

BUREAU OF CORRECTIONS (BUCOR), PETITIONER, VS. DOTGAIN SOLUTIONS, INC., CONSTRUCTION INDUSTRY ARBITRATION COMMISSION (CIAC), SHERIFF ROLANDO ACAL, DEPUTIZED SHERIFF QUEZON CITY ...

Ponente: BRUSELAS, JR. J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/c5b591819ec0/>

BRUSELAS, JR. J.:

Petitioner Bureau of Corrections (BuCor) filed a petition for certiorari and prohibition^[1] under Rule 65 of the Rules of Court, to invalidate, for having been rendered with grave abuse of discretion, the—

(a) Order,^[2] the dispositive of which, reads –

“Accordingly, the majority of the Tribunal, with the third member dissenting, rules that the motion for reconsideration is denied. Let a copy of this Order be furnished the Sheriff for his information and appropriate act. Let a copy likewise be furnished the Land Bank of the Philippines for their information and guidance.

SO ORDERED. ”

BuCor's material representations are as follows:

BuCor is a government agency tasked with administering the correctional system of the Philippines.

In a Final Award^[3] dated 23 August 2013, the respondent Construction Industry Arbitration Commission (CIAC) awarded to respondent Dotgain Solutions, Inc. (Dotgain) the amount of P47,024,070.31 on the basis of quantum meruit, for unpaid construction projects incurred by BuCor sometime in 2011-2012. It ordered BuCor to pay Dotgain said amount with interest at 6% per annum from the date of promulgation of the Final Award until the same is fully paid. The dispositive portion of said Final provides:

“Wherefore, the Tribunal RULES:

(a) On issue No. 1 that: The verbal contracts for the 27 Projects undertaken by DOTGAIN are void as they have been procured in violation of Republic Act No. 9184, the Government Procurement Reform Act.

(b) On issue No. 2 that: Although the verbal contracts were void, Dotgain is entitled to payment of its accomplishments in the 27 Projects on the basis of quantum meruit following decisions of the Supreme Court in similar cases. The Tribunal has applied the agreed valuation on the 27 Projects of P47,024,070.31, as the quantum meruit compensation to DOTGAIN. The Respondent, Bureau of Corrections, is accordingly ordered to pay the Claimant, Dotgain Solutions Inc., the amount of P47,024,070.31 as full and final compensation for undertaking the 27 projects.

(c) On Issue No. 3 that: Except as provided in the last paragraph of this Final Award, DOTGAIN is not entitled to its claim for interest.

(d) On issue No.4 that: DOTGAIN is not entitled to its claim for attorney's fees.

The CIAC Arbitration Rules require that the Final Award must deal with the issue of allocating the costs of arbitration and payment of interest on its award. This is stated as part of Issue No.5.

The tribunal, after due consideration of the facts on this case, and particularly taking into account the cooperation extended by the Bureau of Corrections to enable this dispute to be submitted to CIAC arbitration and resolved without delay, hold that since the arbitration primarily benefited Dotgain Solutions, Inc., 100% of the costs of arbitration shall be shouldered by Dotgain Solutions, Inc.

The award of the amount of P47,024,070.31 in favor of Dotgain Solutions, Inc. shall earn interest at the rate of 6% per annum from the date of the promulgation of this Final Award until the same is fully paid.

SO ORDERED.“

The CIAC then issued a Writ of Execution[4] dated 22 November 2013, directed to the Clerk of Court/Ex-Officio Sheriff of the Regional Trial Court (RTC), Quezon City.

Thereafter, a Notice of Garnishment[5] dated 25 November 2013 was issued by respondent Rolando Acal, the sheriff deputized by the Clerk of Court of the RTC in Quezon City, to the Development Bank of the Philippines (DBP) against the fund of the BuCor pursuant to said writ of execution. A similar Notice of Garnishment[6] was likewise issued to the Land Bank of the Philippines (LBP) on 25 November 2013.

The DBP notified BuCor regarding the Notice of Garnishment in a letter[7] dated 27 November 2013. The LBP sent a similar letter[8] to BuCor on 26 November 2013. On 27 November 2013, BuCor responded to LBP, writing that BuCor funds are not subject to any writ of garnishment.[9]

On 2 December 2013, BuCor filed an “Urgent Manifestation and Opposition with a Motion for Reconsideration and Motion to Quash the Notice of Garnishment and Motion to Quash the Writ of Execution”[10] before the CIAC, raising the issue that BuCor's fund, being of a public nature, cannot be the subject of garnishment citing long-held and copious jurisprudential precedence. On the same date, it sent written communication to the CIAC,[11] LBP,[12] DBP[13] and Sheriff Acal,[14] informing them of the motion it filed before the CIAC. The execution of the writ and the enforcement of the garnishment were thus abated.

On 3 March 2014, Dotgain filed a motion[15] to CIAC, praying that BuCor's Urgent Manifestation be resolved.

On 10 March 2014, CIAC issued the assailed Order. The CIAC brushed aside BuCor's contention that its funds were not subject to garnishment.

In a letter[16] dated 19 March 2014 to BuCor, DBP stated that it received a “Final Demand to Deliver Garnished Amount” dated 17 March 2014 from Sheriff Acal, directing DBP to deliver and to pay the sum of P50,012,988.13 to the “judgment obligee” representing the updated amount of BuCor's obligation as of 12 March 2014 under pain of contempt and examination pursuant to the Rules of Court. DBP advised BuCor that, unless it receives notice, within 5 days from receipt, that the covering writ of execution dated 22 November 2013 has been annulled or its enforcement restrained, the bank would be constrained to deliver the garnished deposits of BuCor as ordered. The LBP sent a similar letter[17] to BuCor dated 12 March 2014.

In the present petition filed under Rule 65 of the Rules of Court, BuCor raises the following issues-

“THERE IS ABSOLUTELY NO LEGAL BASIS FOR THE ISSUANCE OF THE WRIT OF EXECUTION AND THE CONSEQUENT GARNISHMENT OF BUCOR'S FUNDS. HENCE, THE ASSAILED ORDER WAS ISSUED WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION.

ALL MONEY CLAIMS AGAINST THE GOVERNMENT MUST FIRST BE FILED WITH THE

COMMISSION ON AUDIT.

THE CONSTITUTION REQUIRES AN APPROPRIATION LAW BEFORE PUBLIC FUNDS ARE SPENT FOR ANY PURPOSE.”

BuCor also prayed for the issuance of a temporary restraining order (TRO) and a writ of preliminary injunction (WPI) to prevent grave and irreparable injury.

In our Resolution[18] of 4 April 2014, we issued a temporary restraining order enjoining CIAC and Sheriff Acal from enforcing the Writ of Execution and Notices of Garnishment against BuCor. Subsequently, in our Resolution[19] of 13 June 2014, we directed the issuance of a writ of preliminary injunction.

BuCor contends that the authority of CIAC ended when it issued the Final Award dated 23 August 2013 and that it exceeded its authority when it issued a Writ of Execution and Garnishment against the public funds of BuCor. Being a principal subdivision or unit of the Department of Justice (DOJ), BuCor maintains that all funds, assets and properties under its name are public in nature and imbued with a public purpose. It cannot spend its funds unless there is an appropriation law authorizing the expenditure. The LBP and DBP cannot be compelled to comply with the Final Demand for Garnishment because any government expenditure without the corresponding appropriation from Congress is illegal and unconstitutional. BuCor likewise argues that upon determination of its liability, the prosecution, enforcement or satisfaction thereof must still be pursued in accordance with the rules and procedures laid down in P.D. No. 1445, otherwise known as the Government Auditing Code of the Philippines. BuCor also argues that the cases cited by CIAC, which included *Eslao vs. Commission on Audit*,^[20] *Royal Trust Corporation vs Commission on Audit*,^[21] *Department of Health vs. Canchela & Associates, et al.*,^[22] *EPG Construction Company vs. Vigilar*,^[23] and *F.F. Manacop Construction Co., Inc. vs. CA and Manila International Airport Authority*,^[24] in support of its order denying BuCor's Urgent Manifestation and Opposition with Motion for Reconsideration and Motion to Quash the Notice of Garnishment and Motion to Quash the Writ of Execution, are not squarely applicable to the present case for the reason that the legality of the execution against and garnishment of government funds were not made issues in the cited cases.

On the other hand, Dotgain argues that the funds already allocated to BuCor under the General Appropriations Act of 2011 may be used to pay its claim; that to allow BuCor to hide behind the mantle of State immunity from liability would result to injustice and abuse of State prerogatives; and that the Commission on Audit (COA) does not have absolute jurisdiction in determining the amount due to a claimant based on quantum meruit.

We find the petition to be meritorious.

The issue raised in the petition is whether the funds of BuCor in DBP and LBP may be garnished to satisfy a money judgment against BuCor.

BuCor is a line bureau and a constituent unit of the Department of Justice. Being a government agency, all its funds deposited with any of the official depository of the Philippine Government remain government funds, as it does not have any non-public or private funds of its own. Such government funds are not subject to garnishment or levy; even assuming that the funds become commingled with other funds of the bank, such does not remove the character of the fund as credit representing government funds thus deposited.^[25]

Because BuCor was adjudged liable in the suit filed by Dotgain before CIAC, it does not necessarily follow that the judgment can be enforced by execution against its funds for, as the Supreme Court has held, every disbursement of public funds must be covered by a corresponding appropriation passed by the Legislature:

“... where the State gives its consent to be sued by private parties either by general or special law, it may limit claimant's action' only up to the completion of proceedings anterior to the state of execution' and that the

powers of the Courts end when the judgment is rendered, since government funds and properties may not be seized under writs of execution or garnishment to satisfy such judgments. ... Disbursements of public funds must be covered by the corresponding appropriation as required by law. The functions and public services rendered by the State cannot be allowed to be paralyzed or disrupted by the diversion of public funds from their legitimate and specific objects, as appropriated by law.”[26]

A judgment against the State, in a case where it consents to be sued, simply implies that the Legislature will recognize the judgment as final and make provision for its satisfaction.[27]

In the present case, there is, however, no law or statute expressly allocating funds for the payment of Dotgain's money claims against BuCor. As discussed above, before such money claim of Dotgain may be paid, funds should first be appropriated by the legislature for the specific purpose of satisfying the same. The diversion of public funds of BuCor from its legitimate and specific purpose as appropriated by law may disrupt the performance of its functions and affect its efficiency. On this premise, BuCor's deposit with DBP and LBP may not therefore be garnished to pay for the monetary judgment in favor of Dotgain.

Furthermore, it must be noted that the execution of the monetary judgment against BuCor is within the primary jurisdiction of the COA. This was expressly provided in Section 26 of Presidential Decree No. 1445, to wit:

“Section 26. General jurisdiction. - The authority and powers of the Commission shall extend to and comprehend all matters relating to auditing procedures, systems and controls, the keeping of the general accounts of the Government, the preservation of vouchers pertaining thereto for a period of ten years, the examination and inspection of the books, records, and papers relating to those accounts; and the audit and settlement of the accounts of all persons respecting funds or property received or held by them in an accountable capacity, as well as the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities. The said jurisdiction extends to all government-owned or controlled corporations, including their subsidiaries, and other self-governing boards, commissions, or agencies of the Government, and as herein prescribed, including non governmental entities subsidized by the government, those funded by donations through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government.”[28] (emphasis supplied)

It is of no moment that a final and executory decision already validated the claim against BuCor. The settlement of the monetary claim is still subject to the primary jurisdiction of the COA despite the final decision of the CIAC having already validated the claim. As such, Dotgain as the claimant has no alternative except to first seek the approval of their monetary claim by the COA.[29]

From the foregoing it may be said that when the CIAC maintained its issuance of the writ of execution[30] and garnishment[31] of BuCor's funds deposited in LBP and DBP for the satisfaction of Dotgain's money claims, it committed grave abuse of discretion since such act was contrary to the Constitution, law and jurisprudence.

While we commiserate with Dotgain's plight, the exhaustion of public funds of BuCor which may disrupt its operations is, however, far greater in severity than the difficulty that may be suffered by Dotgain.

WHEREFORE, the petition is GRANTED. The Order of Construction Industry Arbitration Commission dated 10 March 2014 which sustained the writ of execution and Notices of Garnishment is hereby NULLIFIED and SET ASIDE. The preliminary injunction heretofore granted is made permanent.

IT IS SO ORDERED.

Reyes, Jr., A.B., P.J., (Chairperson) and Gaerlan, JJ., concur.

[1] Rollo, pp. 3-24.

[2] From the Office of the Construction Industry Arbitration Commission in CIAC Case No. 20-2013, entitled “Dotgain Solutions, Inc. vs. Bureau of Corrections; Rollo, pp.30-33.

[3] Rollo, pp.34-62.

[4] Rollo, pp.63-64.

[5] Rollo, p.65.

[6] Rollo, p.66.

[7] Rollo, pp.67-68.

[8] Rollo, p. 69.

[9] Rollo, p.70.

[10] Rollo, pp.71-81.

[11] Rollo, p. 83.

[12] Rollo, p.87.

[13] Rollo, pp.85-86.

[14] Rollo, p.84.

[15] Rollo, pp.88-90.

[16] Rollo, pp.91-92.

[17] Rollo, p.93.

[18] Rollo, pp.97-98.

[19] Rollo, pp. 140-142.

[20] G.R. No. 89745, 8 April 1991, 195 SCRA 730.

[21] G.R. No. 84202, November 23, 1988.

[22] G.R. No. 151373-74, 17 November 2005, 475 SCRA 218.

[23] G.R. No. 131544, 16 March 2001, 354 SCRA 566.

[24] G.R. No. 122196, 15 January 1997 266 SCRA 235.

[25] Philippine Rock Industries, Inc. vs Board of Liquidators, G.R. No. 84992, 15 December 1989, 180 SCRA 171, citing Commissioner on Public Highways vs. San Diego, G.R. No. L-30098, 18 February 1970, 31 SCRA 616.

[26] Ibid, citing Republic, vs. Villazor, G.R. No. L-30671, 28 November 1973, 54 SCRA 83; The Municipality of

Hagonoy, Bulacan et al. vs. Hon. Simeon Dumdum et al., G.R. No. 168289, 22 March 2010, 616 CRA 315.

[27] Ibid.

[28] University of the Philippines et al. vs. Hon. Agustin Dizon, G.R. No. 171182, 23 August 2012, 679 SCRA 54.

[29] Ibid.

[30] Rollo, pp.63-64.

[31] Rollo, pp.65-66.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.