Judicial Council of California

RECEIVING, INSPECTION, AND ACCEPTANCE OR REJECTION OF GOODS AND SERVICES

CHAPTER 10

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INTRODUCTION

This chapter discusses the process for Judicial Branch Entities (JBEs) to receive, inspect, and accept or reject goods and services that they have purchased. It also includes information about asset management.

DEFINED TERMS

If not defined in the text of this chapter, the definitions of capitalized terms are set forth in the glossary.

10.1 GENERAL PROCESS FOR RECEIVING GOODS AND SERVICES

A. Receiving Process

Each JBE determines whether or not the goods and/or services received are acceptable and conform to all of the terms and conditions of the contract. The receiving process is set forth in the table below, along with definitions, in the context of this chapter, for certain related terms. JBEs should have a current and complete contract (including technical specifications, as applicable) to compare goods/services received to what was ordered.

Documentation on receiving, inspection, and acceptance of goods/services may be maintained in electronic form and accessible through an online purchasing system. Accounts payable staff may utilize online information to process invoices. For superior courts: retain original documents in accordance with FIN 8.01 (Vendor Invoice Processing) and FIN 12.01 (Record Retention) in the *Trial Court Financial Policies and Procedures Manual*.

Term	Definition	Example
Receiving	The act of taking possession of goods or receiving services. **Caution**: Placing goods into inventory without inspection may waive inspection rights and remedies.	A JBE signs for goods, acknowledging that the goods were delivered, not that they were accepted.

Term	Definition	Example
Inspection	The act of examining goods/services to determine conformance to the contract.	A JBE inspects a delivery of office supplies and confirms that the delivery conforms to what was ordered in the contract.
Acceptance Testing	The testing of goods or services to determine compliance with contract requirements (e.g., acceptance criteria, specifications). After inspection, Acceptance Testing may be required for certain goods and services.	A JBE purchases a network printer. The contract provides for a 30-day Acceptance Testing period, during which the printer must run error-free and meet other acceptance criteria.
Acceptance	The legal act of indicating to the Vendor the acceptance of goods and/or services. **Note:** goods/services could also be deemed accepted if the JBE fails to make an effective rejection of the goods/services.	After completing an acceptance test, a JBE notifies the Vendor in writing, confirming that the equipment passed the test and the JBE accepts the product.

B. Packaging and Shipping

JBEs should include packaging and shipping requirements/instructions (if applicable) in the contract.

A Vendor that ships multiple containers to a JBE should be instructed to number the containers with shipping labels and identify the total number of containers in the shipment, as well as identify the container in which the packing slip is enclosed.

JBEs should also instruct Vendors to include packing slips in all shipments. The Vendor should provide at least the following information on the packing slip:

- Contract number as issued by the JBE;
- Description of the goods;
- Quantity and unit of measure; and
- Item/part number.

C. Follow-up on Open Orders

Each JBE should develop policies and procedures to follow up on goods and services ordered but not yet received.

10.2 RECEIVING GOODS

A. Questions to Consider When Receiving Goods

A JBE should consider the following before taking receipt of any shipment:

- Is the shipment for this JBE?
- Is it damaged?
- Does it include a packing slip containing correct information and identifying a contract?

In addition, the following should also be considered:

- Is the delivery late, unsatisfactory, or incomplete?
- Do the goods comply with the specifications and packaging requirements in the contract?
- Are specialized skills or expertise required for inspecting the goods?
- Have all the terms listed in the contract been met and properly documented?

A JBE should promptly contact the Buyer with any questions or issues regarding the delivery, receipt, inspection, or acceptance of goods. If there is a partial delivery of goods, the staff receiving the goods should notify the Buyer if the contract did not state whether or not partial deliveries are acceptable. Staff receiving the goods should make available partial delivery documentation to the Buyer on a timely basis to facilitate any necessary communications with the Vendor.

B. Receiving Goods at Other Locations

JBEs that allow goods to be delivered at JBE locations other than main JBE sites should develop policies and procedures to inform staff receiving goods at such locations of their responsibilities, which should be consistent with the policies and procedures in this chapter.

10.3 INSPECTION OF GOODS

Inspections should be completed within a reasonable amount of time or as specified in the contract. The JBE should confirm the following:

- What was delivered conforms to the contract (e.g., Statement of Work, specifications, attachments, etc.), including the product description, model, brand, and product numbers;
- The quantity ordered matches the quantity delivered;
- The goods are not damaged (and if the packaging cannot be opened immediately, it should be inspected; if a box, crate or other packaging looks damaged, it should be noted on the bill of lading);
- To the extent applicable, operability/functionality of the goods;
- Instructions regarding special handling or packaging were followed; and
- The delivery documentation (e.g., packing slip) is acceptable.

JBEs should document inspection results. At a minimum, the documentation should identify the scope of the inspection, name/title of JBE and Vendor personnel in attendance, when and where the inspection occurred, and the inspection results. The documentation should be retained in the procurement file.

After determining that goods received and inspected are either in conformance with the terms of the contract or are to be rejected, the JBE should document the delivery and inspection.

Failure to make documentation available and follow related policies and procedures could delay payments to the Vendor. JBEs should keep contracts on file at least until Vendors have met all obligations.[1] This is particularly important when accepting any partial deliveries or staggered deliveries over a period of time.

10.4 ACCEPTANCE TESTING

Where appropriate, contracts should contain provisions on Acceptance Testing and acceptance criteria (including description of the Acceptance Testing period, and how acceptance of the goods or services will be defined).

JBEs are encouraged to consult with the Judicial Council's Legal Services office regarding appropriate contract terms for Acceptance Testing, acceptance criteria, and

[1] JBEs may also need to retain contracts on file until record retention requirements have been met.

related matters. JBEs are also encouraged to consult with the Judicial Council's Business Services unit on nonlegal, business-related issues.

10.5 REJECTING NONCONFORMING GOODS

If the goods do not conform to the requirements of the contract (including technical specifications) and the JBE decides to reject the goods, then the JBE should notify the Vendor in writing as specified in the contract or, if not specified, in a timely manner. The notice should describe the nonconformity to the contract (including any applicable acceptance criteria).

To preserve its legal rights, the JBE is responsible for making arrangements to hold the rejected goods, protect them from damage, and take reasonable care of rejected goods until the Vendor can take possession of the goods.

Note: Acceptance/rejection of goods can involve complex legal requirements and considerations. JBEs are encouraged to consult with the Judicial Council's Legal Services office as needed (as well as with the Judicial Council's Business Services unit, as needed, on nonlegal, business-related issues).

10.6 ASSET MANAGEMENT

Note: Superior courts should refer to FIN 9.01 (Fixed Asset Management) of the *Trial Court Financial Policies and Procedures Manual* regarding asset management in lieu of the information below.

A. Controls Over Assets

JBEs are responsible for safeguarding their assets, and should implement sufficient security controls for goods considered vulnerable to loss or unauthorized use. Inventory should be periodically taken and compared to control records.

The following items purchased by JBEs should be tagged:

- An item with a value of more than $1,000 and an anticipated useful life of more than one year; or
- An item with a value less than $1,000 but which is particularly subject to loss or theft, such as small office equipment, cellular phones, printers, monitors, etc.

JBEs should record the following information on an item transferred from the county or purchased directly by the JBE with a value of $5,000 or more and with an anticipated useful life of more than one year:

- Description of the item;
- Date of acquisition;
- Value of the item (based on acquisition cost or appraisal value at time of transfer);
- Estimated useful life;
- Salvage value (if applicable); and
- Remaining balance (net book value), if applicable.

B. Lost, Stolen, or Destroyed Equipment

Whenever equipment is lost, missing, stolen, or destroyed, a JBE should update its equipment records, prepare a report describing the event, and take precautions to prevent repeat situations.

JBEs 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 RECEIVING SERVICES

A. Accepting or Rejecting Services

Appropriate JBE personnel should be assigned to monitor Vendor performance of service contracts. Please refer to chapter 11 of this Manual for information on monitoring of Vendor performance. Any nonconforming or unacceptable performance levels should be documented to assist in problem resolution.

B. Maintenance Services

JBEs receiving equipment repair/maintenance services should develop a uniform process for collecting essential data on repair/maintenance incidents. JBEs should keep track of the following:

- When the JBE requested the services;
- When the contractor’s personnel arrived to provide the service;
- When the equipment was returned to service; and
- A description of the equipment malfunction or incident.