

## THIRD DIVISION

[ G.R. No. 144047, July 26, 2002 ]

**EULOGIO MORALES, ROSALIA MORALES AND WILMA HALLARE,  
PETITIONERS, VS. PEOPLE OF THE PHILIPPINES, RESPONDENT.**

### DECISION

**PANGANIBAN, J.:**

The drive to rid the government of graft and corruption deserves the support of everyone. Vulgar circumventions of the Anti-Graft Law cannot be countenanced by this Court.

#### The Case

Before us is a Petition for Review under Rule 45 of the Rules of Court, seeking the reversal of the May 15, 2000 Decision<sup>[1]</sup> and the July 17, 2000 Resolution<sup>[2]</sup> of the Sandiganbayan in Criminal Case No. 17524. The challenged Decision disposed as follows:

“WHEREFORE, judgment is hereby rendered in this case finding accused Eulogio E. Morales, Wilma Hallare and Rosalia Morales GUILTY beyond reasonable doubt of the crime for Violation of Sec. 3, par. (g) in relation to par. (h) of Republic Act No. 3019, as amended, and after applying the Indeterminate Sentence Law sentences each of them to suffer an imprisonment of six (6) years, as minimum, to eight (8) years, as maximum with perpetual disqualification from public office, and to pay the costs of the suit.

x x x x x x x x x x.”<sup>[3]</sup>

Petitioners Eulogio Morales, Rosalia Morales and Wilma Hallare<sup>[4]</sup> were charged with violation of Section 3, paragraph (g) in relation to paragraph (h) of the Anti-Graft and Corrupt Practices Act (RA 3019, as amended). The offense was allegedly committed as follows:

“That on or about August 20, 1986, or immediately [sic] prior thereto, in Olongapo City and within the jurisdiction of this Honorable Court, accused Eulogio Morales, a public officer, being then the duly appointed General Manager of the Olongapo City Water District, a government agency, conspiring and confederating with accused Wilma Hallare, Finance Officer of the said water district and the former’s wife Rosalia Morales, did then and there, wilfully and unlawfully sell, transfer and convey a 1979 Model Gallant car Sigma with Motor No. 2M-08206, with an assessed value of ₱75,000.00 on behalf of the Olongapo City Water District, to [Petitioner] Wilma Hallare for only ₱4,000.00, which amount is manifestly and grossly disadvantageous to the Olongapo City Water District and on even date, accused Wilma Hallare again sell, transfer and convey the same vehicle to accused Rosalia Morales, thus showing accused Eulogio Morales and Wilma Hallare having become

directly and/or indirectly pecuniarily interested in the said transaction, wherein they intervened in their official capacities as General Manager and Finance Officer, respectively of the Olongapo City Water District.”<sup>[5]</sup>

Upon their arraignment on March 5, 1992, petitioners, assisted by their counsel *de officio*,<sup>[6]</sup> pleaded not guilty.<sup>[7]</sup> During the pretrial, the following were stipulated:

“1. That on August 20, 1986, at the time of the sale of the subject Galant Sigma automobile, [Petitioner] Eulogio Morales was the [g]eneral [m]anager of the Olongapo City Water District;

“2. That on August 20, 1986 and prior thereto the Olongapo City Water District was the registered owner of the subject 1979 model Galant Sigma with Motor No. 211-08-206;

“3. That on August 20, 1986 [Petitioner] Wilma Hallare was the [f]inance [o]fficer of the Olongapo City Water District;

“4. That [Petitioner] Rosalia Morales is the wife of [Petitioner] Eulogio Morales;

“5. That one of the issues in this case is whether or not the Olongapo City Water District is a government owned and controlled corporation.”<sup>[8]</sup>

After the prosecution formally offered its evidence, petitioners filed, with leave of court, a Joint Demurrer to Evidence<sup>[9]</sup> on the grounds of lack of jurisdiction and failure to prove the guilt of the accused. They argued that they were not public officers, because the Olongapo City Water District was not covered by the Civil Service Law. In its July 20, 1993 Resolution,<sup>[10]</sup> the Sandiganbayan denied their Motion for lack of merit and ordered them to present evidence in their defense.

After full trial, the Sandiganbayan convicted petitioners in its August 28, 1997 Decision,<sup>[11]</sup> which disposed as follows:

“WHEREFORE, in view of the foregoing, judgment is hereby rendered CONVICTING Eulogio E. Morales, Wilma Hallare and Rosalia Morales for violation of Section 3, par. (g) in relation to par. (h) of Republic Act No. 3019, as amended, and hereby sentences them to suffer the indeterminate penalty of not less than six (6) years, as minimum; and not more than eight (8) years, as maximum, and to pay the costs of suit.”<sup>[12]</sup>

On September 12, 1997, petitioners filed a Motion for New Trial and/or Motion for Reconsideration,<sup>[13]</sup> allegedly because of newly discovered evidence.<sup>[14]</sup>

However, the anti-graft court, in its February 18, 1998 Resolution denied the Motion for utter lack of merit.<sup>[15]</sup> Thereafter, petitioners filed another Motion for Reconsideration, which was again denied by the Sandiganbayan in its June 1, 1998 Resolution.<sup>[16]</sup> But in its November 16, 1998 Resolution, it reversed itself and granted petitioners’ second Motion for Reconsideration, set aside the July 29, 1997 Decision, and ordered a new trial.<sup>[17]</sup>

The Sandiganbayan thereafter rendered the assailed Decision convicting petitioners. Their counsels filed two separate Motions for Reconsideration,<sup>[18]</sup> both of which were

denied in the challenged July 26, 2000 Resolution.<sup>[19]</sup>

## The Facts

### Version of the Prosecution

In the assailed Decision, the Sandiganbayan narrated the events that led to the filing of this case:

“x x x [S]ometime on August 20, 1986, accused Eulogio E. Morales, in his capacity as [g]eneral [m]anager of OCWD sold a Car Sigma 1979 Model with Motor No. 2M-08206, Chassis No. A-121 UL3695 and Plate No. CAV 962 owned by OCWD in favor of Wilma Hallare, the [f]inance [o]fficer of OCWD for and in consideration of the amount of ₱4,000.00. Allegedly, the sale was without a board resolution authorizing the sale.

“The prosecution claimed that the galant car was in good running condition, the car air conditioning unit was functioning with a car stereo and tape desk and had a net book value of ₱16,105.00.

“The buyer Wilma Hallare on the same date, August 20, 1986 sold this galant car to Rosalia Morales, the wife of [Petitioner] General Manager Eulogio Morales. Thereafter, the car registration was transferred in the name of Rosalia Morales.

“From July 13 to August 7, 1987, an audit examination was conducted by the Local Utilities Water Administration (LUWA) on the finances of OCWD by the audit team consisting of Ricardo C. Quiras and Rosendo Ramirez who made the following findings relative to galant car subject matter hereof, to wit:

“The sale of a 1979 service car to a OCWD officer at a price of only ₱4,000.00 was found to be irregular and therefore questionable for the reasons as follows:

- ‘a. The asset was sold at a relatively low price to the disadvantage of the [w]ater [d]istrict. Not only is the selling price too low compared with prevailing prices for not particular make and model, it is even below the net book value of the car at the time of sale.
- ‘b. No attempts were made to obtain better prices in a formal auction sale. The supporting bids, all of which are dated ten (10) months prior to the date of sale (and do not indicate the particulars of the bidden item) were submitted by individuals considered to be too close to the [w]ater [d]istrict among them the GM of Subic [w]ater [d]istrict, the OCWD [f]inance [o]fficer (who later became the buyer), and the proprietors of two (2) of the district’s regular suppliers.
- ‘c. The dilapidated condition or sorry state of the service car which the four (4) buyers depicted in their bids may not be given credence in view of the lack of absence of a formal attestation from a credible body within the [w]ater [d]istrict e.g. [b]oard [r]esolution declaring the item as unserviceable and therefore disposable, or a formal assessment or evaluation by an independent committee.
- ‘d. No extraordinary loss was recognized by the [w]ater [d]istrict upon the consummation of the sale. This notwithstanding the fact that the subject item was sold at a price lower than the next book value.

- 'e. The existence of two (2) Deeds of Absolute Sale covering the transfer of ownership of the subject item from one party to another-one, between OCWD and the winning bidder ([f]inance [o]fficer) and the other, between the latter and the [g]eneral [m]anager's wife – gave us the information that such a sale is a simulated one. Executed on the same date, the legal documents (copies of which are attached hereto as Annexes 'O' and 'P') prove one thing – that the interested party is no less than the [d]istrict [g]eneral [m]anager.'

"This transaction came to the knowledge of Noli T. Zapanta, the [m]anager of the Sales Department sometime in June 1989 when the same was referred to his office. After finding that the sale of the galant car was done in violation of Board Resolution No. 03-86, prohibiting all employees of the water district and their relatives from engaging in business, directly or indirectly, in and with the OCWD, and since there was no board resolution authorizing the sale of the galant car, he filed a complaint before the Fiscal's Office of Olongapo City against Eulogio Morales, Rosalia Morales and Wilma Hallare."<sup>[20]</sup>

### Version of the Defense

Petitioners present their version of the facts of the case in this wise:

"6. That there was a bidding conducted for the disposition of the subject motor vehicle which was already a junked car and totally dilapidated when the winning bidder, [Petitioner] Wilma Hallare, bought it with the intention of dismantling it and to repair the available parts to be sold on profit.

"7. That [Petitioner] Hallare submitted her bid way back in October, 1985 and came to know in December, 1985 that her offer of ₱4,000.00 for the junk car was the highest bid.

"8. That b[e]cause [Petitioner] Hallare had only ₱3,000.00 at that time, he asked [Petitioner] Eulogio Morales, [g]eneral [m]anager of the Olongapo City Water District, to pay ₱3,000.00 first and the balance to be paid the following month thru salary deduction, to which [Petitioner] Morales agreed.

"9. That [Petitioner] Hallare was able to fully pay her bid price of ₱4,000.00 on December 10, 1985 as evidenced by Cash Receipt No. 11148 dated December 10, 1985 of the Olongapo City Water District.

"10. That while the sale was, in effect, consummated on December 10, 1985, however, [Petitioner] Hallare did not ask for the immediate execution of the corresponding deed of sale nor was the Certificate of Registration covering the car given to her as she was not in need of said documents because her intention was to dismantle the car and sell the usable parts thereof. Besides, the practice of the Olongapo City Water District was not to execute a deed of sale on junk materials it sold.

"11. That [Petitioner] Hallare then pulled out the junk car from the junkyard of the OCWD and brought it to the repair shop. She spent ₱2,000.00 to ₱3,000.00 more but the car remained unserviceable because of other defects of the car that needed repair which would entail additional expenses. So she temporarily stopped the repair of the car until 5 to 6 months l[a]ter when she confided to [Petitioner] Rosalia

Morales about her financial problem and her desire to borrow ₱4,000.00 from the latter.

“Mrs. Morales agreed to lend her ₱4,000.00 provided it should be paid on or before August 15, 1986. At that time, [Petitioner] Hallare had a prospective buyer of the car, she went to [Petitioner] Eulogio Morales to ask for the deed of sale because she intended to sell the car.

“Upon advice of [Petitioner] Eulogio Morales, [Petitioner] Hallare caused the preparation of the deed of sale in her favor and presented it to [Petitioner] Eulogio Morales for signature on August 20, 1986. However, her prospective buyer backed out and because her debt of ₱4,000.00 to Mrs. Morales remained unpaid since August 15, 1986, she told Mrs. Morales ‘Ma’am sa iyo na yung kotse.’ So she caused the preparation of another deed of sale of the car in favor of Mrs. Morales; however, Mrs. Morales did not accept the deed of sale and told [Petitioner] Hallare just to keep it and pay her debt later on as soon as she had a new buyer. Hence, [Petitioner] Hallare kept the two (2) deeds of sale inside her desk.

“13. That [Petitioner] Hallare was the [f]inance [o]fficer of OCWD in October, 1985 and she knew for a fact that their Office had a policy then that employees were allowed to buy junk materials or equipments of the OCWD provided the same was ready for disposal. At the time, the car subject of this case was already a part of the various junk materials of OCWD.

“However, the said policy was stopped sometime on January 17, 1986 because a Board Resolution was passed prohibiting the employees from enga[g]ing in any business directly with the OCWD.

“14. [Petitioner] Wilma Hallare submitted her bid for the subject car and paid the first partial payment before the passage of Resolution No. 03-86 prohibiting all employees of the water district and their relatives from engaging in business, directly or indirectly in and with OCWD.

“15. Even if there was no express authority granted to [Petitioner] Eulogio Morales to dispose of any asset of the OCWD, he had the authority to dispose vehicles and equipments in its junkyard which were already unusable and unserviceable.”<sup>[21]</sup>  
(Citations omitted)

### Ruling of the Sandiganbayan

In its August 28, 1997 Decision, the Sandiganbayan ruled that jurisdiction over the subject matter in criminal cases was properly determined by the law in effect at the time of the commencement of the action. *Davao City Water District v. Civil Service Commission*<sup>[22]</sup> -- the governing jurisprudence when the Information against them was filed on February 18, 1992 -- had classified water districts as corporations created pursuant to a special law (PD 198, as amended), and their officials and employees as public officers covered by the Civil Service Law.

The Sandiganbayan also held that the sale of the subject car for ₱4,000 was grossly and manifestly disadvantageous to the government because, at the time of sale, its book value was ₱16,088. Petitioners Eulogio Morales and Wilma Hallare intervened in their official capacity in the transaction as OCWD general manager and finance officer, respectively. The pecuniary interest of Eulogio Morales in the vehicle became evident when his wife, Petitioner Rosalia Morales, bought the car from Hallare.