

## EN BANC

[ G.R. No. 224163, December 04, 2018 ]

**MARIO M. GERONIMO, DOING BUSINESS UNDER THE NAME AND STYLE OF KABUKIRAN GARDEN, PETITIONER, V. COMMISSION ON AUDIT, AND THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, REPRESENTED BY SECRETARY ROGELIO L. SINGSON, RESPONDENTS.**

### D E C I S I O N

**J. REYES, JR., J.:**

This is a petition for *certiorari* under Section 1, Rule 64 of the Rules of Court which seeks to set aside the Decision No. 2014-311<sup>[1]</sup> dated November 10, 2014 and the Resolution<sup>[2]</sup> dated December 23, 2015 of the respondent Commission on Audit (COA), in COA CP Case No. 2010-186 which denied the petition for money claim filed by herein petitioner Mario M. Geronimo (Geronimo), doing business under the name and style of Kabukiran Garden.

#### The Facts

On June 28, 2010, Geronimo filed with the respondent COA a petition for collection of sum of money against the Republic of the Philippines and the Department of Public Works and Highways (DPWH).<sup>[3]</sup> Geronimo alleged that sometime in February 2005, he was invited to attend a meeting with the officials of the DPWH, including its then secretary, Florante Soriquez. The DPWH sought Geronimo's services for several landscaping projects which the DPWH seeks to be implemented in the areas of Ayala Boulevard, Padre Burgos Street, Roxas Boulevard, Osmeña Highway, and other median strips or center islands of main thoroughfares within Metro Manila, in connection with the 112<sup>th</sup> Inter-Parliamentary Union (IPU) Summit in Manila.

Due to the limited time left as the IPU Summit was about to commence, Geronimo was commissioned to implement the projects without the parties executing any written contract. On the said meeting, Geronimo was verbally requested to initiate and complete the projects at the earliest possible time. Geronimo was further assured that he will be paid in full upon completion of the projects.

Relying on the assurance and representations by the DPWH officials, Geronimo proceeded with the implementation and completion of the projects in accordance with the plans and specifications by the DPWH. The projects were completed sometime in July 2005. Geronimo alleged that he incurred a total amount of P14,245,994.20 for the projects. Although no written contract had been executed between the parties, Geronimo asserted that he is entitled to receive payment for his services on the basis of *quantum meruit*.

Despite the completion of the project, and in spite of several demands, the DPWH failed to pay Geronimo compensation for his services. Thus, he was prompted to file

his claim before the COA. Attached to Geronimo's petition are several memoranda and endorsements for payment signed by officials of the DPWH, as well as photographs of the completed projects to support his allegations.<sup>[4]</sup>

In its Answer,<sup>[5]</sup> the DPWH, through its then secretary Rogelio L. Singson, denied any liability for the projects. It also prayed for the dismissal of Geronimo's petition. The DPWH denied Geronimo's allegation that he verbally commissioned to undertake the completion of several landscaping and beautification projects along major thoroughfares in Metro Manila for lack of knowledge or information sufficient to form a belief as to the truth thereof. Thus, it contended that Geronimo was not obliged to perform the landscaping projects as there was no valid perfected contract between him and the DPWH. It further argued that Geronimo was not entitled to receive payment on the basis of *quantum meruit* as there was no proof that the landscaping projects have been completed in accordance with the approved plans and specifications by the DPWH and that the public had benefited therefrom.

### ***Ruling of the COA***

In its assailed Decision No. 2014-311 dated November 10, 2014, the COA denied Geronimo's petition. The COA found, based on the records, that the DPWH acknowledged the existence of its obligation to Geronimo for the completed landscaping/beautification projects. This was amply supported by the several memoranda/endorsement letters submitted by Geronimo. Thus, the COA opined that the principle of *quantum meruit* was applicable.

However, despite its recognition that DPWH's liability in favor of Geronimo exists, and even after concluding for the applicability of the principle of *quantum meruit*, the COA still denied Geronimo's claim for want of supporting documents that would substantiate the projects accomplishment and the reasonableness of the cost thereof. It ruled that under Section 4(6) of Presidential Decree (P.O.) No. 1445, otherwise known as the "Government Auditing Code of the Philippines," claims against the government funds shall be supported with complete documentation. The dispositive portion of the assailed decision provides:

WHEREFORE, premises considered, the instant petition for money claim is hereby DENIED.<sup>[6]</sup>

Geronimo moved for reconsideration, but the same was denied by the COA in its Resolution dated December 23, 2015.

Hence, this petition.

### **The Issue**

WHETHER THE COMMISSION ON AUDIT ERRED WHEN IT DENIED GERONIMO'S MONEY CLAIM DESPITE ITS FINDING THAT DPWH'S LIABILITY IN FAVOR OF GERONIMO EXISTS.

Geronimo argues that the "complete documentation" requirement under Section 4(6) of P.D. No. 1445 should not be restricted to the actual documents submitted and/or required in the regular course of business, but should pertain to any document which may support the claim against the government. As such, the photographs showing that the projects have been completed and the letters wherein the DPWH acknowledged the existence of its obligation would suffice to entitle him

to receive payment for his services. He points out that his claim is based on the principles of *quantum meruit* and unjust enrichment which are founded on equity. Thus, they should not be limited by the rigid application of the provisions of laws such as Section 4(6) of P.D. No. 1445.

In its Comment<sup>[7]</sup> dated September 1, 2016, the DPWH, through the Office of the Solicitor General, maintains that the money claim was properly denied. It asserts that Geronimo failed to present any evidence which could form the basis for the determination of the existence of the projects or, in case they indeed exist, the compensation therefor based on *quantum meruit*. It notes that no proof was presented to show that the projects were completed in accordance with its plans and specifications, or that it duly accepted the same. As such, the principle of *quantum meruit* is not applicable.

The DPWH also insists that Geronimo is not entitled to any compensation because they did not execute any written contract. It submits that a review of this Court's decisions involving the application of the principle of *quantum meruit* on claims against the government would show that even if a government project failed to abide by the prescribed audit rules, there has to be, at the very least, a contract or an implied authorization or express acknowledgment from the government agency involved to show that the contractor had actually been tasked to complete the project in question. Finally, it argues that the findings of the COA are accorded not only respect but also finality as its decision was not tainted with unfairness and arbitrariness.

### **The Court's Ruling**

The petition is meritorious.

#### ***Principle of quantum meruit applicable in this case.***

At the onset, it must be emphasized that the Court concurs with the COA's findings with regard to the applicability of the principle of *quantum meruit* and the existence of DPWH's liability to Geronimo.

Ordinarily, a written contract along with a written certification showing availability of funds for the project are among the conditions necessary for the execution of government contracts. It has been held, however, that the absence of these documents would not necessarily preclude the contractor from receiving payment for the services he or she has rendered for the government.<sup>[8]</sup> This issue is actually not novel as it has been settled by the Court in numerous occasions.

In *Dr. Eslao v. The Commission on Audit*,<sup>[9]</sup> the Court ruled that the contractor should be duly compensated notwithstanding the questions which hounded the construction project involved due to the failure to undertake a public bidding. The Court explained that the denial of the contractor's claim would result in the government unjustly enriching itself. The Court further reasoned that justice and equity demand compensation on the basis of *quantum meruit*.

Recovery on the basis of *quantum meruit* was also allowed despite the invalidity or absence of a written contract between the contractor and the government agency. This has been settled in the same case of Dr. Eslao, citing the unpublished case of *Royal Trust Construction v. Commission on Audit*,<sup>[10]</sup> thus:

In *Royal Trust Construction vs. COA*, a case involving the widening and deepening of the Betis River in Pampanga at the urgent request of the local officials and with the knowledge and consent of the Ministry of Public Works, **even without a written contract** and the covering appropriation, the project was undertaken to prevent the overflowing of the neighboring areas and to irrigate the adjacent farmlands. The contractor sought compensation for the completed portion in the sum of over P1 million. While the payment was favorably recommended by the Ministry of Public Works, it was denied by the respondent COA on the ground of violation of mandatory legal provisions as the existence of corresponding appropriations covering the contract cost. Under COA Res. No. 36-58 dated November 15, 1986 its existing policy is to allow recovery from covering contracts on the basis of *quantum meruit* if there is delay in the accomplishment of the required certificate of availability of funds to support a contract.

In said case, the Solicitor General agreed with the respondent COA but in the present case he agrees with petitioner.

Thus, this Court held therein —

The work done by it was impliedly authorized and later expressly acknowledged by the Ministry of Public Works, which has twice recommended favorable action on the petitioner's request for payment. Despite the admitted absence of a specific covering appropriation as required under COA Resolution No. 36-58, the petitioner may nevertheless be compensated for the services rendered by it, concededly for the public benefit, from the general fund allotted by law to the Betis River project. Substantial compliance with the said resolution, in view of the circumstances of this case, should suffice. The Court also feels that the remedy suggested by the respondent, to wit, the filing of a complaint in court for recovery of the compensation claimed, would entail additional expense, inconvenience and delay which in fairness should not be imposed on the petitioner.

Accordingly, in the interest of substantial justice and equity, the respondent Commission on Audit is DIRECTED to determine on a *quantum meruit* basis the total compensation due to the petitioner for the services rendered by it in the channel improvement of the Betis River in Pampanga and to allow the payment thereof immediately upon completion of the said determination.<sup>[11]</sup> (Emphasis supplied)

The above disquisitions in *Dr. Eslao* and *Royal Trust* have been reiterated in the cases of *Melchor v. Commission on Audit*,<sup>[12]</sup> *EPG Construction Co. v. Hon. Vigilar*,<sup>[13]</sup> *Department of Health v. C.V Canchela & Associates, Architects*,<sup>[14]</sup> *RG Cabrera Corporation, Inc. v. Department of Public Works and Highways*,<sup>[15]</sup> and other similar cases.

***Liability of DPWH sufficiently established.***