

SECOND DIVISION

[G.R. No. 183444, October 12, 2011]

**DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, PETITIONER,
VS. RONALDO E. QUIWA, DOING BUSINESS UNDER THE NAME
"R.E.Q. CONSTRUCTION," EFREN N. RIGOR, DOING BUSINESS
UNDER THE NAME "CHIARA CONSTRUCTION," ROMEO R.
DIMATULAC, DOING BUSINESS UNDER THE NAME "ARDY
CONSTRUCTION" AND FELICITAS C. SUMERA, DOING BUSINESS
UNDER THE NAME "F.C.S. CONSTRUCTION," REPRESENTED BY
HER ATTORNEY-IN-FACT ROMEO M. DE LEON, RESPONDENTS.**

DECISION

SERENO, J.:

Assailed in this Petition for Review on Certiorari is the 26 June 2008 Decision of the Court of Appeals in CA-G.R. CV No. 76584,^[1] affirming the trial court's judgment in favor of herein respondents in their money claims against petitioner DPWH.

The Factual Antecedents

With the eruption of Mt. Pinatubo in 1991 and the consequent onslaught of lahar and floodwater, the rehabilitation of the affected areas became urgent. River systems needed to be channeled, dredged, desilted and diked to prevent flooding and overflowing of lahar; and to avert damage to life, limb and property of the people in the area.

In 1992, a number of contractors, including herein respondents, were engaged by the DPWH through its Project Manager, Philip F. Meñez, for the aforesaid services pursuant to an emergency project under the Mount Pinatubo Rehabilitation Project. It was alleged that prior to the engagement of the contractors, Undersecretary Teodoro T. Encarnacion of DPWH, who had overall supervision of the infrastructure and flood control projects, met with the contractors and insisted on the urgency of the said projects. Respondents claimed that they had accomplished works on the Sacobia-Bamban-Parua River Control Project pursuant to this emergency project.^[2] Ronaldo E. Quiwa claimed that under two construction agreements with the DPWH, his construction company, the R.E.Q. Construction, had accomplished the channeling of the Sacobia-Bamban-Parua River Control Project for the excavated spoils of 69,835 cubic meters, pegged at P3,448,258.25 for one project, and 80,480 cubic meters at the cost of P4,019,976.00 for another, or a total amount of P7,508,234.25.^[3] Efren Rigor, on behalf of Chiara Construction, alleged that the sum of money due him for the channeling of the Sacobia-Bamban-Parua River was P8,854,654.10 for three accomplished projects.^[4] Romeo Dimatulac of Ardy Construction claimed P1,402,928.45 for double diking,^[5] and Felicitas C. Sumera, P4,232,363.40 for her construction company.^[6]

Initially, R.E.Q. Construction filed its money claim with the DPWH, which referred the matter to the Commission on Audit.^[7] The COA returned the claims to the DPWH with the information that the latter had already been given the funds and the authority to disburse them.^[8] When respondent Quiwa filed his claims with the DPWH, it failed to act on these, resulting in the withholding of the payment due him, despite the favorable report and Certification of Completion made by the Assistant Project Manager for Operations, Engineer Rolando G. Santos.^[9] Prompted by the prolonged inaction of the DPWH on their claims, respondents jointly filed an action for a sum of money against the DPWH.^[10] The case was decided in their favor by the Regional Trial Court (RTC) of Manila, Branch 51, in Civil Case No. 96-77180.^[11]

As found by the RTC, the respondents, plaintiffs therein, were duly licensed contractors, who had completed the construction works on the Sacobia-Bamban-Parua River as certified by the DPWH itself. In 1992, the funding for the infrastructure and other work requirements under the Mt. Pinatubo Rehabilitation Program in the amount of P400 million pesos was initially allocated by the government, and was later increased to P700M. Despite the completion of respondents' works in accordance with the specifications and the allocation of the funds to cover the said services, the DPWH unjustly denied the claims. The court *a quo* gave credence to the evidence presented by respondents, consisting of contract agreements; statement of work accomplished, certified and signed by the engineers of the DPWH; and testimonial evidence of witnesses. It ruled that respondents were able to prove their claims by a preponderance of evidence. The RTC found that the contracts between DPWH and the plaintiffs were valid contracts, as all the requisites thereof -- consent, subject matter and cause -- were present; and, notwithstanding the absence of the signature of the regional director on the agreement executed with Quiwa and Sumera, the contract was ratified when he affixed his signature to the Inspection and Certification of Completion of the projects.

The court *a quo* likewise sustained the claim of Rigor and Dimatulac even in the absence of a written contract. It held that there was already a perfected contract, since there was a concurrence of the essential requisites thereof. It also, in effect, held that DPWH was already estopped from repudiating the contract, as the latter had already made representations and assurances that the plaintiffs would be paid for the work that they would do, and as even then DPWH Undersecretary Teodoro T. Encarnacion had told them to "fast-track" the project.^[12]

The RTC also ruled that the claim of the respondents against DPWH was proper since they had already made a demand on the Commission on Audit regarding the payment of their construction services. Thus, they first availed themselves of the proper administrative remedy in filing their claim with COA, which unfortunately referred the claim to the DPWH. The court *a quo* also reasoned that the contracts could not be declared void on the ground of the absence of a certification of availability of funds issued by the proper accounting official. It found that there was already an advice of allotment from the Department of Budget and Management to cover the projects.^[13] The respondents were thus correct in suing the government for the nonpayment of the services they had rendered. Consequently, the court *a quo* disposed:

WHEREFORE, in view of the foregoing, judgment is hereby ordered in favor of plaintiffs Ronaldo Quiwa doing business under the name R.E.Q . Construction, Efren N. Rigor, doing business under the name Chiara Construction, Romeo R. Dimatulac, doing business under the name (sic) Ardy Construction and against Felicitas C. Sumera, doing business under the name (sic) FC.S. (sic) Construction and against defendants Department of Public Works and Highways, Gregorio R. Vigilar, Teodoro T. Encarnacion and Jose P. de Jesus, ordering them to jointly and solidarily pay plaintiffs the following amounts:

1) To plaintiff Ronaldo Z. Quiwa

First: The principal sum of P3,488,258.25 representing the actual work accomplishments of Quiwa's first project, the channeling with disposal of Sacobia-Bamban-Parua River from Sta. 2 + 100 to Sta. 2 + 500 (left bank) in Bamban, Tarlac and the principal sum of P3,843,252.90 representing the actual work accomplishments of Quiwa's second project which is Channeling with Disposal of Sacobia-Bamban-Parua River from Sta. 1 + 200 to Sta. 1 + 500 at Bamban, Tarlac with legal rate of interest from July 1992 until fully paid;

Second: The sum of 10% of the total amount due as attorney's fees; and

Third: The sum equivalent to the lawful fees paid by plaintiff Quiwa in entering and docketing the action which must be the proportion of the filing fees for his total claim in the amount of P7,331,511.115 as costs of suit.

2) To plaintiff Efren Rigor

First: The principal sum of P3,843,252.90 representing the actual work accomplishments of plaintiff Rigor's first project, the channeling and disposal of Sacobia-Bamban-Parua River Channeling Section 1 + 200 Sta. 1 + 500 in Bamban, Tarlac, and the principal sum of P3,155,641.20 representing the actual accomplishments of plaintiff Rigor's second project which is the Channeling and Disposal Sacobia-Bamban-Parua River from Station -0 + 700 to Station-1 + 000 in Bamban, Tarlac with legal rate of interest from July 1992 until fully paid;

Second: The sum of 10% of the total amount due as attorney's fees; and

Third: The sum equivalent to the lawful fees paid by Plaintiff Rigor in entering or docketing the action which must be the proportion of the filing fees for his total claim in the amount of P6,998,849.10 as costs of suit.

3) For Plaintiff Romeo Dimatulac

First: The principal sum of P1,402,928.45 representing the actual work accomplishments of plaintiff Dimatulac project, the Double Diking at Sacobia-Bamban-Parua River Control System from Station 2 + 000 to Station 2 + 400 in Bamban, Tarlac with legal rate of interest from July

1922 until fully paid;

Second: The sum of 10% of the total amount due as attorney's fees; and

Third: The sum equivalent to the lawful fees paid by plaintiff Dimatulac in entering and docketing the action which must be the proportion of the filing fee for his total claim in the amount of P1,402,928.45 as costs of suit.

4) To plaintiff Felicitas C. Sumera

First: The principal sum of P4,232,363.40 representing the actual work accomplishments of plaintiff Sumera's project, the Channeling with disposal of the Sacobia-Bamban-Parua River Control covering Station -1 = 500 to Station -1 + 800 in Bamban, Tarlac with legal rate of interest from July 1992 until fully paid;

Second: The sum of 10% of the total amount due as attorney's fees; and

Third: The sum equivalent to the lawful fees paid by plaintiff Sumera's (sic) in entering and docketing the action which must be the proportion of the filing fees for her total claim in the amount of P4,232,363.40 as costs of suit.. (sic)

SO ORDERED.

Not amenable to the trial court's Decision, Petitioner DPWH, through the Office of the Solicitor General, filed an appeal^[14] to question the said Decision. DPWH mainly argued that there was no valid contract between it and respondents.^[15] It claimed that there was no certification of the availability of funds issued by the DPWH Chief Accountant or by the head of its accounting unit as required by Executive Order No. 292, or the Administrative Code of 1987.^[16] It also alleged other deficiencies and irregularities, which rendered the contract void from its inception, such as the absence of the requirements enumerated in Presidential Decree (P.D.) Nos. 1594 and 1445; and the lack of authority on the part of Engineer Philip Meñez, Project Manager II of the DPWH to enter into contracts on behalf of DPWH. DPWH likewise contested the RTC's award of attorney's fees and costs of suit to respondents.

The Court of Appeals (CA), similar to the court *a quo*, sided with respondents. The CA resolved in the affirmative the issue of whether the respondents are entitled to their claim representing actual expenses for the construction projects they undertook. It found that there was already a fund allocation for the projects, and that the payment for the channeling services rendered by the respondents had been included in the said fund allocation as testified to by DPWH's witness, Felix Desierto. It ruled that DPWH officials who approved the projects, even though middle-rank, had the authority to bind the department. The CA held:

...[I]t appears that all the procedures followed by the project managers and plaintiff-appellees were in accordance with the usual DPWH procedures, such that, there was no reason for plaintiffs-appellees not to rely on the authority of the project managers who allowed them to proceed with their projects from start to finish.^[17]

The CA further held that revalidation was not part of the contract and, thus, not a precondition for payment to the respondents. The constitution of the revalidation team after the commencement of the construction project indicated that approval by DPWH was not meant to be a condition for the payment of the project.^[18] With the completion of the project, the CA ruled that the DPWH was estopped from refusing to pay plaintiffs:^[19]

...[I]t is readily seen that defendant-appellant's conduct in allowing the subject projects to continue without objecting thereto and in even assigning its own employees to oversee these projects estopped defendant-appellant from adopting a position that such projects were not authorized. Without a doubt, such acts induced plaintiff-appellees to believe that such projects will be honored by defendant-appellant and that they will be compensated for all their expenditures.^[20]

According to the CA, the absence of a written contract with R. Dimatulac and Rigor did not affect the validity and the enforceability of the contracts between DPWH and the contractors.

With the affirmance of the RTC Decision, DPWH filed a Petition for Review^[21] before this Court, alleging that the following were errors committed by the Court of Appeals:^[22]

IN NOT FINDING THAT THE PURPORTED CONTRACTS BETWEEN THE PARTIES ARE NULL AND VOID FROM THE BEGINNING AND HENCE, NOT BINDING BETWEEN THEM;

IN NOT FINDING THAT [RESPONDENTS QUIWA ET AL.] HAVE NO CAUSE OF ACTION AGAINST [PETITIONER DPWH];

IN NOT FINDING THAT THE AWARD OF ATTORNEY'S FEES AND COSTS OF SUIT IS UNWARRANTED AND HAS NO BASIS IN LAW.

Petitioner insists that there was no valid contract between it and the respondents, and, thus, the latter had no cause of action against the former. Consequently, there was no basis to grant the Complaint and to award attorney's fees and the costs of suit in favor of the respondents.^[23]

On the other hand, respondents, in their comment, reiterates the correctness of the RTC and the CA Decisions. They also brought to the attention of this Court the fact that the individual defendants in the case, DPWH former Secretaries Gregorio T.