

Purchase Order Freight, Damages, Credit Memos and Vendor Performance

I. Procedures

A. Freight and express charges

1. All goods purchased must be "FOB Destination, Freight Prepaid and Allowed." The vendor pays the freight charges and retains title to the merchandise until it is delivered to the University.
2. 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 should be made via the Procurement Card.

B. Damaged shipments

1. Visible damage
Visible damage must 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 must be notified of the damage so a damage claim can be filed with the carrier.
2. Concealed Damage
All shipments must 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 must be notified of the damage so a damage claim can be filed with the carrier.
3. 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.

C. Credit memoranda

1. 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.
2. 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.
3. 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.

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4. Upon receipt of a credit memorandum the Accounts Payable Department will proceed as follows:
 - a. 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.
 - b. 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.
 - c. 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.
 - d. 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.
 - e. 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.

- D. Guarantee or warranties
 1. Most equipment items and many other commodities will be guaranteed or warranted by the vendor or manufacturer under certain specified conditions.
 2. 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.
 3. 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.

- E. Vendor performance documentation
 1. 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 must be reported directly to the Purchasing Division. Written performance reports must 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.
 2. 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

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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.

3. Departmental cooperation in reporting vendor/contractor deficiencies in quality, service, or delivery is essential. The "[Vendor Contract Performance Evaluation Report](https://www.uky.edu/hr/sites/www.uky.edu.hr/files/eForms/venperformance.pdf)" is located on the University web site at, <https://www.uky.edu/hr/sites/www.uky.edu.hr/files/eForms/venperformance.pdf>. The completion and submission of this report is the only means by which the Purchasing Division can maintain a record to establish and substantiate continuous unsatisfactory performances by vendors and contract holders.