### 4.0 Receiving Process

Delivery of requested products or services marks a transition in the Purchase-to-Pay process from a purchasing activity to a payables activity. All purchases must be “received” to release payment to the supplier. The “receiving” department must determine if the products or services received are acceptable and conform to the terms and conditions of the purchase order. The entire receiving process consists of the following:

**Receiving** - The act of taking possession of products in order to stage them for inspection, place them into inventory, or deploy them for immediate use.

**Inspecting** - The act of examining products that have been delivered to determine conformance to the purchase specifications.

**Testing** - The act of testing some, or all products, delivered to determine if the products perform at a satisfactory level. This process normally pertains to purchases of clinical or research products, software, and capital equipment.

**Acceptance** - Acknowledging that the products and/or services conform to the requirements of the purchase order so that the supplier may be paid. Shipments are considered “accepted” if the customer does not notify the supplier or Purchasing Agent of quality or delivery issues in a timely manner. Most shipments are automatically considered accepted and approved for payment unless the department contacts Procurement or Disbursement Services and requests a hold on payment.

### 4.1 Receiving

**Signing For Deliveries**

Whenever possible, the person receiving the product should sign the receiving documents provided by the supplier or shipping company. The person receiving the delivery should preferably inspect the delivery according to section 4.2 below before signing the delivery receipt and should also initial the packing list. Then, submit the packing list to the appropriate person for financial reconciliation.

**Refusing Delivery**

Whenever possible, departments should refuse to accept shipments if they are unable to confirm that the order was placed by their department, or if the packaging appears sufficiently damaged to warrant concern.

**PMM Orders**

Clinical supply items ordered using Pathways Materials Management (PMM) must be received (create a receipt) within PMM upon delivery. This receiving process is required to release payment and maintain accurate inventory counts.

**Record Retention**

During the receiving process, the department takes physical possession and legal ownership of the shipment. Therefore, it is important for the supplier to provide the department with a packing list for all shipments delivered to the department.

If the supplier fails to provide the packing list, the department should contact the supplier to request that copies be sent to the department for its files.

Departments must keep receiving documents on file in accordance with the Office of Financial Affairs Policy 216: Departmental Record Retention Guidelines for Financial Documents. The need for saving receiving documents is particularly important when accepting any partial or staggered deliveries over a period of time.
4.2 Inspecting

Inspecting a Shipment

Persons receiving shipments should, upon acknowledging receipt of an order, conduct an inspection to verify the following minimum conditions:

1. the products conform to the purchase order requirements and other relevant documents (for example: correct model number, description, size, type, color, ratings, etc.)
2. the quantity ordered against the quantity shipped or delivered.
3. there is no damage or breakage.
4. the unit of measurement count is correct (e.g. if the unit of measurement on the purchase order is one dozen, there should be 12 in the package).
5. delivery documentation (packing list, certifications, etc.) is acceptable.
6. perishable items are in good condition and expiration dates have not been exceeded.
7. products are operable or functional.

Matching the Packing List to Purchase Order & Department Invoice Report

During the inspection process, the department should compare the supplier’s packing list to the purchase order and the Departmental Invoice Report (DIR) to determine if there are any discrepancies between the documents. In case of any invoice discrepancies, Disbursement Services should be contacted to place a “hold” on the invoice. Departments may obtain a copy of their purchase order information and the DIR through APPO Report in Business Objects.

At a minimum, the following information should be the same on both the packing list and purchase order:

1. Purchase Order number
2. Item or Manufacturer’s part number
3. Quantity and unit of measure
4. Description of the products

Product Substitutions and Over-Shipments

Suppliers are not allowed to substitute products or deliver more than the amount ordered without prior approval from either the department or the Purchasing Agent. The Purchasing Agent should be notified by the Department whenever this occurs.

Partial Deliveries

Departments should contact the appropriate Purchasing Agent whenever a purchase is received as a partial delivery without acknowledgement or notification from the supplier. This information is typically noted on the packing list.

Failed Inspections

Departments are advised to notify in writing any failed inspection results discovered during inspection and provide the results to the supplier and the Purchasing Agent for appropriate action. When receiving items from freight companies, the number of packages received should match exactly the number on the freight bill. If not, the Department should require the driver to write the number of packages received on the bill before signing. Inspect all packages for damage to the outside container. Any visual damage should also be noted on the freight bill before signing.
In cases of concealed damage, a report should be made by the Department immediately to the delivering carrier. The report should include the following information: Freight Bill Number, Purchase Order number, the date of delivery, supplier, and the extent of damage or shortage. In the event of damage, it is essential that the Department retain all the original shipping cartons for inspection by a claims adjuster.

Interstate Commerce Commission regulations require the university to file damage claims within a specific number of days. Failure to comply could result in the claim being disallowed. Notification upon first discovery is recommended, even if the extent of damage has not yet been determined.

4.3 Testing

Criteria for Testing
Testing may be performed by the Department to ensure that the products substantially conform to the specifications documented in the purchase order, contract, or supplier’s proposal. Acceptance testing is highly recommended for complex, expensive capital equipment prior to approving final payments to the supplier.

An acceptance testing period may occur as a single instance or over a period of time, but should be performed as quickly as possible following the receipt of the product.

For major capital equipment purchases, specific acceptance testing criteria should be developed and incorporated into the contract. Departments must perform the testing according to the criteria established in the agreement for the results to be considered valid and legally enforceable in the event the product is rejected and payments are to be refunded.

Acknowledging Successful Acceptance Testing
Departments must acknowledge acceptance of products by issuing a written notice of successful acceptance to the supplier and providing copies of the acceptance letter to the Purchasing Agent. Email is acceptable for this purpose.

4.4 Acceptance

Determining Acceptance
Departments are required to contact the supplier in a timely manner when rejecting products that are over-shipments, defective or for any other non-conformance. Failure to notify the supplier and/or Purchasing Agent in a timely manner will mean the shipment will be considered “accepted.”

Notifying the Purchasing Agent for Items Placed on Payment Hold
Procurement Services requires all purchase orders over $50,000 for tangible products be placed on payment hold pending written acknowledgement from the department that the products were received and accepted.

Securing Rejected Products in a Secured Area
Departments are responsible for storing rejected products in a secured area until the products are either shipped back to the supplier, or the supplier takes possession of the products and removes them from university property.

Tagging Fixed Assets
Following acceptance of capital items, departments are to ensure that Asset tags are affixed to capital equipment as provided by the university central or medical center equipment management offices in accordance with Vanderbilt University Asset Capitalization Policy And Guidelines for Acquisition, Management, and Disposition.
4.5 Product Returns for Credit/Refund

When a supplier has shipped items as specified on a purchase order, they have legally complied with their part of the contract and are under no obligation to accept returned items for credit or refund. Acceptance of a return by a supplier is not automatic; and if accepted, a restocking fee of 5% - 25% of the original item cost is sometimes charged by the supplier. This charge will have to be paid by the requisitioning department.

When an item is received from a supplier that has been damaged, or is rejected for failing acceptance testing or is not as specified on the purchase order, the department should request a Return Authorization Number from that Supplier. The shipping label on the returned package must be marked with the Return Authorization Number. Other identifying information should be placed on the outside of the returned package for easy identification when received by the supplier. No item should be returned without prior authorization from the supplier. Procurement Services can assist in securing credit or refunds from the supplier.

4.6 Accepting or Rejecting Services

The process for accepting services is in principle the same as the process for tangible products services. Departments are responsible for:

1. Notifying the consultant, contractor, or service technician to begin work
2. Monitoring agreement activities for work progress to ensure services are performed according to the quality, quantity, objectives, timeframes and manner as specified within the purchase order and/or agreement
3. Reviewing progress reports, status reports, and timesheets, as required
4. Monitoring expenditures, ensuring funding availability when agreement extends over multiple years
5. Notifying the Purchasing Agent to request amendments, agreement renewals, or increases in the PO amount
6. Providing an authorized signature verifying all work is complete and accepted by the department prior to the agreement expiration date and before final payment is made.
7. Immediately reporting any performance discrepancies or disputes with the supplier to the appropriate Purchasing Agent.
8. Keeping an accurate, auditable paper trail of financial records and work performed by the consultant, contractor, or service technician.

Departments are not authorized to:

1. Instruct the consultant, contractor, or service technician to start work before the agreement is fully executed and the purchase order issued.
2. Change the scope of the agreement without following the formal purchase document amendment process.
3. Direct the consultant, contractor, or service technician to perform work that is not specifically described in and funded by the agreement.
4. Extend the time period of the agreement without execution of an approved amendment or purchase order revision.
5. Allow the consultant, contractor, or service technician to incur any additional costs over the limit set by the agreement.
6. Sign an agreement unless explicitly authorized by the Vanderbilt Signature Authority Policy.