Republic of the Philippines Supreme Court

Manila

SECOND DIVISION

ALBAY ACCREDITED CONSTRUCTORS ASSOCIATION, INC., represented herein by its duly authorized Secretary, RODOLFO L. MADRID, JR., Petitioner, G.R. No. 133517

Present:

PUNO, J., Chairperson, SANDOVAL-GUTIERREZ, CORONA, AZCUNA, and GARCIA, JJ.

- versus -

HONORABLE OMBUDSMAN ANIANO A. DESIERTO, LYLIA CORPORAL-SENA, OSCAR L. LANDAGAN, PRE-QUALIFICATION BIDS AND AWARDS COMMITTEE (PBAC) OF BICOL UNIVERSITY, and its members, namely: EDUARDO M. LORIA, CIELO L. REX, AMALIA A. SARET, and DONATO F. M. BAÑARES, and LUDOLFO P. MUÑOZ, JR.,

Promulgated:

January 30, 2006

Respondents.

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DECISION

GARCIA, J.:

Imputing grave abuse of discretion amounting to lack or excess of jurisdiction on the part of respondent Ombudsman, petitioner Albay Accredited Constructors Association, Inc. (AACA), purportedly a non-profit organization composed of legitimate and licensed contractors in the Province of Albay, herein represented by its secretary, Rodolfo L. Madrid, Jr., has come to this Court via this verified petition for certiorari and mandamus under Rule 65 of the Rules of Court to seek the annulment and setting aside of the Resolution dated November 17, 1997 of the Ombudsman in OMB-1-97-0924, which dismissed, for insufficiency of evidence, petitioner's complaint against the President of Bicol University, the chairman and members of its Pre-qualification Bids and Awards Committee (PBAC), and private respondent Ludolfo P. Muñoz, Jr., for alleged violation of certain provisions of Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, in connection with the award of a construction project of Bicol University, and Order^[2] dated February 11, 1998, which denied petitioner's motion for reconsideration. The mandamus aspect of the petition prays the Court for a writ commanding the Ombudsman to file the appropriate criminal complaint against the same respondents for violation of Rep. Act No. 3019.

The material facts:

Sometime in 1996, the Bicol University of Legaspi City received Special Allocation Release Order (SARO) No. ROV-96-0139 in the amount of P15,868,800.00 for the construction of the University's 2-storey ESEP building. In time, the University, through its PBAC, chaired by respondent Oscar L. Landagan with respondents Eduardo M. Loria, Cielo L. Rex, Amalia A. Saret and Donato Bañares, as members, caused the publication of an *Invitation to Bid*, calling on all interested contractors to file their pre-qualification bid statements.

Twenty-one (21) contractors responded, among which were herein petitioner AACA and private respondent Ludolfo P. Muñoz, Jr., sole proprietor of and doing business under the name *L.P. Muñoz, Jr. Construction (Muñoz Construction)*. As an interested bidder, Muñoz submitted for his firm his *Contractor's Confidential Prequalification Statement (Pre-C)*, a requirement under Presidential Decree (P.D.) No. 1594^[3]. As will be shown later, Muñoz's *Pre-C* and the documents thereto attached spawned the complaint for violation of the Anti-Graft and Corrupt Practices Act filed with the Ombudsman by ACCA's secretary, Rodolfo L. Madrid, Jr.

Of the 21 contractors who submitted *Pre-Cs,* 13 were considered pre-qualified, among which were petitioner AACA and *Muñoz Construction.*

Following pre-bid conferences whereat bidding procedures were discussed and technical details of the project clarified, the PBAC conducted, on March 18, 1997, an open public bidding during which no less than AACA's secretary and representative Rodolfo L. Madrid, Jr., representatives of the Commission on Audit (COA) and members of the PBAC, among others, were in attendance. After the bid proposals have been opened and evaluated, only eleven (11) bids were declared as complying and only seven (7) of the eleven (11) as responsive, among which were those of petitioner AACA and *Muñoz Construction*.

Subsequently, the PBAC, having determined *Muñoz Construction* to have tendered the lowest complying and most responsive bid for the project in question, recommended to respondent Lylia Corporal-Sena, President of Bicol University, the contract award to *Muñoz Construction*.

However, before she could act on PBAC's recommendation, the respondent University President received a letter from one Engr. Rafael A. Armario, Jr., who alleged that his signature in one of the documents submitted by private respondent Muñoz in connection with the Pre-C of his firm was forged. Forthwith, the University President referred Armario's letter to the PBAC which thereupon invited Armario himself and private respondent Muñoz for their respective comments on the matter. Private respondent Muñoz submitted written explanation in behalf a of *Muñoz Construction*, therein stating that Armario is still his employee. Armario, on the other hand, simply verbally informed the PBAC that his letter was merely for the committee's information.

Evidently finding nothing wrong with the bid of *Muñoz Construction* and given Armario's refusal to file a formal complaint against *Muñoz Construction*, the PBAC reiterated its recommendation for the contract award to that firm.

On April 2, 1997, the PBAC received an undated letter from Mr. Rodolfo L. Madrid, Jr., calling attention to Armario's aforementioned letter and suggesting that the contract be not awarded to *Muñoz Construction*. In its April 8, 1997 special meeting, the committee invited Madrid, COA representatives and the other bidders for their opinion on the matter. Madrid did not appear, prompting the committee to reiterate its earlier recommendation for the award of the contract to *Muñoz Construction*, but requiring the latter to submit a replacement project engineer.

Following the issuance of a *Notice of Award* in favor of *Muñoz Construction,* private respondent Ludolfo P. Muñoz, Jr., on April 23, 1997, submitted for his firm the name and bio-data of the replacement engineer.

On May 15, 1997, the contract for the construction of the University's ESEP building was executed by and between the University, thru its President, and private respondent Ludolfo P. Muñoz, Jr. for and in behalf of his firm. The following day, a *Notice to Proceed* was issued in favor of *Muñoz Construction*.

Such was the state of things when, on May 23, 1997, petitioner AACA, thru its secretary Rodolfo Madrid, Jr., filed with the Office of the Deputy Ombudsman for Luzon its complaint [4] against the Bicol University President, Lylia Corporal-Sena, the chairman and members of the University's PBAC, the PBAC itself and private respondent Ludolfo P. Muñoz, Jr. Docketed as OMB-1-97-0924, the complaint charges respondents with violation of Sections 3(e) and (j) and 4(b) of Rep. Act No. 3019, it being substantially alleged therein that said respondents, through evident bad faith and manifest partiality and in conspiracy with one another, awarded the subject contract to *Muñoz Construction* despite the existence, already made known to them, of a patent anomaly in its pre-qualification bid, namely, the forged signature of Engr. Armario in one of the pre-qualification documents submitted by the firm in connection with its Pre-C. The complaint further alleged that, in awarding the contract in question to Muñoz Construction, respondents not only granted unwarranted benefit to private respondent Ludolfo P. Muñoz, Jr. but also caused undue injury to the government.

After the impleaded respondents had filed their respective counter-affidavits, to which petitioner interposed a reply, the respondent Ombudsman issued the herein assailed **Resolution** dated **November 17**, 1997, dismissing petitioner's complaint for insufficiency of evidence, explaining that the *Pre-C* requirement of actual employment or contract to employ a qualified project engineer under P.D. No. 1594 is merely permissive, and, therefore, the absence thereof did not invalidate the pre-qualification bid tendered by *Muñoz Construction*, nor did it furnish cause to charge

respondents of evident bad faith and manifest partiality in awarding the contract to said firm. Partly says the respondent Ombudsman in his assailed Resolution:

An analysis of the records of the case indicate that the PBAC of the Bicol University followed the required procedures of bidding. Thus, their (sic) decision to recommend the award of the project to LP Muñoz is based on their study and deliberation *viz-a-viz* the provisions of the Pre-C requirements based on P.D. No. 1594.

The allegation of forgery of the signature of Engr. Almario is not material to the instant case because the Pre-C requirement of actual employment or contract to employ a qualified project engineer is simply permissive. The lack of it will not invalidate the bid of the bidder. As stated by the agency/office concerned, the most important and basic considerations are the financial and technical capability of the contractor and its commitment to finish and complete the project in accordance with the specifications of the government. Moreover, considering that LP Muñoz was the lowest complying bidder, the PBAC of Bicol University decided to recommend the latter as the winning bidder.

The elements therefore of Sec. 3(e) of RA 3019 will not apply to the instant case. There was no injury to the government because the award was given to the lowest bidder. Likewise, no private party was given any unwarranted benefit, preference nor advantage.

Respondents could not be held liable for having knowingly approved or granted any license, permit, privilege or benefit in favor of any person not qualified for or not legally entitled to such license, permit, privilege or benefit. [5]

With its motion for reconsideration having been denied by the Ombudsman in his equally challenged **Order dated February 11, 1998**, ^[6] petitioner is now with us *via* the present recourse, raising, for our consideration, the following issues:

1. Whether the Ombudsman acted without or in excess of jurisdiction, or with grave abuse of discretion amounting to lack of jurisdiction, in holding that the requirement of a resident project engineer is merely permissive;

- 2. Whether the Ombudsman treated the preliminary investigation as a trial; and
- 3. Whether the Ombudsman acted without or in excess of jurisdiction, or with grave abuse of discretion amounting to lack of jurisdiction, in holding that no probable cause exists to indict respondents for violation of Sections 3(e), 3(j) and 4(b) of R.A. 3019.

We **DISMISS**.

It is petitioner's initial posture that the pre-qualification requirement of employing a qualified resident project engineer under P.D. No. 1594 is mandatory, not merely permissive as ruled by the respondent Ombudsman. To petitioner, the Ombudsman erroneously relied on Section 1B4-4C of the Implementing Rules and Regulations (IRR) of P.D. No. 1594 in dismissing its complaint. The provision reads:

The following papers shall, among others, comprise Pre-C. Each office/agency/corporation **shall have the discretion** to specify whether any of the documentation listed below shall form part of the Pre-C:

XXX XXX XXX

c) Actual employment or contract to employ duly qualified project manager and project engineer who have managed or supervised at least a project of similar nature as to type and costs. (Emphasis supplied)

In faulting the Ombudsman for ruling as merely permissive the resident-project-engineer requirement on the basis of the abovequoted provision of the IRR, petitioner points out that the provision thus relied upon by the Ombudsman had long been repealed by Section 1B4-5-C of the 1995 IRR of P.D. No. 1594, which recites:

5. The following papers **shall**, among others, comprise Pre-C:

c. List of key personnel employed or to be employed in the project with complete qualification and experience data sheet. (Emphasis supplied)

In stressing the mandatory, not merely permissive, nature of the resident-project-engineer requirement, petitioner made much of the word "shall" in the aforequoted provision and the fact that the phrase "shall have the discretion" found in the former Section 1B4-4C, *supra*, no longer appears in the repealing provision of Section 1B4-5-C.

Petitioner's submission does not persuade.

There is nothing in Section 1B4-5-C that deprives the contracting agency concerned of its discretion to specify whether any of the documentation listed under the former rule (Section 1B4-4C) shall form part of the *Pre-C*. As it were, Section 1B4-5-C (the new provision) merely classifies the "list of key personnel employed or to be employed in the project with complete qualification and experience data sheet," as among the papers to comprise the Pre-C. And even assuming that a project engineer is one of the key personnel in the construction project, Section 1B4-5-C itself allows the employment of key personnel even after the bidding. This is as should be as the provision adverted to speaks of "list of key personnel employed or to be employed in the project. In short, both the former and new provisions of the IRR of P.D. No. 1594 do not indispensably require actual employment of a project engineer at the time of submission of the *Pre-C*. The old provision (Section 1B4-4C) spoke of "actual employment or contract to employ," while the 1995 version (Section 1B4-5-C) uses the clause "list of key personnel employed or to be employed" in the project. Doubtless, both versions allow post bidding employment of a project engineer. We thus sustain as correct the ruling of the Ombudsman on the permissive nature of the pre-qualification requirement relative to the employment of a project engineer.

Petitioner insists, however, that the mandatory nature of the requirement of actual hiring of a project engineer at the time of prequalification is made clearer in Section 2 of P.D. No. 1594 which reads:

Section 2. Detailed Engineering. No bidding and/or award of contract for a construction project shall be made unless the detailed engineering investigations, surveys, and designs for the project have been sufficiently carried out in accordance with the standards and specifications to be established under the rules and regulations to be promulgated pursuant to Section 12 of this Decree so as to minimize quantity and cost overruns and underruns, change orders and extra work orders, and unless the detailed engineering documents have been approved by the Minister of Public Works, Transportation and Communications, the Minister of Public Highways, or the Minister of Energy, as the case may be.

Petitioner would interpret the provision as mandating the prospective contractor-bidder to conduct detailed engineering work on a project. *Ergo*, so petitioner concludes, the actual hiring of a resident project engineer at the time of bidding is mandatory, the engineer hired being tasked to handle the technical and engineering aspects of the construction.

Again, petitioner is wrong.

As may be noted, the above-quoted provision of Section 2 of P.D. No. 1594 requires that a detailed engineering be carried out before any bidding or contract award for a construction project. Obviously, this requirement is addressed to the agency concerned, not to a bidder. It is from this detailed engineering that the concerned agency can get an estimate of the project, which it will use as basis in the evaluation of the bids. A bidder has no participation in carrying out the detailed engineering of a project. This is clear from Title 1, paragraph 4(g) of the IRR of P.D. No. 1594, to wit:

g. Agency Estimate – The Agency Estimate of construction cost shall be *prepared by official(s) duly designated by the Head of office/agency/corporation concerned* or by his duly authorized representative. It shall be approved by the Head of the office/agency/corporation or his duly designated representative.

The approved agency estimate (AAE) shall be finalized on the day of the bidding after all bids have been received and shall be held confidential and signed, sealed and ready for presentation on the day of the opening of the bids/tenders. (Emphasis supplied)

Designating a bidder to carry out the detailed engineering of a project would doubtless be greatly prejudicial to other bidders. With this scenario, such a bidder will know in advance the agency estimate of the project and be able to offer the lowest bid.

In any event, assuming, *in gratia argumenti*, that the employment of a resident engineer is required to be stated in the submission of bidding documents, *Muñoz Construction* may be considered as having substantially complied with such requirement. Record shows that the firm submitted the name of the replacement of Armario after the latter severed ties with his employer. Besides, under the IRR of P.D. No. 1594, the government is given the discretion to waive minor deviations from the requirements. We quote the pertinent provisions of the IRR:

A bid which does not comply with the conditions or requirements of the bid documents shall be rejected by the PBAC (or the Bid and Award Committee as the case may be) giving the reason or reasons for its rejection. The government, however, in the evaluation of bids received, reserves the right to waive the consideration of minor deviations in the bids received which do not affect the substance and validity of the bids. [7]

XXX XXX XXX

The government, however, reserves the right to reject any or all bids; to declare a failure of bidding if there is, among others, reason to suspect evident collusion among contractors resulting in no competition; to waive any required formality in the bids received; and to

disregard any bid which is obviously unbalanced, x x x. [8] (Emphasis supplied)

In the case at bench, the University's PBAC found the perceived infraction ascribed to *Muñoz Construction* too minor to warrant rejection of its bid. The Court loathes to interfere with PBAC's estimation on a matter within its competence, if not sound prerogative.

The discretion to accept or reject a bid and award contracts is vested in the government agencies entrusted with that function. The discretion given to authorities to accept or reject a bid is of such wide latitude that courts will not interfere, unless it is apparent that it is exercised arbitrarily, or, in the language of *Bureau Veritas vs. Office of the President* used as a shield to a fraudulent award. The exercise of that discretion is a policy decision that necessitates prior inquiry, investigation, comparison, evaluation, and deliberation. This task can best be discharged by the concerned government agencies, not by the courts. The role of the courts is to ascertain whether a branch or instrumentality of the government has transgressed its constitutional boundaries. Courts will not interfere with executive or legislative discretion exercised within those boundaries. Otherwise, they stray into the realm of policy decision-making. [10]

Here, the PBAC contextually acted well within its bounds of discretion. Hence, no grave abuse of discretion may be imputed against respondent Ombudsman in dismissing petitioner's complaint.

This brings us to the second issue herein raised. Petitioner contends that the Ombudsman had treated the preliminary investigation as a trial when his duty is limited to the determination of probable cause.

There is no dispute that the function of a preliminary investigation is to determine the existence of probable cause. It must be stressed, however, that as early as in the cases of $U.S. \ v. \ Grant^{[11]}$ and $Haashim \ v. \ Boncan,^{[12]}$ the Court has ruled that the

ultimate purpose of a preliminary investigation is "to secure the innocent against hasty, malicious, and oppressive prosecutions, and to protect him from open and public accusation of crime, from the trouble, expenses and anxiety of a public trial, and also to protect the State from useless and expensive prosecutions." [13]

In its petition, petitioner states:

In ruling that the complaint should be dismissed for "insufficiency of evidence" the Honorable Ombudsman earnestly treated the preliminary investigation as a trial xxx. [14]

A dismissal based on "insufficiency of evidence" is not tantamount to conducting the preliminary investigation as a trial. Petitioner points out that it is the purpose of a preliminary investigation to determine whether there is probable cause, as *Pilapil vs. Sandiganbayan* defined the term "probable cause":

xxx the existence of such facts and circumstances as would excite the belief, in a reasonable mind, acting on the facts within the knowledge of the prosecutor, that the person charged was guilty of the crime for which he was prosecuted.

It is to be stressed that it is only through evidence that a prosecutor, or the Ombudsman in this case, can determine the existence of such facts and circumstances constituting probable cause. Dismissing a complaint based on "insufficiency of evidence" simply means a want of evidence to warrant a finding of probable cause. Nowhere does the Ombudsman state in his assailed resolution that his dismissal of petitioner's complaint was based on insufficiency of evidence to sustain a conviction. Only in the latter instance could the Ombudsman be possibly accused of treating the preliminary investigation as a trial.

Petitioner has made much of *Olivarez vs. Sandiganbayan* to bolster its arguments. However, petitioner's reliance on said case

is misplaced, the factual milieu thereof being entirely different from the one at hand. In *Olivarez*, what was assailed was the Ombudsman's decision to reverse a recommendation to dismiss a case. There, the Court actually upheld the decision of the Ombudsman. In fact, *Olivarez* argues evenagainst the petitioner's cause as we further stated in that case that courts should not interfere in the exercise by the Office of the Ombudsman of investigatory and prosecutory powers granted it by the Constitution, thus:

The Ombudsman's conformity thereto is but an exercise of his powers based upon constitutional mandate and the courts should not interfere in such exercise. The rule is based not only upon respect for the investigatory and prosecutory powers granted by the Constitution to the Office of the Ombudsman but upon practicality as well. Otherwise, the functions of the courts will be grievously hampered by innumerable petitions assailing the dismissal of investigatory proceedings conducted by the Office of the Ombudsman with regard to complaints filed before it, in much the same way that the courts would be extremely swamped if they could be compelled to review the exercise of discretion on the part of fiscals or prosecuting attorneys each time they decide to file an information in court or dismiss a complaint by a private complainant. [18]

Indeed, the Court has almost always adopted, quite aptly, a policy of non-interference in the exercise of the Ombudsman's constitutional mandated powers. The Ombudsman even has the power to dismiss a complaint outright without going through a preliminary investigation. To insulate the Office of the Ombudsman from outside pressure and improper influence, the Constitution as well as Rep. Act No. 6770^[20] saw fit to endow that office with a wide latitude of investigatory and prosecutory powers, virtually free from legislative, executive or judicial intervention. If the Ombudsman, using professional judgment, finds the case dismissible, the Court shall respect such findings unless they are tainted with grave abuse of discretion. The Ombudsman has discretion to determine whether a criminal case, given its facts and circumstances, should be filed or not. This is basically his call. [21]

The last issue raised by the petitioner relative to the negative finding of the Ombudsman as to the non-existence of probable cause against respondent University officials unquestionably relates to an exercise judgment, not of jurisdiction. of Ιt cannot overemphasized that in certiorari proceedings under Rule 65 of the Rules of Court, the inquiry is limited essentially on whether or not the public respondent acted without or in excess of its jurisdiction or with grave abuse of discretion. [22] Grave abuse of discretion presupposes that the respondent acts in a capricious, whimsical, arbitrary or despotic manner in the exercise of his judgment as to be said to be equivalent to lack of jurisdiction. [23] The grave abuse of discretion angle is completely absent in the present case.

Just like the extraordinary writ of certiorari, a writ of mandamus is unavailing to petitioner. For, basic is the rule that mandamus is employed to compel the performance, when refused, of a ministerial, as opposed to a discretionary, duty. When a decision has been reached in a matter involving discretion, mandamus may not be availed of to review or correct such decision, erroneous though it may be. True, mandamus is likewise available to compel action, when refused, in matters involving judgment and discretion, but *not* to direct the exercise of judgment or discretion in the particular way urged by the petitioner. In the performance of an official duty involving discretion, the corresponding official can only be directed by mandamus to act, but not to act one way or the other, except where there is gross abuse of discretion, manifest injustice, or palpable excess of authority. [25]

Petitioner's allegation that the act of respondent University officials of awarding the contract in question to *Muñoz Construction*notwithstanding the alleged flaw in its bid gave unwarranted benefits to a private party and caused undue damage to the government cannot be given cogency.

As respondents correctly assert in their Comment, [26] even assuming that the employment of a resident project engineer is required to be stated in the submission of bidding documents, *Muñoz Construction* may still be considered to have substantially complied with such requirement since a project engineer had been named to replace its former project engineer.

Needless to stress, respondents did not grant any benefit in favor of any person not qualified therefor or not legally entitled thereto. Nor was there any injury to the government. *Muñoz Construction* had presented the lowest complying and responsive bid. Accordingly, the award to it of the construction contract in question is most advantageous to the government. For sure, such was the proper course of action under the circumstances obtaining in this case.

WHEREFORE, the instant petition is **DISMISSED**.

Costs against petitioner.

SO ORDERED.

CANCIO C. GARCIA
Associate Justice

WE CONCUR:

REYNATO S. PUNO Associate Justice

Chairperson

ANGELINA SANDOVAL-GUTIERREZ RENATO C. CORONA

Associate Justice

Associate Justice

ADOLFO S. AZCUNA

Associate Justice

ATTESTATION

I attest that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

REYNATO S. PUNO

Associate Justice Chairperson, Second Division

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairman's Attestation, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

ARTEMIO V. PANGANIBAN

Chief Justice

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[1]
          Annex "K," Petition; Rollo, pp. 86-92.
[2]
          Annex "M," Petition; Rollo, pp. 105-106.
[3]
         Prescribing Policies, Guidelines, Rules and Regulations for Government
Infrastructure
                       Contracts; Repealed by Rep. Act No. 9184 or the Government Procurement
Reform Act.
          Annex "F," Petition; Rollo, p. 44.
[5]
          See Note #1, supra.
[6]
          Annex "M," Petition; Rollo, pp. 105-106.
[7]
          Sec. IB 10.3.1.
[8]
           Section IB 10.4. 1-4.
[9]
         205 SCRA 705 (1992).
[10]
          National Power Corp. vs. Philipp Brothers Oceanic, Inc., 369 SCRA 629 (2001); Hutchison
        Ports Philippines Ltd vs. Subic Bay Metropolitan Authority, 339 SCRA 434 (2000).
[11]
          18 Phil. 122 (1910).
[12]
          71 Phil. 216 (1941).
[13]
          People vs. Baluran, 32 SCRA 71, 83 (1970).
[14]
          Rollo, p. 19; Petition, p. 17.
[15]
          221 SCRA 349, 360 (1993).
[16]
          248 SCRA 700-712 (1995).
[17]
          Rollo, pp. 18-19; Petition, pp. 16-17.
[18]
          See item # 16, supra, at p. 709.
[19]
          Nava vs. Commission on Audit, 307 SCRA 263 (2001); Esquivel vs. Ombudsman, 389 SCRA
        143 (2002).
[20]
         The Ombudsman Act of 1989.
[21]
          Presidential Ad Hoc Fact-Finding Committee on Behest Loans vs. Desierto, 362 SCRA 730
        (2001).
[22]
          Buñag vs. Court of Appeals, 303 SCRA 591 (1999).
[23]
          Nepomuceno vs. Court of Appeals, 303 SCRA 679 (1999).
[24]
          Esquivel vs. Ombudsman, 389 SCRA 143 (2002).
[25]
          Angchangco, Jr. vs. Ombudsman, 268 SCRA 301 (1997).
[26]
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Rollo, pp. 246-247.