



Republic of the Philippines Supreme Court

Manila

EN BANC

METRO LAUNDRY SERVICES,

represented by ROWELAT. TINDOG,

Heir of Proprietor, MS. ELIZABETH

T. TINDOG,

G.R. No. 252411

Present:

Petitioner,

GESMUNDO, C.J.,

PERLAS-BERNABE, S.A.J.,

LEONEN,

CAGUIOA,

HERNANDO,

LAZARO-JAVIER,

INTING,

ZALAMEDA,

LOPEZ, M.,

THE COMMISSION PROPER, COMMISSION ON AUDIT, and THE

- versus -

CITY OF MANILA,

PER, GAERLAN,

ROSARIO,

LOPEZ, J.,

Respondents.

DIMAAMPAO, and

MARQUEZ, JJ.

Promulgated:

February 15, 2022

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RESOLUTION

LOPEZ, M., *J.*:

This Petition for *Certiorari*¹ under Rule 64, in relation to Rule 65, of the Revised Rules of Court assails the Commission on Audit (COA) Proper Decision No. 2020-043² dated January 10, 2020, which denied Metro Laundry

¹ *Rollo*, pp. 3-27.

Id. at 29-34. Composed of Chairperson Michael G. Aguinaldo, Commissioners Jose A. Fabia, and Roland C. Pondoc.

Services' (Metro Laundry) money claim for the unpaid services it rendered at the Ospital ng Maynila Medical Center (OMMC).

FACTS

The City of Manila, through its Bids and Awards Committee (BAC), conducted a public bidding to procure "Laundry Services of Soiled and Dirty Linens for the 3rd and 4th Quarter of 2010" for OMMC with an approved budget of ₱1,080,000.00. Metro Laundry was declared the winning bidder as evidenced by BAC Resolution No. 2010-327 and Notice of Award⁴ dated September 6, 2010. Metro Laundry then provided laundry services to OMMC in accordance with the terms of the contract. The contract expired on December 31, 2010, but OMMC retained Metro Laundry's services from January 1, 2011 to March 31, 2011 upon the request of Dr. Janet del Mundo-Tan, then Officer-in-Charge (OIC), Hospital Director of OMCC. For this purpose, the City of Manila and Metro Laundry executed an Extension Contract of Services⁶ with the same terms and conditions as in the previous contract.

The controversy spawned when OMMC further retained Metro Laundry's services from April 1, 2011 to December 2011, and Metro Laundry was not compensated due to the City of Manila's lack of funds for fiscal years 2011 and 2012.⁷ No written contract was executed for this extension,⁸ but the OMMC issued a Certificate of Acceptance⁹ and Certificate of Use¹⁰ showing that Metro Laundry rendered actual services.

Metro Laundry's efforts to collect its receivables from OMMC eventually resulted in the inclusion of its claim, amounting to ₱1,851,814.45, in the City of Manila's budget for 2013 under the OMMC's "Prior Year's Obligations." The City Budget Office, Office of the City Accountant, and City Treasurer's Office issued a Certificate of Availability of Funds¹² dated July 31, 2013 for this purpose. As well, OMMC issued a Justification¹³ "to validate [its] unpaid account incurred for the laundry services rendered by [Metro Laundry] for the year 2011, amounting to x x x (₱1,851,814.45)[,]"¹⁴ and to explain that its failure to pay was due to the lack of funds for the episodic increase of housed patients,¹⁵ which translated to more hospital linens used. Subsequently, the Office of the City Legal Officer also issued a

³ Id. at 29.

⁴ Id. at 39-40.

⁵ Id. at 29.

⁶ Id. at 41-44.

⁷ Id. at 29-30.

³ Id. at 29.

⁹ Id. at 45.

¹⁰ Id. at 46.

¹¹ Id. at 5.

Id. at 47.Id. at 48.

¹⁴ Id.

¹⁵ Id.

Justification for the Payment on *Quantum Meruit*¹⁶ dated December 3, 2013, affirming OMMC's outstanding obligation to Metro Laundry in the amount of ₱1,851,814.45. However, the obligation remained unsettled. Thus, through a 2nd Indorsement¹⁷ dated July 24, 2014 addressed to OMMC, the Office of the City Legal Officer requested anew that the amount be included in the OMMC budget for 2015. Acting upon this request, Dr. Arsenio L. Pascual III, then OIC Hospital Director, issued a 3rd Indorsement¹⁸ dated September 3, 2014, informing the City Budget Office that the claim was included in the OMMC's budget proposal for 2015.

Corresponding disbursement vouchers¹⁹ were then issued, but still, the allocated funds were not released. Instead, the City Accountant referred the matter to the City Auditor for assessment and recommendation through a 1st Indorsement²⁰ dated August 24, 2015. In a Letter²¹ dated October 29, 2015, the Supervising Auditor affirmed the previous recommendations to pay OMMC's ₱1,851,814.45-worth obligation to Metro Laundry despite lack of written contract and prior appropriation on the basis of quantum meruit. However, the claim was recommended to be filed directly to the COA Proper.²² For this reason, the Office of the City Accountant issued a Certification²³ dated January 21, 2016 stating that "based on x x x records and documents submitted to [its] Office by Metro Laundry for services rendered at [OMMC], the unpaid claim for the period April 01-December 31, 2011 amounts to ₱1,629,926.25."²⁴ Metro Laundry sought correction of the amount, but to no avail.²⁵ Hence, despite discrepancy in the amount, it proceeded to file its Petition for Money Claim²⁶ for ₱1.851.814.45 before the COA Proper as instructed.

In an unexpected turnaround, the City of Manila denied liability and prayed for the dismissal of Metro Laundry's monetary claim in its Answer²⁷ dated May 16, 2016. Contrary to its previous acknowledgment of liability and affirmation to pay Metro Laundry for its services from April to December 2011, the City of Manila argued this time that the liability should be directed against the OMMC officers who ordered the extension of the laundry services without prior appropriation and a written contract.²⁸



¹⁶ Id. at 49-51.

¹⁷ Id. at 52.

¹⁸ Id. at 53.

¹⁹ Id. at 56-57.

²⁰ Id. at 58.

²¹ Id. at 59.

²² Id.

²³ Id. at 60.

²⁴ Id., emphasis in the original omitted.

²⁵ Id. at 61-62.

²⁶ Id. at 63-70.

²⁷ Id. at 72-74.

²⁸ Id. at 73.

The Supervising Auditor, through a Memorandum dated August 1, 2016, recommended the denial of the claim because of the irregularities in the transaction, *i.e.*, lack of public bidding, written contract, and appropriation for the retained services. The Supervising Auditor also averred that the amount claimed was excessive since the City Accountant alleged that services rendered in October 2011 were already paid "per city's record under Check No. 662432 dated February 2, 2012."²⁹

In a Memorandum³⁰ dated July 11, 2017, the Regional Director of the COA Local Government Sector National Capital Region concurred in the Supervising Auditor's opinion, and even recommended that the alleged amount already paid to Metro Laundry in October 2011 be returned.³¹

In its assailed Decision No. 2020-043³² dated January 10, 2020, the COA Proper focused on the illegality of the extended contract. Relying mainly upon COA Resolution No. 86-58³³ dated November 15, 1986, the COA Proper ruled that the patent disregard of the mandatory requirements for procurement of services under Section 10³⁴ of Republic Act (RA) No. 9184³⁵ and Sections 85(1)³⁶ and 86³⁷ of Presidential Decree (PD) No. 1445³⁸ nullified Metro Laundry's legal claim for payment. The COA Proper explained that, pursuant to Section 48,³⁹ Book V, Title I, Subtitle B, Chapter 8 of the Administrative Code of 1987,⁴⁰ Metro Laundry's recourse should be against the OMMC officials who secured its services in disregard of government procurement rules. Hence, with a 2-3 vote, Metro Laundry's claim was disposed as follows:

Executive Order No. 292, entitled "INSTITUTING THE 'ADMINISTRATIVE CODE OF 1987," signed on July 25, 1987.



²⁹ Id. at 31.

Not attached in the *rollo*; mentioned in COA Decision dated January 10, 2020, id. at 31.

³¹ Id. at 31.

³² Id. at 29-34.

Re: Policy on the Recovery by Government Contractors on the Basis of Quantum Meruit.

SEC. 10. *Competitive Bidding.* – All Procurement shall be done through Competitive Bidding, except as provided for in Article XVI of this Act.

Entitled "AN ACT PROVIDING FOR THE MODERNIZATION, STANDARDIZATION AND REGULATION OF THE PROCUREMENT ACTIVITIES OF THE GOVERNMENT AND FOR OTHER PURPOSES," otherwise known as the "GOVERNMENT PROCUREMENT REFORM ACT," dated January 10, 2003.

³⁶ SEC. 85. Appropriation before entering into contract.—

^{1.} No contract involving the expenditure of public funds shall be entered into unless there is an appropriation therefor, the unexpended balance of which, free of other obligations, is sufficient to cover the proposed expenditure.

SEC. 86. Certificate showing appropriation to meet contract. — Except in the case of a contract for personal service, for supplies for current consumption or to be carried in stock not exceeding the estimated consumption for three months, or banking transactions of government-owned or controlled banks[,] no contract involving the expenditure of public funds by any government agency shall be entered into or authorized unless the proper accounting official of the agency concerned shall have certified to the officer entering into the obligation that funds have been duly appropriated for the purpose and that the amount necessary to cover the proposed contract for the current fiscal year is available for expenditure on account thereof, subject to verification by the auditor concerned. The certificate signed by the proper accounting official and the auditor who verified it, shall be attached to and become an integral part of the proposed contract, and the sum so certified shall not thereafter be available for expenditure for any other purpose until the obligation of the government agency concerned under the contract is fully extinguished.

Entitled "ORDAINING AND INSTITUTING A GOVERNMENT AUDITING CODE OF THE PHILIPPINES," otherwise known as the "GOVERNMENT AUDITING CODE OF THE PHILIPPINES," dated June 11, 1978.

SEC. 48. *Void Contract and Liability of Officer.*—Any contract entered into contrary to the requirements of the two (2) immediately preceding sections shall be void, and the officer or officers entering into the contract shall be liable to the Government or other contracting party for any consequent damage to the same extent as if the transaction had been wholly between private parties.

WHEREFORE, premises considered, the Petition for Money Claim of [Metro Laundry], represented by its Proprietor, Ms. Elizabeth T. Tindog, against the City Government of Manila, for payment of laundry services rendered to the [OMMC] from April to December 2011, amounting to [₱]1,851,814.45, is hereby DENIED.⁴¹ (Emphases in the original.)

COA Chairperson Michael G. Aguinaldo (Chairperson Aguinaldo) dissented⁴² in the outright denial of Metro Laundry's money claim. Without discounting the admitted illegality of the transaction, Chairperson Aguinaldo cited case laws which upheld payment of compensation to a contractor or service provider by way of *quantum meruit* despite defects in or even nullity of the contract. In his Dissenting Opinion,⁴³ he opined:

[T]he Decision makes much reliance on COA Resolution No. [86-58] dated [November 15, 1986,] which states the policy on the Recovery by Government Contractors on the Basis of *Quantum Meruit*. This Resolution, which curiously limits *quantum meruit* recovery to a single ground – the absence of the certificate of availability of funds, has long been rendered obsolete by numerous decisions of the Supreme Court through the last three decades. It is archaic, a relic of the past, and totally out of tune with[,] not just jurisprudence[,] but reality. Relying on the Resolution as a basis for the denial of the money claim is not simply turning a blind eye to jurisprudence[,] but being inattentive and unjust.

The justification usually given for the denial of money claims based on *quantum meruit* is that contractors continue to violate government procurement laws. But who actually violates the procurement law? Absent any proof of collusion, the burden of which falls on the Commission, it cannot be presumed that the contractor colluded with the government officials involved. It is the government official who violates the procurement law, by not holding any public bidding, or proceeding without appropriation or a written contract. Consequently, the proper party to penalize is the government official responsible. The denial of a *quantum meruit* money claim, in the absence of proof of collusion, will not have the effect of lessening procurement law violations for the simple reason that the wrong person is being penalized. The proper recourse is referral of the matter to the Office of the Ombudsman for investigation of the government officials involved.

X X X X

I vote to grant the Petition for Money Claim, subject to a *quantum meruit* determination of the actual services rendered and the reasonable value thereof.⁴⁴

Metro Laundry now comes directly to the Court on *certiorari*, insisting to be paid on the basis of *quantum meruit* for the services it had actually rendered for the City of Manila.⁴⁵ For its part, the COA Proper, through the Office of the Solicitor General (OSG), points out Metro Laundry's failure to



⁴¹ *Rollo*, pp. 33-34.

⁴² Id. at 34.

⁴³ Id. at 35-36.

⁴⁴ Id. at 36.

⁴⁵ Id. at 24.

file a motion for reconsideration (MR) before the COA Proper before it sought remedy to the Court, which would have warranted the dismissal of the petition. We vertheless, the OSG prays for the modification of the assailed Decision No. 2020-043 as it also argues for Metro Laundry's entitlement to compensation and the application of the principle of *quantum meruit* since the City of Manila had admittedly benefited from Metro Laundry's services, subsequent appropriations for the payment were already done, and disbursement vouchers were correspondingly issued therefor. However, the OSG takes exception to the grant of the whole amount of \$\mathbb{P}\$1,851,814.45 claimed, and instead argues that only the amount appearing in the disbursement vouchers — a total of \$\mathbb{P}\$1,666,633.00 — should be granted.

ISSUE

The only issue is whether the COA Proper gravely abused its discretion in denying Metro Laundry's money claim due to the irregularities that attended the extension of its contract of service with OMMC.

RULING

We find merit in the petition.

Non-filing of MR does not justify dismissal of the petition.

Preliminarily, since the OSG finds no issue on giving due course to the petition, we find it unnecessary to belabor on the procedural matter raised in its Comment⁴⁹ as regards Metro Laundry's failure to file an MR before resorting to *certiorari*. It is settled that the rule on the filing of an MR as a condition *sine qua non* for the filing of a petition for *certiorari* admits of exceptions, such as when the issue raised is one purely of law, or when the further delay on the proceedings would already be prejudicial to the interest of the parties.⁵⁰ Here, the ultimate facts are undisputed, and the only issue is the propriety of applying the principle of *quantum meruit*. We cannot ignore the fact that Metro Laundry's ordeal in collecting payment from OMMC's admitted obligation has been dragged on for more than a decade now, impelling this Court to finally resolve this controversy to avoid any further delay.

Payment for services done on account of the government cannot be avoided despite irregularity or nullity of the contract.

⁴⁶ Id. at 139-140.

⁴⁷ Id. at 141-145.

⁴⁸ Id. at 144.

⁴⁹ Id. at 132-148.

See Estalilla v. Commission on Audit, G.R. No. 217448, September 10, 2019, 919 SCRA 1, 10-

There is no dispute that Metro Laundry's extended contract with OMMC without public bidding violated the procurement law. Section 10,⁵¹ Article IV of RANo. 9184 is explicit in mandating that all acquisition of goods and services by any branch, department, office, agency, or instrumentality of the government, including state universities and colleges, government-owned and/or -controlled corporations, government financial institutions, and local government units be done through competitive bidding, unless otherwise allowed by the law.⁵² Besides, prior appropriation and certification as to the availability of funds, together with the written contract, are also vital requirements for the proper execution of government contracts.⁵³ The transaction is rendered void absent these documents as expressly stated under the following provisions of PD No.1445:⁵⁴

SEC. 85. Appropriation Before Entering Into Contract. ——

1. No contract involving the expenditure of public funds shall be entered into unless there is an appropriation therefor, the unexpended balance of which, free of other obligations, is sufficient to cover the proposed expenditure.

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SEC. 86. Certificate Showing Appropriation to Meet Contract. — Except in the case of a contract for personal service, for supplies for current consumption or to be carried in stock not exceeding the estimated consumption for three months, or banking transactions of governmentowned or controlled banks[,] no contract involving the expenditure of public funds by any government agency shall be entered into or authorized unless the proper accounting official of the agency concerned shall have certified to the officer entering into the obligation that funds have been duly appropriated for the purpose and that the amount necessary to cover the proposed contract for the current fiscal year is available for expenditure on account thereof, subject to verification by the auditor concerned. The certificate signed by the proper accounting official and the auditor who verified it, shall be attached to and become an integral part of the proposed contract, and the sum so certified shall not thereafter be available for expenditure for any other purpose until the obligation of the government agency concerned under the contract is fully extinguished.

SEC. 87. Void Contract and Liability of Officer. — Any contract entered into contrary to the requirements of the two immediately preceding sections shall be void, and the officer or officers entering into the contract shall be liable to the government or other contracting party for any consequent damage to the same extent as if the transaction had been wholly between private parties.

Supra note 33.

De Guzman v. Office of the Ombudsman, 821 Phil. 681, 691 (2017).

⁵³ RG Cabrera Corporation, Inc. v. Department of Public Works and Highways, G.R. No. 231015, January 26, 2021.

Supra note 37.

We, however, highlight that the OMMC and the City of Manila have consistently recognized Metro Laundry's entitlement to payment for its actual services rendered despite non-compliance with the foregoing provisions as shown by the series of certifications, indorsements, and vouchers issued by OMMC and concerned city officials.⁵⁵ Even the COA Proper, in its assailed Decision No. 2020-043,⁵⁶ agreed that Metro Laundry is entitled to be paid for its services, although it took exception to Metro Laundry's recourse against the local government due to the invalidity of the contract, and for that sole reason, denied Metro Laundry's claim outright.⁵⁷

There is no novelty in the issue of satisfying a claim for contract of services entered into by the government which is considered void due to patent violations of mandatory rules and regulations. We have consistently sustained the grant of compensation to contractors, who have entirely or substantially accomplished their obligation under the contract on the basis of *quantum meruit*, regardless of any invalidity or irregularity in its procurement. In as early as 1988 in the case of *Royal Trust Construction v. Commission on Audit*,⁵⁸ we have already favored equity, and upheld claims against the government based on a void contract. We ruled:

The work done by [the claimant] was impliedly authorized and later expressly acknowledged by the Ministry of Public Works, which has twice recommended favorable action on the [claimant's] request for payment. Despite the admitted absence of a specific covering appropriation as required under COA Resolution 36-58, the [claimant] may nevertheless be compensated for the services rendered by it, concededly for 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 COA], to compensation claimed, [i.e., pursuing claim before a court of law,] would entail additional expense, inconvenience and delay which in fairness should not be imposed on the [claimant.]

Accordingly, in the interest of substantial justice and equity, the [COA] is DIRECTED to determine on a *quantum meruit* basis the total compensation due to the [claimant] 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[.]⁵⁹ (Emphasis supplied.)

This case was cited in *Dr. Eslao v. The Commission on Audit*, ⁶⁰ wherein we granted compensation to the contractor for some accomplished work in the project even if there was failure to go through the mandatory process of public bidding. The Court reasoned that "to deny payment to the contractor of the

⁵⁵ *Rollo*, pp. 45-60.

⁵⁶ Id. at 29-36.

⁵⁷ Id. at 33.

G.R. No. 84202, November 22, 1988, as cited in Department of Public Works and Highways v. Quiwa, 675 Phil. 9 (2011).

⁵⁹ Melchor v. Commission on Audit, 277 Phil. 801, 815 (1991); and Dr. Eslao v. The Commission on Audit, 273 Phil. 97, 106-107 (1991).

⁶⁰ Supra.

two buildings which are almost fully completed and presently occupied by the university would be to allow the government to unjustly enrich itself at the expense of another. Justice and equity demand compensation the basis of *quantum meruit*."⁶¹

In *Melchor v. Commission on Audit*,⁶² the Court declared the contract for extra works in the infrastructure project void, but still ordered the payment to the contractor as it would be unjust for the government not to shoulder the expenditure after it has already received and accepted benefits from the utilization of the project.⁶³

In *EPG Construction Co. v. Hon. Vigilar*,⁶⁴ we also granted recovery of payment on the basis of *quantum meruit* even when a written contract and corresponding appropriation covering the contract cost were lacking.⁶⁵

In the recent case of RG Cabrera Corporation, Inc. v. Department of Public Works and Highways, 66 the Court categorically described the non-payment of the lease of equipment used for government rehabilitation and maintenance projects as "the height of inequity" and a "form of abuse" despite dearth of necessary procurement documents.

This catena of cases clearly shows that the outright denial of Metro Laundry's legitimate claim for compensation is unjustified. Insofar as Metro Laundry is concerned, it has fulfilled the services it was contracted for, and in doing so, no evidence of bad faith or collusion with the approving OMMC officials was presented against it. Needless to say, the government has admittedly benefited from Metro Laundry's services. Given these circumstances, there is no justification for the COA Proper to impose upon Metro Laundry the burden of pursuing its claim against the public officials who engaged its services without compliance with the law.⁶⁷ The liability of these erring officers may properly be imposed in a disallowance case, if bad faith on their part is proven, and/or in an administrative or criminal case, if warranted.⁶⁸ Thus, we find no further obstacle in ruling for the payment of Metro Laundry's services based on *quantum meruit*.

COA should determine the proper amount to be paid.



⁶¹ Id.

⁶² Supra note 59.

⁶³ Id. at 815.

⁶⁴ 407 Phil. 53 (2001).

⁶⁵ Id. at 62.

Supra note 52.

⁶⁷ See Department of Public Works and Highways v. Quiwa, 681 Phil. 485, 490-492 (2012).

See Torreta v. Commission on Audit, G.R. No. 242925, November 10, 2020.

When payment is based on *quantum meruit*, the amount of recovery should be the reasonable value of the thing or services rendered regardless of any agreement as to value.⁶⁹ Determination of such value is a purely factual matter, which necessitates reception and evaluation of competent evidence. Metro Laundry claims payment of services rendered from April 1, 2011 to December 31, 2011 amounting to ₱1,851,814.45. As shown in pertinent issuances, 70 the City of Manila admitted this amount, albeit later on, it claimed that "per city's record under Check No. 662432 dated February 2, 2012,"⁷¹ the services rendered in October 2011 was already paid, leaving an outstanding balance of \$1,629,926.25.72 However, there is a paucity of evidence to substantiate this allegation. The OSG, on the other hand, points out that only the amount appearing in the disbursement vouchers⁷³—a total ₱1,666,633.00-should be paid.⁷⁴ These contradicting allegations constrain this Court to remand the case to the COA for the conduct of a post-audit to determine the amount of the services rendered, to which Metro Laundry shall be entitled.

FOR THESE REASONS, the petition is PARTLY GRANTED. The Commission on Audit Proper Decision No. 2020-043 dated January 10, 2020 is SET ASIDE. Accordingly, the case is REMANDED to the Commission on Audit for the determination of the proper amount to be paid to Metro Laundry Services. The City of Manila is then ORDERED to pay Metro Laundry Services such determined amount.

This disposition is without prejudice to any civil, criminal, and administrative action which may be filed against erring officials of the Ospital ng Maynila Medical Center for violation of the law, if warranted.

SO ORDERED.

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⁶⁹ Melchor v. Commission on Audit, supra note 58.

⁷⁰ Rollo, pp. 47-53.

⁷¹ Id. at 31.

⁷² Id. See also Certification dated January 21, 2016, id. at 60.

⁷³ Id. at 56-57.

⁷⁴ Id. at 144.

WE CONCUR:

R G. GESMUNDO Chief Justice

Sexior Associate Justice

MARVIØM.V.F. LEONEN

Associate Justice

ALFREDO

Associate Justice

BENJAMIN S. CAGUIOA RAMON PAUL L. HERNANDO

Associate Justice

L'LAZARO-JAVIER

Associate Justice

AN PAUL B. INTING

Associate Justice

Associate Justice

SAMUEL H. GAERLAN

Associate Justice

Associate Justice

JHOSEP

Associate Justice

JAPAR B. DIMAAMPATO

Associate Justice

Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court

ALEXANDER G. GESMUNDO

Chief Justice

CERTIFIED TRUE COPY

SC Chief Judicial Staff Officer
Office of the Clerk of Court
Supreme Court of the Philippines