Chapter 10

Receiving, Inspection, Acceptance Testing and Acceptance or Rejection

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Chapter 10

Receiving, Inspection, Acceptance Testing and Acceptance or Rejection

Overview

Introduction   This chapter describes the processes of receiving, inspecting, accepting and/or rejecting goods regardless of the purchasing type, non-IT or IT goods and services, acquired through the purchasing authority procurement process.

Also included in this chapter is a discussion of asset management and the process of determining whether or not a service deliverable is acceptable.

Contents   This chapter contains the following topics:

Topic 1 – General Process for Taking Possession of Goods Purchased

10.1.0 Receiving process	Each department determines whether or not the goods or services received are acceptable and conform to all of the terms and conditions of the purchase document. The entire receiving process consists of:

Term	Definition	Example
Receiving	The act of taking possession of goods in order to stage them for inspection or place them into inventory.	A worker on the receiving dock who signs for goods provides the acknowledgement that the goods were delivered, not that they were "accepted".
Inspecting	The act of examining goods that have been delivered to determine conformance to what was ordered via the purchase document. In some cases, the acquisition may require specialized skills or expertise in examining the goods to determine conformance.	The U. S. State Department of Agriculture or the California Department of Agriculture inspects fresh produce and provides a certification of inspection to the purchasing institution.
Acceptance Testing	The act of testing what is purchased, either all items delivered, or the first item delivered or by random sampling of some or all items delivered. Testing determines what is purchased is in substantial accord with the contract and suppliers and/or manufacturers published technical specification and performs at a satisfactory level.	A department has purchased a printer. The solicitation document identified a 30-day acceptance-testing period, during which the printer would be required to run error-free from the first day of installation.
Acceptance	The legal act of documenting that the goods and/or services conform to the requirements of the purchase document terms and conditions.	Completing an inspection or performance test, the department provides the supplier a notification letter confirming that the inspection/test has occurred, the equipment passed the inspection/test and the department accepts the product

10.1.2 Eliminate the risk of error	Departments should maintain sufficient separation of duties in order to reduce the risk of error or fraud in their purchasing program. No one person should control all key aspects of an entire transaction or event. Refer to Chapter 1, Purchasing Authority, Topic 4.

Topic 1 – General Process for Taking Possession of Goods Purchased, Continued

10.1.3 Packaging and shipping standards	The DGS/PD General Provisions (GSPD-401 Commodities and GSPD-401IT) describes to suppliers how goods will be packaged and shipped to a State facility. Any special packaging and shipping requirements and/or instructions over and above the standard provisions must be documented in detail within the purchase document.
10.1.4 Shipping multiple containers	Article 12 of both versions of the General Provisions instructs a supplier shipping multiple containers to identify the shipments as follows: • Identify the number of the container and the total number of containers in the shipment; and • Identify the number of the container in which the packing slip has been enclosed.
10.1.5 Timely release of purchasing documents	Buyers must promptly release fully executed and properly approved purchase documents to appropriate personnel involved in post-award activities such as receiving shipments, accepting goods or authorizing payments. These personnel should have a current, complete and accurate purchase document to compare shipments received to what was ordered. Refer to Chapter 10 and Chapter 11 for additional information.
10.1.6 Substitution of goods	Receiving staff must ensure that the goods delivered to the department match in every detail to that described on the purchase document and immediately notify the buyer when the products do not match the purchase document. Product substitutions, over shipments or under shipments must not be accepted without being properly documented. A purchase document amendment must be executed. Refer to Chapter 8 – Purchase Document, Topic 7 for information on processing a purchase document amendment.
10.1.7 Resolving disputes when state pays shipping	DGS/PD Transportation Management Unit (TMU) shall be contacted at (916) 573-2203 if a department encounters disputes with freight carriers or if filing lost, over, short or damaged shipment claims against shipping agents when the state pays for shipping. Refer to SAM section 3861 for additional information.
10.1.8 Follow-up on open orders	Departments' policies and procedures shall provide a means for buyers and receiving staff to follow up on purchases of goods and services ordered and not yet received.

Topic 2 – Receiving Goods, Non-IT and IT

**10.2.0
Questions to
consider
when
receiving
goods**

In accordance with SAM section 3861, receiving staff should always consider the following questions before taking receipt of any shipment:
- Is it for this department?
- Is it damaged?
- Is the piece count correct?

In addition, the following questions should also be considered when receiving goods on behalf of the department:
- Is delivery significantly late, unsatisfactory or incomplete?
- Does the item comply with the specifications and packaging requirements as defined by the contract, General Provisions or any special provisions of the order?
- Does the delivery require further inspection by another more qualified person?
- Have all the terms listed on the purchase document been met?

**10.2.1
Standard
receiving
package**

A standard receiving package should, at a minimum, contain the following documentation and be distributed to both the accounting and purchasing offices for payment and procurement file documentation:
- The invoice or packing slip
- The receiving copy of the purchase document
- A completed Stock Received Report (STD.106)

Note: If the freight terms required the consignee to pay the shipping costs (FOB Origin), the bill of lading/delivery receipt verifying shipping costs must be included as part of the receiving documentation.

**10.2.2
Packing slip**

Packing slips must be included in all shipments received by a department. At a minimum and in accordance with the standard State's General Provisions, the supplier must provide the following information on the packing slip to ensure departmental receiving staff can verify products being acknowledged as received:
- Purchase document number as issued by the department
- Item number
- Quantity and unit of measure
- Product part number
- Description of the goods shipped

Topic 2 – Receiving Goods, Non-IT and IT, Continued

10.2.3 Receiving stock	In accordance with SAM section 8422.20, departmental receiving staff must prepare a Stock Received Report (STD.106) or may use an approved purchase document to record receiving information at the time goods are received, regardless of being designated as non-IT or IT goods. When a copy of the purchase document is used as a stock received report, the person checking the goods will write in the date received, the quantity received, and note any defect in condition. The original stock received report or the purchase document must be forwarded to the accounting office and a copy provided to the buyer to file in the procurement file on the day the goods are received.
	The STD.106 will be stamped or similarly designated as "complete" when the order is completely filled. Completely filled is determined by carefully checking the quantity, description, and condition of the goods.
	Click here to access the STD.106.
10.2.4 STD.106 signature authority	The staff responsible for checking and taking custody of the goods should sign the receiving document either the STD.106 or the approved purchase document. If the STD.106 signatory is not the person who physically checked and took possession of the goods, then whoever does sign the STD.106 must take precautionary measures to assure that the goods were actually received and checked before signing.
10.2.5 Receiving partial deliveries	If a department elects to accept partial deliveries, a photocopy of the approved purchase document may be used as a stock received report. When using the purchase document as a stock received report, the receiving staff checking the goods will write the: • Date received • Quantity received • Note any defect in condition.
	This process is followed for each partial shipment received through completion. The last stock received report for an order must be stamped or designated as "Complete" when the order is completely filled.
	Note: DGS/PD recommends that receiving staff notify the buyer whenever a purchase is received as a partial delivery if the purchase transaction did not state whether or not partial deliveries are acceptable. Partial delivery documentation should be provided to the buyer on a timely basis to allow for any necessary communications between the buyer and the supplier to occur.

Topic 2 – Receiving Goods, Non-IT and IT, Continued

10.2.6 Receiving goods at field locations

Departments allowing goods to be delivered at locations other than a headquarters site shall develop policies and procedures to inform pre-determined field staff of their responsibilities.

Staff assigned receiving duties in outlying locations will be responsible for preparing/compiling and providing documentation of the following:
- Shipper's bill of lading and delivery receipt is correct.
- Unit count noted on the bill of lading/shipping receipt matches the units actually delivered.
- When damage is evident, determine if the supplier or the carrier caused it.
- Document the following information and route to the headquarters contact person:
  - Contact name and phone number of person receiving goods.
  - Purchase Order number.
  - Documentation of what was actually delivered, verified to the purchase document, with clear notation and explanation of any discrepancies or partial shipments.
  - Signature of receiving employee.
  - Perform a timely inspection of received goods and report any issues according to departmental policies and procedures directly to the purchasing authority staff.

Note: Buyers are advised to provide receiving staff in field locations with purchase documents in a timely manner and review any special instructions directed by department policies and procedures to assist in accurately and efficiently receiving goods.

10.2.7 Need for complete receiving documentation

The receiving package documentation initiates the payment process, as accounting staff uses this documentation to reconcile against the purchase document and supplier invoice. This documentation also provides the material necessary for the buyer to perform any post-award activities, including closing out the purchase or conducting follow up activities with the supplier regarding outstanding or incorrect deliveries.

Failure to provide all required documentation and follow all related policies and procedures ultimately delays supplier payments unnecessarily and could result in the department paying late payment penalties.

10.2.8 Recom- mendations	DGS/PD recommends receiving personnel to: • Keep purchase documents on file until suppliers have met all obligations and deliveries. This is particularly important when accepting any partial deliveries or staggered deliveries over a period of time or in future fiscal years. • Report immediately to the buyer identified on the purchase document any problems or questions in delivery, receipt or discrepancies in equipment received.
10.2.9 File documentation	Click here to access a post award file documentation listing.

Topic 3 – Inspection of Goods

10.3.0 Inspection, acceptance and rejection standards	The State has standard inspection, acceptance and rejection requirements as described in the General Provisions for non-IT (Article #16) and IT (Article #17) entitled "Inspection, Acceptance and Rejection" to ensure these activities are conducted in accordance with State requirements.
10.3.1 Inspecting a shipment	Departmental receiving and/or designated staff (dependent upon the goods received and whether or not staff with specialized expertise is necessary), should, upon acknowledging receipt of an order, conduct an inspection for the following minimum conditions: • Verify that what was ordered conforms to purchase document documentation (Statement of Work, specifications, attachments, etc.), including the product description, model, brand and product numbers. • Verify the quantity ordered against the quantity shipped or delivered. • Inspect for damage or breakage. • Check for operability/functionality. • Confirm instructions regarding special handling or packaging were followed. • Verify that the unit of measurement count is correct (e.g. if the unit of measurement on the purchase document is one dozen, count 12 in the unit package). • Verify that delivery documentation (packing slip, certifications, etc.) is acceptable. • Verify that packaging integrity is preserved (no leakages, damages, etc.). • Verify that perishable items are in good condition and expiration dates have not been exceeded.
10.3.2 Conduct timely inspections	Inspections should be completed within a reasonable amount of time. If a department knows that the inspection will not be immediate, then the purchase document must provide when the inspection will occur and how it will be accomplished.
10.3.3 Partnering inspections	Departments determining that the supplier will inspect the goods on the state's behalf (this may occur in shipments to multiple field locations and where set-up and/or installation services are required), will describe in the documentation what activities will be performed.
10.3.4 Installation checklist	Documentation may include a standard installation checklist for the supplier to complete and provide to a state representative upon completion of the tasks.

Topic 3 – Inspection of Goods, Continued

10.3.5 Documenting the results	Departments are advised to document all inspection results and provide the results to the department procurement office for filing within the procurement file.
	The document should, at a minimum, identify what action was performed, who was in attendance, both department and supplier personnel by name and title, when and where the inspection occurred, and the inspection results.
	Documentation shall be retained within the procurement file.

Topic 4 – Acceptance Testing and Acceptance

**10.4.0
Acceptance
testing**

Departments that require additional acceptance criteria over and above what is stated within the State's General Provisions (GSPD-401 Commodities or GSPD-401IT) must describe the acceptance criteria in the solicitation and purchase document.

**10.4.1
Documenting
the criteria**

An acceptance testing period may occur over a period of time and that span of time must be documented within the competitive solicitation or LPA RFO to describe how the performance will be measured and how acceptance of the good or service will be defined and accomplished. The acceptance requirement must also be carried through the purchasing process into the executed purchase document.

**10.4.2 IT
software
acceptance
language**

The DGS/PD has developed IT contract language modules to use in competitive solicitations. In particular, the State Model IT Software Special Provision module provides a process for accepting software, either commercial software or custom software. Buyers should review these provisions to ensure that the acceptance criterion is sufficient for their procurement.

**10.4.3
Acknowledging
successful
acceptance
testing**

Departments shall acknowledge acceptance of goods by issuing a written notice of successful acceptance to the supplier and providing copies of the acceptance letter as determined by internal policies and procedures. A copy of the acceptance letter must be retained in the procurement file.

Topic 5 – Rejecting Non-Conforming Goods

10.5.0 Process for rejection of goods

The following process should be followed if the goods are not in conformance with any requirements of the purchase document:

Stage	Description
1	The person that is rejecting the goods must immediately communicate the problem(s) and rejection in writing to the buyer.
2	The buyer is responsible for notifying the supplier, making arrangements to hold the rejected goods somewhere protected from damage, and taking care of rejected goods until the supplier can take possession of the goods and remove them from the site.
3	A notice of rejection letter should be provided to the supplier describing the defect(s) that renders the delivery as non-conforming to the purchase document, what the delivery and inspection criterion was, and how the delivered product does not conform.
4	The buyer can accept any unit of measure (e.g., lot, case, and pallet) and reject the rest. Example: A department executed a purchase document for 50 cases of bond paper, but the supplier shipped 150 cases of bond paper. The receiving staff may either reject the entire shipment or accept the 50 cases of bond paper in accordance with the provisions of the purchase document. The remaining 100 cases of paper will be rejected and returned to the supplier.
5	If the supplier, within a reasonable time period, does not remove rejected goods, the department buyer may: • Ship products back to the supplier at the supplier's expense. • Store the rejected goods with reimbursement required from the supplier for any incurred costs.

10.5.1 Timely supplier notification

Departments are required to contact the supplier in a timely fashion when rejecting goods that are over-shipments, defective or for any other non-conformance to the purchase document.

10.5.2 Returned Stock Report (STD. 108)

In accordance with SAM section 8422.20 departments will prepare a STD.108 when returning goods to a supplier. This documentation shall also be provided to the buyer to follow up with the supplier as necessary. The STD.108 shall also be retained in the procurement file.

Click here to access the Returned Stock Report (STD.108).

Topic 5 – Rejecting Non-Conforming Goods, Continued

**10.5.3
Suppliers'
return
authorization**

Suppliers may require buyers to obtain a return authorization before shipping goods back to the supplier.

Buyers should contact the supplier prior to returning goods to confirm and follow any return authorization processes as required by the supplier.

Topic 6 – Supplier Performance

10.6.0 Documenting performance	Departments, upon confirming that goods received and inspected are in conformance with the terms of the purchase document, shall document the results of the delivery and inspection.

10.6.1 Supplier Performance Report (SPR)	The SPR may be used by the receiving staff to report on the quality and timeliness of a contractor's delivery. Its purpose is to capture performance histories for use in supplier development and subsequent source selection activities conducted by the department. Click here to access the Supplier Performance Report.

10.6.2 Access to information	The purchasing staff should determine how completed SPRs are to be filed, either in a centrally located area providing all buyers access to the information or retaining the documents within the procurement files.

Topic 7 – Asset Management

10.7.0 Securing assets	DGS/PD recommends that departments implement policies and procedures applicable to securing and safeguarding assets, regardless of how an asset was acquired or whether or not the asset is considered non-IT or IT.
10.7.1 Physical control over assets	DGS/PD also advises departments to limit access to received goods to authorized staff and provide sufficient security controls to goods considered vulnerable to loss or unauthorized use. Inventory should be periodically counted and compared to control records.
10.7.2 Identification and tagging	In accordance with SAM section 8651, all State property must be tagged after acquisition. This includes property whether or not it meets all of the State's capitalization requirements. Refer to SAM section 8602 for capitalization definitions.

The purpose of tagging assets is to designate the assets as belonging to the State.

Refer to SAM section 8651 and/or individual department policies for tagging requirements. |
| **10.7.3 Property control** | In accordance with SAM section 8650, departments shall record the following information when property is acquired:
• Date acquired
• Property description
• Property identification number
• Cost or other basis of valuation
• Owner fund
• Rate of depreciation (or depreciation schedule), if applicable

Further, departments will keep track of state property, either by an automated system or by reporting information on Property Record Cards (STD. 153-A). |
| **10.7.4 Surveyed property** | In accordance with SAM section 3520, prior to disposal of any state-owned personal property other than vehicles or mobile equipment, departments must receive approval from the DGS/PD Surplus Property Section.

A Property Survey Report (STD.152) must be submitted for approval prior to disposition. Disposition includes sale, trade-in, discarding or turning the property over to Property Reutilization.

Refer to the DGS/OSP web page for the form's availability. |

Topic 7 – Asset Management, Continued

10.7.5 Lost, stolen, or destroyed property	Departments are required to prepare a STD.152, in accordance with SAM section 8643, to adjust property records whenever equipment is lost, missing, stolen or destroyed. The report contains: • A description of the events • Precautions to be taken to prevent repeat situations • A statement that the California Highway Patrol has been notified in accordance with GC section 14613.7 In accordance with SAM section 8643 and 20080, losses of state property due to fraud or embezzlement must be reported to DOF, Office of State Audits and Evaluations and the Bureau of State Audits.
10.7.6 Replacing lost, stolen or destroyed property	Departments should ensure that the appropriate documentation is provided to the buyer to support the purchase of replacement equipment as a result of being lost, stolen or destroyed.
10.7.7 Software disposal	Departments should refer to their department's Software Management Plan (refer to SAM section 4846 and SIMM section 120), IT Chief Information Officer office and/or Workgroup Computing Coordinator to ensure that the proper departmental policies are followed when disposing of IT software.

Topic 8 – Receiving Service Deliverables

**10.8.0
Accepting or
rejecting
services**

Buyers, in preparing purchase documents for services, must develop a clear, concise, and detailed description of the services to be performed. An individual or individuals must be assigned to monitor supplier performance. Any deviations or unacceptable performance levels shall be documented and provided to the buyer to assist in problem resolution.

Staff accepting written deliverables must provide the supplier with written documentation accepting the deliverable.

Refer to Chapter 11 – Contract Administration for information pertaining to monitoring.

**10.8.1
Maintenance
services**

Departments acquiring equipment maintenance services should develop a uniform method for recording data relating to the repair or maintenance of equipment, which includes essential data pertaining to incidents of repair or maintenance.

**10.8.2
Tracking
maintenance
services**

The following is essential data required in resolving disputes between the supplier and the department with respect to performance:
• The time the maintenance provider was notified by the State,
• The time the maintenance provider personnel arrived to repair the malfunction,
• The time the component and/or system was returned to service,
• A description of the malfunction or incident; and
• Signature of the maintenance provider and a representative of the State.

A maintenance form should be prepared whenever a system or component is inoperative and left open until the repair is completed.

**10.8.3
Creating
history**

Developing a process for tracking maintenance levels creates a performance history that assists contract administrators in reviewing contract performance and provides necessary information to determine when a system or component needs replacement (end of useful life).