

**MEMORANDUM ORDER**
 No. 12  
Series of 2024

**SUBJECT: GUIDELINES IN RESPONDING TO COMMISSION ON AUDIT (COA) OBSERVATION MEMORANDUM, NOTICE OF SUSPENSION/NOTICE OF DISALLOWANCE/NOTICE OF CHARGE, AND SETTLEMENT OF ACCOUNTS**

In order to ensure effective and expedient response to Audit Observation Memorandum (AOM), Notice of Suspension (NS)/Notice of Disallowance (ND)/Notice of Charge (NC), and the prompt Settlement of Accounts with the Commission on Audit (COA), the following guidelines are hereby adopted from Commission on Audit (COA) Circular No.2009-006 "Prescribing the use of the Rules and Regulations on Settlement of Accounts" are adopted for the information and strict compliance of concerned Bureau of Animal Industry offices and employees:

**SECTION 1. DEFINITION OF TERMS:**

1. **AUDIT OBSERVATION MEMORANDUM (AOM)** – a written notification to the agency head and concerned officer/s informing of deficiencies noted in the audit of accounts, operations, or transactions and requiring comments thereto and/or submission of documentary and other information requirements within a reasonable period. AOM refers to observations relating to financial/operational deficiencies such as accounting, internal control or property management which do not involve pecuniary loss.
2. **CHARGE** - an inclusion or addition to an accountability pertaining to the assessment, appraisal or collection of revenues, receipts, and other income such as that arising from under-appraisal, under-assessment or under-collection. As distinguished from "disallowance" which refers to the audit of expenditure, the term "charge" is generally used in connection with the audit of revenues/receipts.
3. **DISALLOWANCE** – the disapproval in audit of transaction, either in whole or in part. The term applies to the audit of disbursements as distinguished from "charge" which applies to the audit of revenue/receipts.
4. **PERSONS LIABLE** – the persons determined to be answerable for an audit disallowance, charge or decision as provided in these Rules
5. **PERSONS RESPONSIBLE** – the persons determined to be answerable for compliance with the audit requirements as called for in the Notice of Suspensions
6. **SETTLEMENT** - refers to the payment/restitution or other act of extinguishing an obligation as provided by law in satisfaction of the liability under an ND/NC, or in compliance with the requirements of an NS, as defined in the Rules
7. **SETTELEMENT OF ACCOUNTS**- refers to the process of determining the status or balance of the account an accountable officer after audit and examination
8. **STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)** - a written summary of the total balance of the audited accounts of the agency at the end of

each quarter. It shows the total issued suspensions, disallowances, charges and settlements for the quarter and the running balance of the suspensions, disallowances and charges as of the quarter ended

9. **SUSPENSION** - a temporary disallowance; refers to transactions or accounts which appear illegal/improper/irregular unless satisfactorily explained or justified by the responsible officers or until the requirements on matters raised in the course of audit are submitted or complied with.

## SECTION 2. RESPONSIBILITY OF THE AGENCY

1. The Director shall ensure that:
  - a. The required financial, reports and statements are submitted by the concerned officer/s in such form and within the prescribed period;
  - b. The settlement of disallowances and charges is made within the prescribed period;
  - c. The requirements of transactions suspended in audit are complied with; and
  - d. Appropriate actions are taken on the deficiencies noted as contained in the AOM.
2. The Supervising Admin Officer (SAO) shall monitor compliance of the concerned officer/s to the AOM/NS/ND/NC within the prescribed period from receipt of the letter and compile records. SAO shall maintain a record of the date of actual or constructive service of notices for purposes of determining the running ninety (90) days maturity period of NS and the six (6) months period to settle ND and NC.

TYPE OF COA DOCUMENT	PRESCRIBED RESPONSE/SETTLEMENT PERIOD	ACTION OF RESPONSIBLE OFFICER	CONSEQUENCE FOR FAILURE TO RESPOND/SETTLE
<b>AUDIT OBSERVATION MEMORANDUM (AOM)</b>	within fifteen (15) days from date of receipt	submit a reply to copy furnished Office of the Director (OD), Assistant Director (AD) and Supervising Admin Officer (SAO)	the AOM on financial/operational deficiencies shall be deemed accepted and included in the Management Letter or Audit Report of the COA. In case of failure to submit the required documents or information needed to reach an audit decision, the Auditor may issue an NS/ND/NC.
<b>NOTICE OF SUSPENSION (NS)</b>	within ninety (90) calendar days from date of receipt	Settle through compliance with the requirements, or	the transaction covered shall be disallowed/charged



<b>NOTICE OF DISALLOWANCE (ND)</b>	Within six (6) months from date of receipt	payment/restitution or by any of the modes of	
<b>NOTICE OF CHARGE (NC)</b>	Within six (6) months from date of receipt	extinguishment of obligation provided by law	

3. The head of the Agency shall initiate the necessary administrative and/or criminal action in case of unjustified failure/refusal to effect compliance with the foregoing requirements by subordinate officials. Gross negligence in disciplining subordinates who are the subject of repeated adverse audit shall subject the officials concerned to disciplinary action by the proper authorities as the evidence may warrant. He shall enforce the COA Order of Execution (COE) by requiring the withholding of salaries or other compensation due the person liable in satisfaction of the disallowance or charge. He shall ensure that all employees who are retiring or transferring to other agencies shall first settle the disallowances and charges for which they are liable.

**This Memorandum shall take effect immediately.**

Done this 24<sup>th</sup> of June 2024.



**HYACINTH G. NAPILOY, DVM, MPS-PA**  
Officer-in-Charge, Director

