

Purchase Order - Credit Memos**Purchase Order - Credit Memos****I. Purpose**

The purpose of this section is to provide guidance on credit memos as they apply to purchase orders.

II. Responsibilities

- A. Procurement Services - Supports the credit memo process between the vendor and the unit to reach a mutual resolution.
- B. Accounts Payable Services - Enters credit memos against the appropriate PO's. Credit memos for Ariba Network vendors are to be processed electronically through the Ariba Network by the vendor.
- C. UK HealthCare Accounting - Enters credit memos against the appropriate PO's. Credit memos delivered digitally are handled through the appropriate healthcare invoicing systems.
- D. Department/Unit - Requests a credit memo from vendor when applicable (e.g., damaged goods, returned goods, etc.).

III. Policy

This policy outlines the management and processing of credit memos.

IV. Procedures**A. Credit Memo**

- 1. A credit memo 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 memo, it represents a monetary obligation of the vendor issuing the credit memo to the University for the amount of the credit. Credit memos usually result from the return of merchandise purchased, shortage in shipment, or as a reduction or adjustment in price, and must relate to a specific Purchase Order, purchase contract or agreement.
- 2. A credit memo may not be used by a department to change any Purchase Order or purchase contract without prior written approval of Procurement Services.
- 3. All credit memos received by a department must immediately be forwarded to Accounts Payable Services. Indicate on the credit memo the Purchase Order number and PO Line item for posting.
- 4. Upon receipt of a credit memo, Accounts Payable Services will proceed as follows:
 - a. The credit memo will be applied against the appropriate Purchase Order.
 - b. If the credit memo cannot be related to a specific Purchase Order or purchase contract, the unit will be requested to provide additional information.
 - c. If a unit receives a check instead of a credit memo, a copy of the check transmittal must be forwarded to Accounts Payable Services with the necessary identifying PO information so Accounts Payable Services can ensure the vendor did not also submit a credit memo.