Pajero Seven".

⁹⁴ "CBCP to probe Pajero 7," *Philippine Daily Inquirer*, 2 July 2011.

⁹⁵ *Ibid.*

Among the comments and observations of the Commission on Audit, in its 2009 Financial Audit Report, is that "Contrary to the provision of the PCSO Charter, various expenses not related to charity programs amounting to at least Php1.961 billion were charged to the Charity fund resulting in substantial reduction of the Charity fund, thus, limiting the attainment of the objective of providing continuous source of funds for charity programs."⁹⁶

Relevant to the issue at bar is par. 6.4 of the 2009 COA Report, which states:

Further, five vehicles costing P6.940 million granted to Catholic Church archdioceses were charged to the Charity fund, contrary to Article VI, Section 29 (2) of the 1987 Philippine Constitution, which states that:

No public money or property shall be appropriated, applied, paid, or employed directly or indirectly, for the use, **benefit** or support of any sect, **church,** denomination, sectarian institution or system of religion, or of any priest, preacher, minister, other religious teacher, or dignitary as such except when such priest, preacher, minister or dignitary is assigned to the armed forces, or to any penal institution, or government orphanage or leprosarium.

The following is a table showing the respective dioceses, religious leaders, PCSO Board resolutions and amounts granted, that are pertinent to the grant of service vehicles, data of which came from the documents submitted by the PCSO to the Blue Ribbon Committee:

DIOCESE	RELIGIOUS LEADER	PCSO BOARD RESOLUTION	RESOLUTORY PORTION	GRANT
Apostolic Vicariate of Bontoc-Lagawe	Bishop Rodolfo F. Beltran	BR No. 1223	RESOLVED, that the Board of Directors of PCSO confirm, as it hereby confirms, the	Php720,000

⁹⁶ Par. 6, 2009 COA Report.

			approval from the Office of the President on the request for funding assistance from the Apostolic Vicariate of Bontoc-Lagawe for their project proposal "Alay Kapwa Program," for a purchase of a service vehicle to be used for their health, dental & medical outreach programs...	
Archdiocese Social Action Apostolate of Zamboanga	Archbishop Romulo G. Valles	BR No. 461	RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves pursuant to the approval per B.R. No. 251, s. 2009, the amount of... for the purchase of a transport vehicle for the Zamboanga Archdiocese, to be used for its conduct of health & medical services...	Php 1,540,835.00
Archdiocese of Cotabato	Archbishop Orlando B. Quevedo	BR No. 532	RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves, the request for a service vehicle of Rev. Orlando	Php1,440,998.00

			<p>B. Quevedo, OMI, DD Archbishop of Cotobato, for use in its Community Based Health Program & Primary Health Care Program & other programs, covering the provinces of Maguindanao, Sultan Kudarat, North Cotobato, Cotobato City, & Shariff Kabungusan, for the benefit of the poor & indigent constituents in dire need of medical help & services...</p>	
Roman Catholic Prelate of Isabela, Basilan	Bishop Martin Jumoad	BR No. 644	<p>RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves, per recommendation of the Special Projects Dept...on the request of the Roman Catholic Prelate of Isabela, Basilan for 1 unit 4x4 vehicle to be used in their medical & health missions & activities & community visitations for the benefit of</p>	Php1, 125, 402.40

			indigent constituents...	
Caritas Neuva Segovia (Ilocos Sur)	Archbishop Ernesto Antolin Salgado	BR No. 1224	RESOLVED, that the Board of Directors of PCSO confirm, as it hereby confirms, the approval from the Office of the President...for the purchase of a service vehicle to be used for their health, dental & medical outreach programs...	Php720,000
Archdiocese of Bangued, Abra	Bishop Leopoldo C. Jaucian	BR No. 764	RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves, the request...for the purchase of a service vehicle to be used to transport its personnel & carry much needed materials for their services missions to the poor & needy constituents especially in the mountainous barangays...	Php1,129,094.00
Archdiocese of Sorsogon	Msgr. Augusto Laban	BR No. 617	RESOLVED, that the Board of Directors of PCSO confirm as it hereby confirms, the approval from the Office of the	No document re: amount

			President on the request of Msgr. Augusto G. Laban for one (1) unit van to help him and his students go to remote places to serve the poorest of the poor in Sorsogon who are in dire need of health & medical services...	
Substance Abuse and Family Enlightenment (SAFE) Apostolate	Fr. Roger Lood	BR No. 831	RESOLVED, that the Board of Directors of PCSO confirm, as it hereby confirms, the approval from the Office of the President on the request of Fr. Roger Lood, Diocesan of Substance Abuse & Family Enlightenment Apostolate (SAFE) Crisis Center for the acquisition of a service vehicle..	Php 900,000
Diocese of Butuan	Bishop Juan de Dios Pueblos	BR No. 328	RESOLVED, that the Board of Directors of PCSo approve in principle the grant of one (1) unit 4x4 service vehicle to the Diocese of Butuan c/o Bishop Juan de Dios Pueblos, D.D., for use of the diocese in	Php1,704,147.90

			its various community & health programs...	
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During the course of the hearings, it was proved that none of the service vehicles granted to the religious leaders were in fact Pajeros. Instead of Pajeros, what were granted were a second-hand ten-year old Nissan Pathfinder Pick-up, a Mitsubishi Standard Pick-up utility vehicle, a Toyota Grandia Hi-Ace, a Mitsubishi Strada Pick-up utility vehicle, a Mitsubishi Montero, and an Isuzu Crosswind utility vehicle.

Because of the groundless rumour, Sen. Miriam Defensor-Santiago requested an investigation as to the source of the "Pajero Bishops."

...I respectfully move to investigate the source of the false report about the so-called "Pajero Bishops," when it turns out that no Pajeros were involved. Sino and nag-imbento niyan? **Bukangbibig na ngayon 'yan Pajero Bishops, wala pa lang Pajero.** Who is this maleficent, twisted genius?⁹⁷ (*Emphasis supplied*)

PCSO Chairperson Ms. Margarita P. Juico, who was depicted in the media as the primary source of the assertion that certain bishops received Pajeros, gave the following statements, when asked to comment:

"Your Honor, I don't recall saying Pajeros. It was I think an information that was given to us by one of the managers, I think in PCSO when they said, 'utility vehicles were given to bishops.' And I think what happened there was when you mentioned a sports utility vehicle, you always say 'Pajero.' It's like saying TV or refrigerator."⁹⁸
(Emphasis supplied)

⁹⁷ TSN: Mhulep IV-1 July 13, 2011 10:05 a.m. p. 2.

⁹⁸ TSN: MPMendoza X-1 July 13, 2011 11:05 a.m. pp. 1-2.

“...But I would like to say that when we got hold of that COA finding that vehicles were given, somebody told me, ‘baka Pajero, SUV,’ – I don’t really even remember who said that and how it happened. But they mentioned about a Pajero. **I think it’s like Filipino when you say, like you bought a Frigidaire when you mean a refrigerator and you say ‘Pajero’ when you mean an SUV.** I think that was how that impression came up.”⁹⁹ (*Emphasis supplied*)

The hearings also revealed that the requests for service vehicles were not for the personal enrichment either of the church or of its leaders, but for the benefit of various community and health programs. Among the PCSO Board Resolutions, which approved the requests for service vehicles, a common denominator to the financial assistance could be discerned – the purpose of the service vehicles all point towards serving the poor who are in need of medical services, funding community-based health programs, and the like.¹⁰⁰ As the mandate of the PCSO, as enshrined in its Charter, is, to “provide funds for health programs, medical assistance and services, and charities of national character,” the purpose of the requests of the different dioceses of the Roman Catholic Church is in consonance with this mandate.

The bishops, who were invited to the 13 July 2011 hearing, issued an Opening Statement that encapsulates the non-religious and altruistic purpose of the service vehicles granted to their dioceses:

We are from provinces that have some of the most difficult areas that we, as bishops, have to reach. Most of us are from calamity-stricken areas. We serve the communities, some of which are the poorest of the poor. Our vocation is to help them insofar as we can with our resources. When we lack resources, we seek the assistance of others, especially from those whose mandate is to provide assistance particularly in health services and in charity.

Some of us received service vehicles from PCSO that are heavy-duty 4x4 pick-ups in order for our social,

⁹⁹ TSN: MPMendoza X-1 July 13, 2011 11:05 a.m. pp. 6-7.

¹⁰⁰ PCSO Board Resolution Numbers 617 (series of 2009); 328 (series of 2009); 532 (series of 2009); 1223 (series of 2009); 071 (series of 2009); 494 (series of 2009); 644 (series of 2009); 251 (series of 2009); 1224 (series of 2009); 764 9series of 2008); 617 (series of 2009), etc.

health and charitable services to reach remote areas. Others received vehicles that have multiple purposes of bringing indigent sick people to hospitals, distribute food, medicines and clothing to calamity-stricken families."¹⁰¹
(Emphasis supplied)

In the end, the *Catholic Bishops Conference of the Philippines* (CBCP) decided to return the service vehicles to the PCSO, regardless of any official determination as to whether their grant is lawful or not.

B. Findings, Analysis, and Recommendations

The core issue in the case of the bishops is whether or not it is legal for the PCSO to grant service vehicles to some officials of the Roman Catholic Church. This Committee finds that it is *not unconstitutional* for PCSO to provide funds to the Catholic Church, as long as it is for a public purpose, and neither for the personal use of the religious leaders, for the specific enrichment of the church, nor for religious purposes. For this reason, this Committee finds that none was made in violation of the Constitution. The case of Bishop Pueblos though merits a separate discussion in order to outline the instances of impropriety.

Valid Donations

As the series of PCSO board resolutions would reveal, the grant of a service vehicle was for social action and/or medical/health care programs. These purposes are in line with the mandate of the PCSO to provide funds "for health programs, medical assistance and services, and charities of national character."

¹⁰¹ TSN: Mhulep IV-1 July 13, 2011 10:05 a.m. pp. 6-7.

In the landmark case of *Aglipay vs. Ruiz*,¹⁰² the act of issuing and selling postage stamps commemorative of the Thirty-third International Eucharistic Congress by the Director of Posts was questioned as an infringement of the principle of separation of Church and State. The Supreme Court held that:

...What is emphasized is not the Eucharistic Congress itself but Manila, the capital of the Philippines, as the *seat* of that congress. It is obvious that while the issuance and sale of the stamps in question may be said to be inseparably linked with an event of a religious character, the resulting propaganda, if any, received by the Roman Catholic Church, was not the aim and purpose of the Government. **We are of the opinion that the Government should not be embarrassed in its activities simply because of incidental results, more or less religious in character, if the purpose had in view is one which could legitimately be undertaken by appropriate legislation. The main purpose should not be frustrated by its subordinate to mere incidental results not contemplated. (*Emphasis supplied*)**

It is clear, that as long as the benefit to the Church is merely *incidental*, and not for the sole enrichment of the Church or its leaders - but primarily, directly and exclusively for a public purpose - such benefit granted by the government cannot be considered unconstitutional.

Sec. 5, Art 6, 1987 Philippine Constitution states:

No law shall be made respecting an establishment of religion, or prohibiting the free exercise thereof. The free exercise and enjoyment of religious profession and worship, without discrimination or preference, shall forever be allowed. No religious test shall be required for the exercise of civil or political rights.

The non-establishment clause does not prohibit all government aid that might redound to the benefit of a certain religion. For government aid to be allowable, the following circumstances should be present:

¹⁰² G.R. No. L-45459, March 13, 1937

- 1) It must have a secular (legislative) purpose; (i.e. it has no relation whatsoever with the practice of faith, worship or doctrines of the church.¹⁰³)
- 2) It must have a primary effect that neither advances nor inhibits religion; and
- 3) It must not require excessive entanglement with recipient institutions.¹⁰⁴

The aforementioned set of criteria is the established three-fold test in determining the lawfulness of government aid: purpose, effect and entanglement. All circumstances are present.

FIRST: It must have a secular (legislative) purpose (i.e. it has no relation whatsoever with the practice of faith, worship or doctrines of the church.¹⁰⁵).

Bishops have compellingly defended themselves by showing that the service vehicles were not requested to promote religion, but for social action and medical mission purposes. The service vehicles were to serve a secular end. To reiterate the governmental purpose of the vehicles, here once again is a table of the pertinent Board Resolutions, with their respective resolatory portions:

PCSO BOARD RESOLUTION	RESOLATORY PORTION
BR No. 1223	RESOLVED, that the Board of Directors of PCSO confirm, as it hereby confirms, the approval from the Office of the President on the request for funding assistance from the Apostolic Vicariate of Bontoc-Lagawe for their project proposal "Alay Kapwa Program," for a purchase of a service vehicle to be used for their health, dental & medical outreach programs...
BR No. 461	RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves

¹⁰³ Austria vs. NLRC, 110 SCAD 785.

¹⁰⁴ School District vs. Schemp 374 U.S. 203.

¹⁰⁵ Austria vs. NLRC, 110 SCAD 785.

	pursuant to the approval per B.R. No. 251, s. 2009, the amount of... for the purchase of a transport vehicle for the Zamboanga Archdiocese, to be used for its conduct of health & medical services...
BR No. 532	RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves, the request for a service vehicle of Rev. Orlando B. Quevedo, OMI, DD Archbishop of Cotobato, for use in its Community Based Health Program & Primary Health Care Program & other programs, covering the provinces of Maguindanao, Sultan Kudarat, North Cotobato, Cotobato City, & Shariff Kabungusan, for the benefit of the poor & indigent constituents in dire need of medical help & services...
BR No. 644	RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves, per recommendation of the Special Projects Dept....on the request of the Roman Catholic Prelate of Isabela, Basilan for 1 unit 4x4 vehicle to be used in their medical & health missions & activities & community visitations for the benefit of indigent constituents...
BR No. 1224	RESOLVED, that the Board of Directors of PCSO confirm, as it hereby confirms, the approval from the Office of the President...for the purchase of a service vehicle to be used for their health, dental & medical outreach programs...
BR No. 764	RESOLVED, that the Board of Directors of PCSO approve, as it hereby approves, the request...for the purchase of a service vehicle to be used to transport its personnel & carry much needed materials for their services missions to the poor & needy constituents especially in the mountainous barangays...
BR No. 617	RESOLVED, that the Board of Directors of PCSO confirm as it hereby confirms, the approval from the Office of the President on the request of Msgr. Augusto G. Laban for one (1) unit van to help him and his students go to remote places to serve the poorest of the poor in Sorsogon who are in dire need of health & medical services...
BR No. 831	RESOLVED, that the Board of Directors of PCSO confirm, as it hereby confirms, the approval from the Office of the President on the request of Fr. Roger Lood, Diocesan of

	Substance Abuse & Family Enlightenment Apostolate (SAFE) Crisis Center for the acquisition of a service vehicle...
	RESOLVED, that the Board of Directors of PCSO approve in principle the grant of one (1) unit 4x4 service vehicle to the Diocese of Butuan c/o Bishop Juan de Dios Pueblos, D.D., for use of the diocese in its various community & health programs...

As plainly evident from the PCSO Board Resolutions, the definitive purpose of the donation of service vehicles is not religious, but public and charitable.

SECOND: It must have a primary effect that neither advances nor inhibits religion.

There is no direct support to the Catholic Church. The support is merely incidental. The government aid, in this case, does not involve a preference of one religion over another. Government neutrality was still maintained, as the primary effect was to promote the general welfare.

THIRD: It must not require excessive entanglement with recipient institutions.

The PCSO's involvement terminated with the issuance and implementation of the board resolution.

Ultimately, the decisive factor is the purpose of the government aid. If the government aid is bestowed to promote the general welfare – a purpose that is within the police power¹⁰⁶ of the state - then it is a lawful exercise of charity.

¹⁰⁶ The police power has for its object the improvement of social and economic conditions affecting the community at large and collectively with a view to bring about "the greatest good of the greatest number" (*People vs. Brazee*, [Mich., 1914], 149 N. W. 1053).

The Case of Bishop Juan de Dios Pueblos

In a letter dated 5 February 2009, Bishop Juan de Dios Pueblos of Butuan sent a letter to the Office of the President. The letter informs the then President Gloria Macapagal-Arroyo, that as Pueblos will be celebrating his birthday, he would like to ask her a "favour":

At present, I really need a brand new car possibly a 4x4 which I can use to reach the far-flung areas of Caraga. **I hope you will never fail to give a brand new car which would serve as your birthday gift to me...** (*Emphasis supplied*)

The aforementioned letter was received by the PCSO on 12 February 2009, and was received by Malacañan on 6 March 2009.

Seemingly as an afterthought, Pueblos sent a request dated 24 March 2009, which describes the need for a 4x4 vehicle:

The need for a new transport is felt by the people in the Diocese of Butuan for use in its various **community program & services, especially the poor & marginalized in the far-flung areas** in the Diocese & the whole of Caraga...

But far from pursuing a selfish agenda, Pueblos, in point of fact, requested a 4x4 "service vehicle" not for himself, but for the Diocese of Butuan, in order to serve its "various community & health programs..." This is explicitly stated in no less than PCSO Board Resolution No. 328:

RESOLVED, that the Board of Directors of PCSO approve in principle the grant of one (1) unit 4x4 service vehicle to the Diocese of Butuan c/o Bishop Juan de Dios Pueblos, D.D., for use of the diocese in its various community & health programs...

Furthermore, his now infamous letter to Gloria Macapagal-Arroyo, which was the source of much contention, actually reveals the altruistic purpose of his request:

Having been declared, awarded and honoured from your good office as 'Peace Champion of Caraga,' I am grateful to God that he has made me an instrument of His peace especially here in Mindanao. **I know I can do more to promote and work for peace. It is in this view that I am asking a favour from your Excellency. At present, I really need a brand new car possibly a 4x4 which I can use to reach the far flung areas of Caraga.** I hope you will never fail to give a brand new car which would serve as your birthday gift to me. For your information, I have with me a seven-year old car which is not anymore in good running condition. Therefore, this needs to be replaced very soon.¹⁰⁷ (*Emphasis supplied*)

It is a cardinal rule, that when ascertaining the intention of a writer, you have to read the text as a whole. A consideration of the whole should be made, and not merely an isolated portion thereof. In reading Pueblos' letter to Gloria Macapagal-Arroyo, it could be surmised that the request for a 4x4 is for a secular purpose – "to promote and work for peace" in Mindanao. His request was preceded by the phrase "It is in this view," which in turn pertains to his desire "to promote and work for peace." His supposedly narcissistic hidden agenda is belied by his very own letter, which ironically, is the same letter that triggered the condemnation of the public.

The approach chosen by Pueblos in requesting a vehicle may be questionable, but ultimately, the request per se was for a public welfare purpose, and therefore, legal.

¹⁰⁷ Bishop Pueblos Letter to Gloria Macapagal-Arroyo, dated 5 February 2009.

Recommendations

To prevent the future occurrence of baseless accusations, which tend to injure the reputation of an institution, the PCSO should publish specific and clear grounds that are valid and sufficient justifications for a PCSO-approved donation. In this way, the requesting party will be immediately notified as to the merit or the lack thereof, of its request.

When making grants in favour of any religious group or institution, the PCSO must take great care to ensure that a lawful distance be kept between the church and the state: an act of caution that is neither against any church nor any religious leader, but rather simply, as an adherence to the limits imposed by the highest law of the land, the Constitution.

As to Bishop Juan de Dios Pueblos, he is advised to exercise propriety and prudence in dealing with government in the future.

VII. TF Ventures and Possible Conflicts of interests in Relation to Properties of Manuel Morato

A. Facts

TF Ventures, Inc. (TFV) is a duly organized domestic corporation organized on April 25, 1984. Initially, its purpose was to own, develop, and manage real estate in

general¹⁰⁸ but with subsequent infusion of more capital from Japanese investors, it shifted its business to the building, development, and management of Astor Hotel in Makati, Philippines.¹⁰⁹

The initial estimated cost to build the hotel was \$20 million to be financed by loan and equity on a 50/50 basis. Land Bank of the Philippines (LBP) was one of the financial institutions that TFV turned to for loans. On June 23, 2005, through a Deed of Absolute Sale, the LBP assigned the non-performing loan of TFV to Philippine Opportunities for Growth and Income (SPV-AMC), Inc. (POGI).

Unfortunately, because TFV continued to incur liabilities in excess of its income and revenues, it was eventually placed under corporate rehabilitation¹¹⁰ pursuant to a petition¹¹¹ filed by its major bank substitute creditor, POGI. The approved Rehabilitation Plan provided, among others: "For the Board of Directors and Stockholders of TFVI: b) They are prohibited to encumber, transfer or dispose any asset of TFVI, outside of its ordinary course of business, without prior approval of this court."

On December 4, 2009, POGI and Prime Gaming Philippines (PGPI) entered into a Deed of Assignment whereby the former, as holder of the promissory notes issued by TFV to LBP (POGI notes), assigned, transferred, and conveyed to PGPI all its rights, title, and interests in and to the POGI notes.

¹⁰⁸ Its Articles of Incorporation indicate its primary purpose as "to acquire, hold, operate, dispose of by purchase, sale, exchange, mortgage, barter, lease or in any other manner, conditionally or absolutely, real estate and/or improvements thereon and other properties for residential or commercial purposes or any interest therein, and to own, hold, improve, develop and manage any real estate buildings, structures or other properties or interest therein so acquired, as well as erect or cause to be erected on any real estate structures or other properties, held or occupied by the corporation, building, plants, factories or other similar structures with their appurtenances."

¹⁰⁹ Resolution dated June 13, 2008. Branch 149, Regional Trial Court-Makati.

¹¹⁰ *Id.*

¹¹¹ Filed on December 21, 2006 at Branch 149, Regional Trial Court- Makati.

On December 21, 2009, through a Joint Motion to Approve Sale of Assets and Pay Creditor,¹¹² PGPI as holder of TFV's LBP notes, and TFV sought court approval of the following plan which will enable TFV to settle its obligations to its creditors:

- a. The sale of the building and all improvements thereon to Perdana Hotel, Inc., PGPI's nominee, by way of *dacion en pago*, at a value of Seven Hundred Million Pesos (Php 700,000,000), provided that TFVI's debt to PGPI shall thereby be completely extinguished, and TFVI shall have an option to buy back the Hotel within a period of four (4) years at a price of One Billion Four Hundred Million Pesos (Php 1,400,000,000.00) plus the cost of ¹¹³all permanent improvements introduced by Perdana Hotel, Inc on the Hotel, and a premium thereon of twenty percent (20%); and
- b. The sale of the Land to Perdana Land, Inc., PGPI's nominee, for Seventy Million Pesos (Php 70,000,000.00), provided that TFVI shall have the option to buy back land from PGPI, if they decide to buy back the Hotel, within a period of four (4) years at a price of One Hundred Million Pesos (Php100,000.00), and that the Seventy Million (Php 70,000,000.00) shall be paid by PGPI in equal installments over eight (8) years secured by letters of credit issued by a commercial bank, in order to settle all employee claims that result from the sale of the property and the cessation of operations of the Best Western Astor Hotel.

During the hearing, Senator Estrada presented financial documents which provided:

In December 2009, the corporation entered into a Memorandum of Agreement or MOA with the stockholders of TF Ventures, Incorporated for the sale and purchase of a land and hotel owned by TF and the company's assumption of TF's liabilities for the total consideration of 785 million.

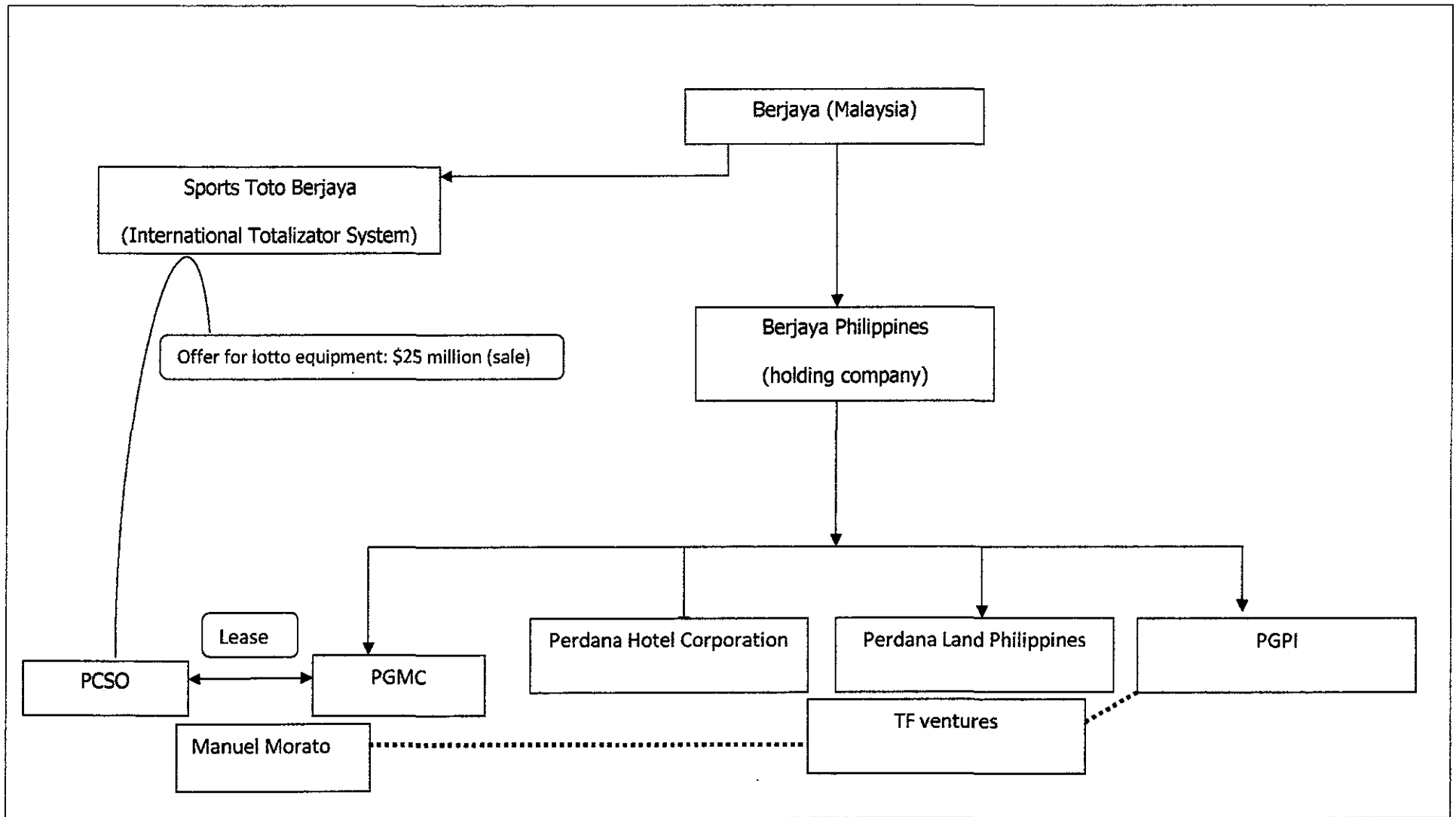
On March 15, 2010, the Court approved the motion to sell the assets of TFV to PGPI.

¹¹² Filed at Branch 149, Regional Trial Court –Makati.

¹¹³ Reproduced from the Joint Motion. Possibly a typographical error on their part.

Possible conflicts of interest were raised during the hearings because of the following facts:

- When PGPI purchased the properties of TF Ventures, a company partly owned by Manuel Morato, the latter was relieved of the burden to pay for corporate debts owed by TF Ventures to the banks.
- PGPI's actions may not be purely a contractual arrangement in relation to Manuel Morato. It can be inferred that PGPI's resulting assumption of the debts of Morato's company is partly an act of gratitude extended to Morato who was a member of the board that approved the Equipment Lease Agreement of PGPI's related company, PGMC. The reader must be reminded of the following points:
 - The Equipment Lease Agreement awarded to PGMC, PGPI's related company, continues to extend great financial benefits to the company, albeit great burden to the Philippine Government.
 - The relationship of PGPI and PGMC, which gives rise to possible conflicts of interest on the part of Manuel Morato, is presented in the diagram found in the next page:



B. Findings, Analysis, and Recommendations

The Blue Ribbon Committee hereby finds that there is an urgent need to pursue further investigation on this matter because there are several badges of extreme favoritism granted through the intervention of Manuel Morato, to related companies under the Berjaya group. As a result, companies under the Berjaya Group of Companies seem to extend contractual acts of gratitude to Mr. Morato: the assumption of Morato's corporate liabilities by PGPI (a Berjaya company), being an example of such acts.

In subsequent investigations on this matter, the Blue Ribbon Committee requests the authorities to take note of the following:

First, Manuel Morato is a majority stockholder of TFV, a company that was subsequently freed of its liabilities by entering into a contract with PGPI. Through the queries of Senator Drilon, it would seem that Morato was, although unclear as to the extent and nature, likewise liable for TFV's debts.

SEN. DRILON: Kayo po ba pumirma bilang co-guarantor ng loan ng TF Venture from the Land Bank? Pumirma ba-that's the usual naman eh.

MR. MORATO: If it's usual, maybe I did. I just can't recall, Your Honor.

SEN. DRILON: It is possible that-because it's usual when a bank extends a loan to a corporation, as an additional security the principal officers and stockholders of the corporation also sign, binding themselves to pay the loan.

MR. MORATO: I guess so, yes, Your Honor.

In fact, Morato, as majority stockholder, signed the Deed of Assignment in favor of PGPI and received part of the Php70 million that TF Ventures received by virtue of the assignment. The records show:

SEN. DRILON: You received 70 million or TF Ventures received 70 million under this Deed of Assignment?

MR. MORATO: I really don't know.

SEN. DRILON: Huh? What?

MR. MORATO: You have to talk to our lawyers on that.

SEN DRILON: Can you raise this? 'Yan, o, "Assignor hereby assigns, transfer and conveys the property to assignee for P70 million, and the assignee accepts such assignment."

MR. MORATO: Okay.

To conclude, further investigation must be pursued on possible conflicts of interest committed by Manuel Morato in his dealings with PGPI. It must again be mentioned that when PGPI purchased the properties of TF Ventures, a company partly owned by Manuel Morato, the latter was relieved of the burden to pay for

corporate debts owed by TF Ventures to the banks. Furthermore, as majority stockholder of TF Ventures, he received Php 70 million as part of the conditions of the Deed of Assignment executed by PGPI in its favor.

Considering that Morato's apparent benefactor, PGPI, is a company closely related to PGMC, another entity duly favoured by Morato in another juicy contract, the observation of possible conflict of interest must be seriously pursued through further investigations.

VIII.MORATO: ELECTIONEERING

Note:

This part of the Report was submitted to the Committee by Senator Franklin Drilon as a concurring opinion. Because Mr. Morato's allegations, discussed in the section that follows, involved an assertion against the Chairman, Senator Guingona, the latter has deemed it proper to inhibit from writing this part of the Report.

Senator Drilon's concurring opinion, now included as part of the main Report, is reproduced in full:

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During the 26 July 2011 hearing the of the Committee on Accountability of Public Officers and Investigations (Blue Ribbon)¹¹⁴, former Chairman Manuel Morato of the Philippine Charity Sweepstakes Office (PCSO) was shown to have committed repeated violations of the Batas Pambansa Blg. 881, also known as the Omnibus Election Code (Election Code).

On 20 November 2009, Mr. Morato, with the other members of the PCSO Board, approved through PCSO Board Resolution No. 2106 series of 2009¹¹⁵ the sponsorship of the International Broadcasting Corporation (IBC-13) for the following programs: IBC Express Balita, IBC News Tonite and AutoVote 2010, on the condition that the PCSO will be allowed to air replays of the show "Dial M" and other shows

¹¹⁴ Alleged Numerous Violations of Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, by the Previous Board of the Philippine Charity Sweepstakes Office (PCSO) with the end in view of crafting legislative measures to curb corruption and promote transparency and accountability in government.

¹¹⁵ Annex 1 – Resolution No. 2106 series of 2009. Approved at the regular meeting of the Board of Directors of PCSO on 20 November 2009, at Quezon City, Philippines.

that PCSO may wish to run under said channel. A total of **Five Million Pesos (Php 5,000,000)** was appropriated for this amount from the Public Relations (PR) and Publicity Fund of PCSO.

The show "Dial M" is a production by PCSO, which, according to Mr. Morato, served as a media vehicle of their office, for live-airing of the results of evening lottery draws and other concerns¹¹⁶. Between the years 2005 to 2010, a total of **Twenty Seven Million Four Hundred Thirty Six Thousand Nine Hundred Twenty Five Pesos (Php 27,436,925)**¹¹⁷ was spent to produce this television show. This amount excludes other expenses such as those appropriated under PCSO Board Resolution No. 2106 series of 2009.

During the 18 July 2011 hearing of the Committee on the subject, Mr. Morato admitted to having supported then Presidential Candidate and former Defense Secretary, Gilbert "Gibo" Teodoro during the 2010 Synchronized National and Local Elections.¹¹⁸ He also confirmed that he received and read "text" messages during the program and commented on these. Incidentally, the messages read all favoured one particular candidate – "Gibo" Teodoro.¹¹⁹

On 5 May 2010, IBC-13 aired a replay of the show, "Dial M". During the program, Mr. Morato and his co-host, Ms. Maggie dela Riva, could be seen wearing green ribbons and stickers with the name of "Gibo" Teodoro. Further, the hosts could be seen wearing ballers and wristbands identified to the campaign of Mr. Teodoro. At several points in the program, Mr. Morato openly endorsed the

¹¹⁶ Transcript of Stenographic Notes of 18 July 2011 hearing, page XI-2, 1.

¹¹⁷ Annex 2 – Summary of Disbursed Checks for the years 2005 (2a), 2006 (2b), 2007 (2c), 2008 (2d), 2009 (2e) and 2010 (2f).

¹¹⁸ Transcript of Stenographic Notes of 18 July 2011 hearing, page XII-2, 2.

¹¹⁹ Transcript of Stenographic Notes of 18 July 2011 hearing, page XII-2, 1.

candidates belonging to LAKAS-KAMPI, the party of former President Gloria Macapagal Arroyo, while disparaging the persons of opposition members, including then Senatorial Candidate and current Senator Guingona III and Senator Escudero. An excerpt of the episode was presented by Senator Drilon during the 26 July 2011 hearing of this Committee.¹²⁰

The following is a reproduction of the statements made by Mr. Morato during the 5 May 2010 re-run of Dial-M in IBC-13:

Sana makisama ang ating mga Gibo supporters at ipakita natin ang lakas natin sa kandidatura ni Gilbert "Gibo" Teodoro... Sumabak pa itong si Chiz Escudero ang lamyang pang magsalita. Pacute na naman. Just recall the background of your father, Chiz, si Sonny Escudero na kaibigan ko, a Marcos crony. Marami pa namang nakakaalala ng mga panahon na iyon kaya medyo, wag kayong magpasikat. Be yourself. Be humble. Eh because hindi na maganda itong pasikatan na ginagawa nyo. Sino ba kayo a few years back? Wala naman e. Ngayon na lang kayo nag uumpisang magpasikat. Hindi kayo dapat magpasikat. You people do not impress us. Kapareho dun sa forum ng mga senatoriales sa ANC. Nagsalita na naman si TG something... Guingona. My God, kasinungalingan ng taong yun talaga. Yun nama'y hindi ko iboboto ano. Pero ibig sabihin ko, how can he lie? How can that guy lie? Just because he belongs to that party? I mean, talaga namang sinungaling iyon eh. Yung si Guingona na yan e. Naku Diyos ko. Ang dami nating hindi dapat iboto diyan sa kuwan na yan. Masyado silang mga kuwan, ano, conceited people. We should not sit them in the Senate. Magbibigay po tayo ng mga example na pwede niyong pagpilian. Mga tao na at least naman... who have humility at saka edukado. Hindi yung pasigaw sigaw na yan. Nakita ninyo iyang pasigaw sigaw na iyan. Noong impeachment ni Presidente Gloria sa Congress. Si Chiz Escudero, nagtatapon like a drug addict ng mga papeles doon sa kuwan, sa Kongreso. Tama ba iyan? Sino ba ang ginagaya niyo? I mean, walang kaedu-edukasyon ang mga taong ito. They have no breeding. Ito ang senatorial line up nina Gibo at Edu: Silvestre "Bebot" Bello, Ramon Guico, Raul Lambino, Rey Langit, Lito Lapid, Bong Revilla. Yes magbibigay po kami ng not necessarily yung aming pinili na pero yung pagpipilian niyo. Meron po tayong idadagdag. Natural, ito iboto natin at saka wag nating kakalimutan si Edu. Ngayon, wag ninyong kalimutan itong otso: this is for Gibo sa kuwan, sa balota. Otso ha.

¹²⁰ Transcript of Stenographic Notes of 26 July 2011 hearing, page XII-1, 2.

Without a doubt, the statements above are a clear invitation to vote for and oppose the candidacies of certain individuals made by Mr. Morato, in his capacity as a public official and with the use of public funds. Indeed, the above-described acts of Mr. Morato constitute partisan political activity within the meaning established by Section 79(b) of the Election Code:

(b) The term "election campaign" or "partisan political activity" refers to an act designed to promote the election or defeat of a particular candidate or candidates to a public office which shall include:

- (1) Forming organizations, associations, clubs, committees or other groups of persons for the purpose of soliciting votes and/or undertaking any campaign for or against a candidate;
- (2) Holding political caucuses, conferences, meetings, rallies, parades, or other similar assemblies, for the purpose of soliciting votes and/or undertaking any campaign or propaganda for or against a candidate;
- (3) **Making speeches, announcements or commentaries, or holding interviews for or against the election of any candidate for public office;**
- (4) Publishing or distributing campaign literature or materials designed to support or oppose the election of any candidate; or
- (5) **Directly or indirectly soliciting votes, pledges or support for or against a candidate." (*Emphasis supplied*)**
- (6)

The Constitution expressly prohibits civil service¹²¹ officers¹²² and employees from engaging in **any electioneering or partisan political activity**. Section 2(4), Article IX-B of the 1987 Constitution provides:

¹²¹ Section 4 of Presidential Decree No. 807 provides:

Section 4. Position Embraced in the Civil Service. The Civil Service embraces every branch, agency, subdivision, and instrumentality of the government, including every government-owned or controlled corporations whether performing governmental or proprietary function.

Positions in the Civil Service shall be classified into career service and non-career service.
(emphasis supplied)

No officer or employee in the civil service shall engage, directly or indirectly, in **any electioneering or partisan political activity.** (*Emphasis supplied*)

The Civil Service laws¹²³ implement this constitutional ban by stating that civil service officers and employees cannot engage in any partisan political activity **except to vote.** Section 55, Chapter 7, Title I, Book V of the Administrative Code of 1987 provides:

Section 55. *Political Activity.* — No officer or employee in the Civil Service including members of the Armed Forces, shall engage directly or indirectly in any partisan political activity or take part in any election **except to vote** nor shall he use his official authority or influence to coerce the political activity of any other person or body. xxx. (*Emphasis supplied*)

Likewise, the Election Code penalizes civil service officers and employees who engage in any partisan political activity **except to vote.** Section 261 (i) and (o) of the Omnibus Election Code state:

¹²² The Non-Career Service shall include:

- (1) Elective officials and their personal or confidential staff;
- (2) Secretaries and other officials of Cabinet rank who hold their positions at the pleasure of the President and their personal or confidential staff(s);
- (3) **Chairman and members of commissions and boards** with fixed terms of office and their personal or confidential staff;
- (4) Contractual personnel or those whose employment in the government is in accordance with a special contract to undertake a specific work or job, requiring special or technical skills not available in the employing agency, to be accomplished within a specific period, which in no case shall exceed one year, and performs or accomplishes the specific work or job, under his own responsibility with a minimum of direction and supervision from the hiring agency; and
- (5) Emergency and seasonal personnel. (emphasis supplied)

¹²³ Section 29 of the Civil Service Act of 1959 (RA No. 2260) provides: "Section 29. Political Activity. — Officers and employees in the civil service, whether in the competitive or classified, or non-competitive or unclassified service, shall not engage directly or indirectly in partisan political activities or take part in any election **except to vote.** xxx." Similar provisions appear in the charters of government agencies. Section 5, Article XII-B of the 1973 Constitution also provides: "No officer or employee in the Civil Service, including members of the armed forces, shall engage directly or indirectly, in any partisan political activity or take part in any election **except to vote.**"

Section 261. *Prohibited Acts.* — The following shall be guilty of an election offense:

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- (i) **Intervention of public officers and employees.** — Any **officer** or employee **in the civil service**, except those holding political offices; any officer, employee, or member of the Armed Forces of the Philippines, or any police force, special forces, home defense forces, barangay self-defense units and all other para-military units that now exist or which may hereafter be organized **who**, directly or indirectly, intervenes in any election campaign or **engages in any partisan political activity, except to vote** or to preserve public order, if he is a peace officer.

XXXX

- (o) **Use of public funds**, money deposited in trust, **equipment, facilities owned or controlled by the government for an election campaign.** - Any person who uses under any guise whatsoever, directly or indirectly, (1) **public funds** or money deposited with, or held in trust by, public financing institutions or by government offices, banks, or agencies; (2) any printing press, radio, or **television station** or audio-visual equipment **operated by the Government or by its divisions, sub-divisions, agencies or instrumentalities, including government-owned or controlled corporations**, or by the Armed Forces of the Philippines; or (3) any equipment, vehicle, facility, apparatus, or paraphernalia owned by the government or by its political subdivisions, agencies including government-owned or controlled corporations, or by the Armed Forces of the Philippines **for any election campaign or for any partisan political activity. (Emphasis supplied)**

As a matter of defense, Mr. Morato would have the members of the Blue Ribbon Committee believe that he should be exculpated from possible violations of the Election Code because he did not receive any compensation for hosting the show, except the *per diems* he received as director of the PCSO Board and that the earlier described PCSO Resolution No. 2106 series of 2009 would have been

approved just the same even without his concurrence.¹²⁴ These arguments are clearly untenable.

Firstly, whether or not Mr. Morato received compensation should not negate his liability under the law. For charges of unlawful intervention of public officers and employees to prosper under the Election Code, it is enough that the person so charged is proven to be a public officer and to have engaged in a partisan political activity other than the act to vote. We have unmistakably established earlier that Mr. Morato's acts constitute partisan political activities. The question that remains is whether Mr. Morato, a member of the Board of Directors of a Government-Owned and Controlled Corporation like the PCSO, is a public officer. Republic Act No. 3019, also known as the Anti-Graft and Corrupt Practices Act, is helpful:

Public officer" includes elective and **appointive officials** and employees, permanent or temporary, **whether in the classified or unclassified or exempt service receiving compensation, even nominal, from** the national government, the local governments, the government-owned and **government-controlled corporations**, and all other instrumentalities or agencies of the Republic of the Philippines and their branches. (*Emphasis supplied*)

On the other hand, establishing allegations constituting unlawful use of public funds owned or controlled by the government for an election campaign would require proof not only of said partisan political activity, but also that any of the following resources available to government is used to further an election campaign or partisan political activity: (1) public funds; (2) any printing press, radio, or television station or audio-visual equipment operated by the government or by its divisions, sub-divisions, agencies or instrumentalities, including government-owned

¹²⁴ Transcript of Stenographic Notes of 26 July 2011 hearing, page XIII-1, 1-2.

or controlled corporations, or by the Armed Forces of the Philippines; or (3) any equipment, vehicle, facility, apparatus, or paraphernalia owned by the government or by its political subdivisions, agencies including government-owned or controlled corporations, or by the Armed Forces of the Philippines.

In the case before us, not only is it apparent that the re-run of the show, "Dial-M" was made possible through the appropriation of PCSO funds through various Board Resolutions on the subject, but the production of the same program and its runs in government-owned stations like NBN-4 and IBC-13 also constitute the unlawful use of television stations operated by the government to advance a partisan political activity.

Quoting Senator Drilon, we owe it to the public to correct these anomalies through these hearings, and emphasize that this kind of abusive practices in the past must be stopped to put fear into the hearts of public officials the message that they *should not repeat these abuses because they will come to light one day as they came to light during the series of hearings conducted by this Committee*¹²⁵.

Based on the foregoing, it is recommended that the appropriate charges be filed against Mr. Manuel "Manoling" Morato before the Commission on Elections (COMELEC) for possible violations of Batas Pambansa Blg. 881, also known as the Omnibus Election Code.

¹²⁵ Transcript of Stenographic Notes of 26 July 2011 hearing, page XIII-1, 3.

IX. POLICY/LEGISLATIVE RECOMMENDATIONS

1. To exact accountability for future violations, the PCSO Charter must contain penal provisions, imposing criminal, civil, and administrative liabilities for acts in violation of the charter, committed by its employees and private individuals.
2. To ensure that the proper allocation of the proceeds of PCSO's operations is done, the agency should maintain its single account but with the corresponding ledgers that properly reflect the amounts that constitute the a) Prize Fund b) Charity Fund and c) Operating Expenses and Capital Expenditures. In the alternative, if it is more convenient, the PCSO must maintain separate physical accounts for the separate funds. Either of these proposals is advanced to ensure that improper co-mingling of funds will occur. This situation occurred during the administration of the previous board of the PCSO wherein the charity fund was also used for operational expenses precisely because the funds were simply co-mingled regardless of purpose.¹²⁶
3. At the heart of PCSO's existence is its duty to address the needs of the poor and the marginalized. Thus, it is vital that the Charity Fund of the PCSO is regularly replenished. The board of the PCSO, current or future, should strictly adhere to its charter provision requiring the immediate transfer of prizes that remain unclaimed within one year from the date of the draw.

¹²⁶ *Supra* note 58.

4. An omnibus law should be passed repealing all laws that seek to allocate PCSO funds to various national programs not relevant to the mandate of the PCSO.

Currently, the PCSO is required to allocate a portion of its income to various government agencies whose functions and operations are not related in any way to health, medical assistance or charities. In order to efficiently perform its mandate, the Committee recommends the repeal of all laws providing for mandatory allocations chargeable against the funds of the PCSO, except the one provided in Republic Act 7660: Administration of Documentary Stamp Tax.

Likewise, all executive orders providing for mandatory allocations chargeable against the funds of the PCSO should also be repealed. The current board of the PCSO must immediately undertake an extensive assessment and evaluation of the programs and projects previously funded with PCSO funds by virtue of an executive issuance. For programs that fall within the mandate of the agency, the PCSO may include it in their annual charity programs, either those implemented by the agency itself or in partnership with other government agencies/offices.

5. To prevent the excessive allocation and irregular use of funds tagged as “confidential/intelligence funds”, the Committee makes the following recommendations:
- a. Stricter auditing rules must be imposed in relation to confidential/intelligence funds.

In the course of the hearings, it was discovered that during the previous administration, a “certification audit” was observed. This method was described by Ms. Mendoza in this manner:¹²⁷

MS. MENDOZA: You Honor, we are guided by COA Circular 2003-02. Let me just clarify that these things happened even before the leadership of the current chair and our administration. This happened during the previous administration. The circular was issued July 30, 2003, and it's numbered 2003-002. **The problem with the circular is that the responsibility for installation of control was shifted by the from the auditor to management. So it is now management which has the responsibility to ensure that expenses are in accordance with laws, rules and regulations, legal and valid, and that with due regard for economy, efficiency and effectiveness. The only requirement of the circular is a submission of a certification.** And, in fact, paragraph 2 of the said circular provides that—rather, paragraph 1—sorry, sorry, sorry. Sorry, Your Honor. Okay, paragraph 1(b), there another subparagraph, “Any disbursement from the intelligence/confidential funds shall be accounted for solely n the certification of the heady of agency responsible for intelligence, confidential, national security mission and project or undertaking (*Emphasis supplied*).

MS. MENDOZA: ...(previous paragraph omitted)

As I have said, the COA circular that is being used now to guide the audit of intelligence fund for national and corporate agency is COA Circular 2003-02. And you are right, Your Honor, when you said that it's a bit different now, the requirement was relaxed in a sense that **supporting documents and receipts are no longer required. It's as simple as a certification. That's why some people are calling it that the audit of intelligence funds is just like a certification audit, you just look at the certification.** (*Emphasis supplied*)

¹²⁷ TSN for July 14, 2011 hearing, see separate sections.

However, sir, there is a written paragraph in the certification which states something like: "The accountable officer"—in the case of PCSO, the vice chairman and the general manager—"**certify that the details and supporting documents and papers on this highly confidential assignment, mission, and project are in their custody and being kept in their confidential file which can be made available if circumstances so demand**" (*Emphasis supplied*)

The Commission on Audit should come up with new auditing guidelines for confidential and intelligence funds which should include, among others, the following provisions:

- A requirement to submit, in classified and sealed envelopes, the vouchers/receipts/other documents evidencing the expenses charged against a specific allocation of confidential or intelligence fund.
 - A certification by the officer in charge of liquidation that these envelopes can be accessed for lawful purposes.
 - A sealed copy of the proposals/requests submitted in support of the request for confidential or intelligence funds, which may be accessed for lawful purposes.
 - b. The allocation of intelligence and confidential funds to civilian offices must be strictly curtailed. Stricter limits on the amount and more stringent rules on the liquidation of these funds must be established.
6. Passage of a law that would support and strengthen the efforts of the Department of Budget and Management to establish a Treasury Single Account.

Conceptually, a Treasury Single Account is “an account or a set of linked accounts through which the government transacts all payments.”¹²⁸ This system will allow the Bureau of Treasury to have a more efficient manner of monitoring and controlling the cash position of the government on a regular basis. It provides the Bureau of Treasury with a more effective way of cash management and rationalizing agency bank accounts, a more economical system for cash disbursements which will remove revenue and expenditure floats, and a more efficient reconciliation of bank balances. Particularly, a Treasury Single Account can also help the government track and discover, on a timely basis, transactions which may appear irregular based on the frequency of fund releases and/or the amount of said releases.

8. Through its charter or its operational manual, the PCSO must be required to limit and decrease the fund devoted for public relations/advertising purposes. The Blue Ribbon Committee proposes that the PCSO’s budget on this matter should not exceed 1.8% of its gross sales. According to Jose Ferdinand Rojas, current general manager of the PCSO, this amount is already sufficient for its purpose. The PCSO is not a private corporation that needs a huge advertising

¹²⁸ Sailendra Pattanayak and Israel Fainboim, Treasury Single Account: An Essential Tool for Government Cash Management, IMF Technical Notes, August 2011.

budget. 8. Passage of a law that would augment PhilHealth funds through the PCSO.

The Blue Ribbon Committee strongly recommends the continuation of hearings on current and future legislative proposals involving recommendations on the use and management of PCSO funds, particularly the charity fund. To be included in the discussion are the following proposals:

- Dividing the charity fund among the following items:¹²⁹
 - 20% for the ambulance program
 - 20% for universal health coverage under the PhilHealth
 - 20% for charity clinics, medical assistance and service program
 - 20% to DOH-hospitals
 - 20% to the President's Social Fund
- Devoting the entire charity fund for universal health care coverage¹³⁰
- Devoting 70% of the charity fund for the National Health Insurance Program and 30% thereof for existing programs of the PCSO¹³¹
- Devoting the charity fund to increase PhilHealth support for persons with catastrophic diseases¹³²
- Devoting PCSO's charity fund to cover the enrollments/premiums of indigents and the informal sector.

¹²⁹ SBN 2892 (Escudero)

¹³⁰ SBN 2889 (Recto)

¹³¹ SBN 2890 (Recto)

¹³² [IRR of Republic Act 7875] Catastrophic – refers to illnesses or injuries such as but not limited to cancer cases with metastasis and/or requiring chemotherapy or radiation therapy, meningitis, encephalitis, cirrhosis of the liver (child C), myocardial infarction, cerebrovascular attack, rheumatic heart disease grade III, renal failure, other conditions requiring dialysis or transplant, other conditions with massive hemorrhage, shock of any cause; Surgical procedure or multiple surgical procedures done in one sitting with a total Relative Unit Value of 20 and above such as but not limited to coronary angioplasty, coronary bypass, open heart surgery, or neurosurgery.

9. Assuming, for the sake of argument, that the *Loterya ng Bayan* (STL's replacement) will also provide *Loterya ng Bayan* shares, the PCSO should stop giving shares to the PNP- an agency that is not primarily mandated to implement projects and programs pursuant to the social welfare and health mandate of the PCSO. The PCSO shares are still income arising from the operations of the PCSO. Thus, its disposition should likewise fall within the PCSO's mandate.

10. Assuming, for the sake of argument, that the *Loterya ng Bayan* (STL's replacement) will also provide *Loterya ng Bayan* shares to congressional districts and/or other local government units, the following guidelines should be followed:
 - The PCSO should ensure that released funds are devoted to projects and programs within its mandate.
 - The PCSO should strictly require proper liquidation of these funds, making certain that funds were used for programs and mandates within its mandate.
 - Shares to the congressional districts and/or local government units should not be released if the proper liquidation instruments have not been submitted for the previous shares.

11. Recommend to the Commission on Audit to conduct a special audit on the STL share of the PNP.

12. If, notwithstanding the improvements in *Loterya Ng Bayan*, which supposedly remedy the flaws of the Small Town Lottery, the *Loterya Ng Bayan* is still used as a shield or front against illegal gambling, recommend to the Senate Committee on Games, Amusement and Sports to commence its inquiry in aid

of legislation in order to, once and for all, decide the fate of *jueteng* and other games of chances, regardless of whether or not these are currently allowed by existing laws.

13. Recommend that the PCSO, in fulfilling its mandate of "raising and providing for funds for health programs, medical assistance and services, and charities of national character" comply with the non-establishment clause of the Constitution. Standards must be established and adhered to in order to ensure that public funds are devoted only for public and non-secular purposes.

CONCLUDING REMARKS

The Blue Ribbon Committee, in the execution of its duty to investigate malfeasance, misfeasance, and non-feasance committed by public officials continues to perform the additional and equally important duty of presenting policy proposals that would ensure that government and governance are built on the foundations of efficiency, transparency, and accountability.

This Committee refuses to stop doing its duty of defending the law, protecting the coffers of the government, and exacting accountabilities from all concerned. All these, the Committee does both as a duty and as a privilege. /end

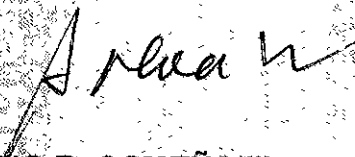
Respectfully Submitted:

Chairman:



TEOFISTO "TG" GUINGONA III
Committee on Accountability of Public Officers
and Investigations (Blue Ribbon)

Members:



SERGIO R. OSMEÑA III



PANFILO M. LACSON



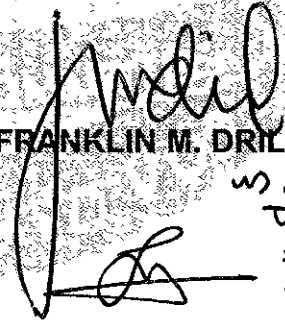
AQUILINO PIMENTEL III



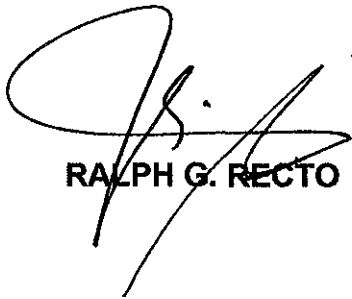
FRANCIS N. PANGILINAN



ANTONIO "SONNY" F. TRILLANES IV



FRANKLIN M. DRILON



RALPH G. RECTO

*w/ minor
reservations
as reported
by Sen.
Chiz Escudero*



FRANCIS "CHIZ" G. ESCUDERO

*w/ reservation w/ respect
to findings against
those who were not
heard by the committee,
excluding FPMS*

u/ recreation - may
interpellate /
actual
Pro J. Cayetano
COMPANERA PIA S. CAYETANO

MIRIAM DEFENSOR-SANTIAGO

** but regarding*
PCSO financial
acceptance to
our sports
anti drug
programs.
Gregorio
GREGORIO B. HONASAN II

JOKER P. ARROYO

RAMON "BONG" REVILLA JR.

LOREN B. LEGARDA

EDGARDO J. ANGARA

MANNY VILLAR

Ex-Officio Members:

Jinggoy
JINGGOY EJERCITO ESTRADA
President Pro-Tempore

u/ ROS Gamadomits
Vicente C. Sotto III
VICENTE C. SOTTO III
Majority Floor Leader

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ALAN PETER "COMPAÑERO" S. CAYETANO

Minority Floor Leader

HON. JUAN PONCE ENRILE

President

Senate of the Philippines

Pasay City