

**Contract and Purchase Order
Administration and Management**

1. EXPEDITING THE PURCHASE

- A. The Requisition should be completed to show the required delivery date for the goods or services requested. An unrealistic and unattainable date in relation to the date of the Requisition and procedural requirements will raise issues and should be avoided.
- B. The Purchase Order issued will show the anticipated delivery date based upon the vendor's commitment given in the Invitation for Bids (IFB), Request for Proposal (RFP) and/or quotation.
- C. Upon request the appropriate Contracting Officer in the Purchasing Division will provide assistance in expediting any Purchase Order. The following information is required for expediting a purchase:
 - 1. Requisition number and date or Purchase Order number and date.
 - 2. Vendor's name.
 - 3. Date delivery is needed and the reason for expediting the delivery.
- D. Departments may contact vendors for routine matters such as shipping on all Purchase Orders, however no changes in quantities or pricing is to be made without an authorized Change Order from the Purchasing Division.

2. GUARANTEE OR WARRANTIES

- A. Most equipment items and many other commodities will be guaranteed or warranted by the vendor or manufacturer under certain specified conditions.
- B. Departments are to record all pertinent information relating to such guarantees or warranties including make, model, serial number and conditions of the guarantee or warranty.
- C. If and when a purchased item does not perform in accordance with the guarantee or warranty (explicit or implied), provide the Purchasing Division with full details so action may be taken for possible recovery under provisions of the guarantee or warranty.

3. FREIGHT AND EXPRESS CHARGES

- A. It is the basic policy of the University to purchase goods "FOB Destination, Freight Prepaid and Allowed". This means the vendor pays the freight charges for shipping the goods to the ordering department (in essence the cost of shipping is included in the price of the merchandise purchased) and

the vendor retains title to the merchandise until it is delivered by the carrier. This will require any claim for loss or damage incurring during delivery to be between the vendor and the carrier. Delivery "FOB Destination, Freight Prepaid and Allowed" is the preferred shipping term and shall be required on all formal IFB's, RFP's and/or quotations issued.

B. Shipping Terms

1. "F.O.B. Destination" - The University of Kentucky does not take title to the goods until delivered at the University destination. Damages and the processing of claims for such damages shall be the responsibility of the shipper or contractor. The payment of freight charges will be the responsibility of the shipper or contractor, unless otherwise specified on the Purchase Order.
2. "F.O.B. Shipping Point or Factory" - The University of Kentucky takes title to the goods upon shipment (while in transit) and assumes all responsibility for damages and the processing of claims. The payment of freight charges will be the responsibility of the university, unless otherwise specified on the Purchase Order. Even if shipping terms are "F. O. B. Shipping", the contract should still require the vendor or contractor to prepay the freight charges and add them to the invoice.

C. Damage to a shipment should be noted on the freight bill and the notation signed by the truck driver. See "Damaged Shipments" below.

D. For outgoing shipments, other than Parcel Post, for which transportation charges are to be pre-paid, the shipping company should invoice the department making the shipment and payment shall be made via the Procurement Card.

4. DAMAGED SHIPMENTS

The proper and thorough inspection of shipments and shipping containers for damage prior to signing the delivery or freight bill documents are very important in the successful recovery of damages for merchandise damaged in shipment. Cartons and shipping containers with visible damages should be so noted on all copies of freight bills and signed by the person making delivery. It is equally important that shipments be promptly opened and inspected for concealed damages. Claims for concealed damages will not be honored if not promptly reported and a claim filed with the carrier. The following list provides direction for appropriate steps to be completed by the person receiving goods delivered by any carrier:

A. Visible Damage

Visible damage should be called to the attention of the delivery agent and a notation of such damage made on all copies of the freight bill and signed by the person making the delivery. The Contracting Officer assigned should be

notified of the damage so a damage claim can be filed with the carrier.

B. Concealed Damage

All shipments should be promptly opened and inspected. If this inspection reveals concealed damage, shortage or other unsatisfactory conditions, all cartons, boxes, wrapping materials and related packing are to be retained for inspection. The Contracting Officer assigned should be notified of the damage so a damage claim can be filed with the carrier.

C. Notification

The Purchasing Division is to be immediately notified in writing of any damage to a shipment, whether immediately visible or concealed, so proper action may be taken to file a claim or to seek other adjustment.

5. CREDIT MEMORANDA

- A. A credit memorandum issued by a vendor usually represents an adjustment to an invoice already presented to reduce the amount owed on the invoice. If the invoice obligation has been paid prior to the receipt of the credit memorandum it represents a monetary obligation of the vendor issuing the credit memorandum to the university for the amount of the credit. Credit memoranda usually result from the return of merchandise purchased, shortage in shipment, or as a reduction or adjustment in price, and should relate to a specific Purchase Order, purchase contract or agreement.
- B. A credit memorandum may not be used by a department to change any Purchase Order or purchase contract without prior written approval of the Purchasing Division.
- C. All credit memorandum received by a department should immediately be forwarded to the Accounts Payable Department. Indicate on the credit memorandum the Purchase Order number (or voucher number if no Purchase Order is involved), the department's name and the cost center against which the original charge was made.
- D. Upon receipt of a credit memorandum the Accounts Payable Department will proceed as follows:
 - 1. If payment has not been made against the specific Purchase Order for which the credit memorandum was issued, the credit memorandum will be applied against the amount owed on the Purchase Order.
 - 2. If payment has been made against the specific Purchase Order for which the credit memorandum has been issued, the Accounts Payable Department will apply the credit amount to future payments made to that vendor.
 - 3. If the credit memorandum cannot be related to a specific Purchase Order or purchase contract, or to a voucher number when no Purchase Order was issued, the department will be requested to

provide additional information.

4. If the credit memorandum cannot be identified following step number 3 above, or if no department can be identified, the vendor will be requested to provide additional information.
5. If a department received a check instead of a credit memorandum, the check should be forwarded to the Accounts Payable Department with the necessary identifying information. The check will be credited as a reduction of expense to the same cost center to which the original charge was made.

6. VENDOR PERFORMANCE DOCUMENTATION

- A. Departmental cooperation in reporting any deficiency in quality, service, or the delivery of product or service is essential to insure the university receives the best products and services at the lowest possible cost. Unsatisfactory performance by any vendor or contract holder should be reported directly to the Purchasing Division. Written performance reports should be made promptly any time the performance, product or service does not meet the requirements of the Purchase Order or contract issued. Should the circumstances merit such action, phone reports of unsatisfactory vendor performance may be made directly to the responsible Contracting Officer in the Purchasing Division.
- B. If a vendor or contractor fails to comply with the terms of the Purchase Order or Price Contract, a Vendor Contract Performance Evaluation Report should be completed and sent to the Purchasing Division. The Purchasing Division will investigate all reports submitted. This complaint will become a part of the permanent record of the vendor's performance. Continued unsatisfactory performance by a vendor or contractor may result in disciplinary actions against the vendor.
- C. Departmental cooperation in reporting vendor/contractor deficiencies in quality, service, or delivery is essential. The "Vendor Contract Performance Evaluation Report" is located on the University web site at, <http://www.uky.edu/eForms/forms/venperformance.pdf>. The completion and submission of this report is the only means by the Purchasing Division can maintain a record to establish and substantiate continuous unsatisfactory performances by vendors and contract holders.