

Title: Estomo v. Civil Service Commission, Regional Office No. X

Facts:

1. **Contract Formation and Execution (April - May 1997):**

- On April 29, 1997, CSC Region X Director Vivencio N. Muego, Jr. awarded a contract to Engr. Domingo F. Estomo's firm, Domingo F. Estomo Trading & Construction, for the construction of a third floor for the CSC-X building, worth PHP 1,475,789.07.
- On May 6, 1997, this contract was formally executed, and the project commenced on May 8, 1997, with a target completion date of October 5, 1997.

2. **Contract Execution and Payments (July - September 1997):**

- Payments were periodically made to Estomo: PHP 251,808.46 on July 14, PHP 287,474.41 on August 15, and PHP 372,824.63 on September 26.
- Estomo requested additional works (extra works) through various letters to CSC Region X, claiming they amounted to PHP 206,008.66 as of September 5, 1997.

3. **Completion and Inauguration (September - October 1997):**

- The CSC inspectorate was invited for a final inspection on September 26, 1997. The building was inaugurated on October 6, 1997.

4. **Disputes and Legal Proceedings (November 1997 - April 1998):**

- Estomo claimed the extra works increased to PHP 261,963.82 by November 24, 1997.
- Upon persistent non-payment, Estomo filed a complaint for Specific Performance and Sum of Money plus Damages before the RTC on February 20, 1998.

5. **RTC Proceedings and Decisions (1998 - 2008):**

- The CSC disputed the completion of extra works due to Estomo's failure to rectify deficiencies and comply with documentation requirements.
- The RTC ordered partial judgments and payments, faced several motions from CSC challenging jurisdiction and claiming immune status, which were denied.
- On August 8, 2013, the RTC ruled in favor of Estomo, ordering CSC to pay PHP 387,104.14 plus legal interest.

6. **Appeal and CA Decision (2014 - 2019):**

- CSC appealed to the CA, arguing the amount for extra works should only be PHP 144,735.98 as per their resolution.
- The CA reversed the RTC decision on August 31, 2018, declaring the CSC's obligation

extinguished by the payment tendered through escrow.

7. **Supreme Court Proceedings:**

- Estomo filed a Petition for Review on Certiorari with the Supreme Court, contesting the CA's dismissal.

Issues:

1. Whether the case presents a question of fact that necessitates review under Rule 45.
2. Validity of the deductions made on the original Contract for Works.
3. Entitlement of Estomo to the PHP 261,963.82 claim for extra works.
4. Appropriateness of deducting certain amounts in CSC's escrow deposit.
5. Whether retention money should be released in favor of Estomo.

Court's Decision:

1. **Question of Fact:**

- The Supreme Court allowed an exception to the general rule against reviewing factual issues due to conflicting findings between the RTC and the CA.

2. **Deductions Validity:**

- The Court upheld retention money, recoupment, and tax deductions as compliant with regulations under P.D. No. 1594 and the National Internal Revenue Code (NIRC), except for incorrect computation of withheld VAT.

3. **Extra Works Claim:**

- Estomo's claim based on letters without official CSC approval for extra works resulted in denial for sums beyond the amounts cited in the already approved CSC resolution. Claims for extra work based on quantum meruit were rejected.

4. **Escrow Deposit Deductions:**

- The Court validated the deductions for withholding tax, recoupment, and unapproved extra works, excluding an improperly deducted retention fee.

5. **Release of Retention Money:**

- The Supreme Court declared the release of retention money, deducting VAT underpayment, calculated before final completion of works and meeting all specifications.

Doctrine:

- Quantum Meruit application in government contracts necessitates implied or explicit knowledge and acceptance by the authorized government authority before claims proceed. Changes or additional work must be pre-approved as per statutory and regulatory requirements.

****Class Notes:****

- ****Administrative law****: The involvement of government agencies in contractual obligations and the limits of governmental immunity.
- ****Contract Law****: Concept of progress payments, retention money, recoupment, and organizational rules tailored for government projects.
- ****Evidence and Procedure****: Importance of documentary evidence and proper approval for public works under the IRR of P.D. No. 1594.
- ****Tax Law****: Application of withholding VAT in government transactions under the NIRC.

****Historical Background:****

- This case arises amid evolving regulatory and procurement frameworks for Philippine government infrastructure projects, highlighting legal intricacies in finalizing public works agreements with private contractors, especially those involving additional costs or modifications. The doctrine illuminated here provides insight into both fiscal responsibility and administrative autonomy during transitions stipulated by decrees like P.D. 1594.