



CITY OF PLEASANT HILL
PURCHASING PROCEDURES
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A. **PURPOSE.** These Purchasing Procedures implement the City's purchasing ordinance, adopted by the City Council. (PHMC Chapter 5.10) These procedures define in more detail the policies and procedures for the procurement and disposition of goods and services for the City.

B. **POLICY.**

The City Manager directs and supervises the acquisition of all goods and services under the authority of PHMC Section 2.10.070I.¹ The City Manager has assigned the responsibility for administering purchasing policies and procedures to individual departments through the Director of Finance. This decentralized system of purchasing provides the departments with the ability to contact vendors directly.

It is the City's policy to establish efficient procedures for the purchase of goods and general services at the lowest possible cost commensurate with quality needed, to exercise positive financial control over purchases, to clearly define authority for the purchasing function, and to assure the quality of purchases. (PHMC §5.10.010B.)

C. **DEFINITIONS.** (See also PHMC §5.10.030.)

Best value - the best value to the city based on all factors, including: cost; contractor's ability, capacity or skill; ability to perform within the time required; character, integrity, reputation, judgment, experience and efficiency; quality of contractor's performance on previous purchases or contracts, if applicable; and the ability of the contractor to provide future maintenance, repair, parts and services, if necessary. (PHMC §5.10.030.)

Bid - a written offer, more formal than a quote, to furnish supplies, equipment, vehicles, services in conformity with the specifications, delivery terms, and conditions required at a guaranteed maximum cost. The initiating Department will sometimes prepare a Notice Inviting Bids, which is formal notification, through posting and advertisement, that the City is soliciting goods or services. (See PHMC §5.10.090 and .100.) This gives widespread exposure to the City's needs, expanding the vendor base, and fulfills the legal responsibility of giving fair access to supplying the City's needs. The notice must include a general description of the goods or general services to be purchased; state where bid forms and specifications may be secured; and state the final time and place for submitting bids. For purchases of over \$50,000, the notice must be published at least 10 days before the bid opening date. The Department Director, or a designee, will publicly open and declare the content of bids received at the time and place specified in the notice. The bid results will be made available to all interested parties as soon as possible following the bid reading.

¹ PHMC Section 2.10.070 outlines the powers and duties of the City Manager, including subsection I which reads: "To direct and supervise the purchase and acquisition of all property, equipment, services, materials and supplies for the city, provided the acquisition is approved by the council or is included in a budget which is approved by the council. No expenditure may be submitted or recommended to the council until it is approved by the city manager".

Bid security - financial security provided to guarantee that a bidder will enter into a contract with the city if a bid is awarded. It may be in the form of cash, cashier's check, certified check, or surety bond, in an amount not to exceed 10% of the aggregate amount of the bid.

Professional services or consultant services - the services of an attorney, architect, accountant, financial consultant, planning or environmental consultant, investment advisor, bank or trustee officer, or other professional. (PHMC §5.10.030.)

Public Works Project - (1) construction, reconstruction, erection, alteration, renovation, improvement, demolition or repair work involving any publicly owned, leased, or operated facility; or (2) painting or repainting of any publicly owned, leased or operated facility. Public project does not include maintenance work: (1) routine, recurring, and usual work for the preservation or protection of any publicly owned or operated facility for its intended purposes; (2) minor repainting; (3) resurfacing of streets and highways at less than one inch thickness; or (4) landscape maintenance. (Public Contract Code 22002. See PHMC Chapter 11.10.)

Purchase order (PO) - a document generated by the Finance Department to formalize a purchase transaction with a vendor or to assure the proper set-aside of funds for a purchase. The purchase order should contain sufficient information to fill the order in an accurate and timely fashion. The vendor's acceptance of a purchase order constitutes a contract.

Quote - a verbal or written promise from the vendor/contractor guaranteeing that the cost of specific goods, supplies, or services will not be exceeded.

Request for proposal (RFP) - all documents used for soliciting competitive proposals. The RFP defines, in detail, the terms, conditions, and specifications of goods or services required by the City. An RFP is primarily intended for large, complex, projects where cost and performance are equally important.

Request for qualifications (RFQ) - a request seeking a written presentation of the professional qualifications and experience of a proposed contractor.

Supplies - goods in a manufactured state kept in the ordinary course of business for regular use or consumption (e.g., pencils, light bulbs, street signs).

D. TYPES OF PURCHASING TRANSACTIONS.

There are many types of purchasing transactions in the City. These policies relate primarily to the first two below, the purchase of goods and services.

1. Goods.

Goods include tangible goods, supplies, equipment, vehicles, materials, printing and insurance. (See PHMC §§5.10.020 and 5.10.060.) If goods and services are combined in one contract, the requirements for a general services contract apply.

2. Services.
 - a. General services. (See PHMC §5.10.070.)
 - b. Professional services contracts. (See PHMC§ 5.10.110.)
3. Public works contracts. (See PHMC Chapter 11.10.)
4. Franchise agreements. (See PHMC Title 13.)
5. Labor contracts with employees.

E. PURCHASING GUIDELINES.

1. Vendor relations.

City employees will conduct all purchasing functions in a professional manner and shall promote equal opportunity and fairness in all vendor relations.

Ethics and standards of behavior. All purchasing functions shall be conducted impartially to assure fair competitive access by responsible vendors. In addition, public employees should conduct themselves in a manner that will foster public confidence in the procurement process.

2. Local preference.

Purchasing goods and services from local vendors is desired because it stimulates the local economy and recognizes that our local vendors are valued members of our community. If factors such as quality, previous performance, and availability are equal among vendors, a vendor whose business is located in Pleasant Hill shall be awarded a contract if their quote or bid is within 5% of the low bid.

3. Multi-year contracts.

A contract for supplies or services may be entered into for any period of time deemed to be in the best interest of the City, provided that the term of the contract and renewal provisions are included in the original solicitation process. Adequate funds must be available to fulfill the first fiscal year's obligation at the time of contract execution. Subsequent years appropriations are subject to authorization by the City Council. (Cal. Const. art.XVI, §18. See also PHMC §5.10.060 re leasing equipment.)

4. Purchasing authority. See PHMC §5.10.050.

5.10.050 Contracting authority. The City Manager, or his or her designee, is authorized to enter into and sign on behalf of the city the following contracts. At the discretion of the City Manager, any contract may be submitted to the City

Council for its approval.

A. Goods and services contracts. A purchase or contract for goods or services if funds have been appropriated in the budget. The City Manager may also enter into change orders or amendments, which, cumulatively, do not exceed 20% of the original contract price.

B. Professional services contracts. A purchase or contract for professional services for up to \$25,000 if funds have been appropriated in the budget. The City Manager may also enter into change orders or amendments, which, cumulatively, do not exceed 20% of the original contract price.

5. Business license.

Any person or company providing services or delivering goods to the City must have a City business license. (PHMC Chapter 5.05.) The department making the purchase or contracting for the service is responsible for checking that the vendor or contractor has a business license.

6. Insurance and Indemnity.

Insurance is required in connection with a purchase or contract: which involves service performed on city property; is a professional services contract; or whenever there is an inherent risk of personal injury in the activity involved. When insurance and indemnity are required, the contractor should hold the city harmless, agree to defend, and maintain insurance for property damage, general liability and workers' compensation (if there are any employees) in the form and amounts determined by the City Attorney. (PHMC §5.10.070D.) See Subsection G below for further information.

7. Record keeping.

Each department is responsible for maintaining its own purchasing records. At the conclusion of a contract, the original contract and any bids, specifications, and other pertinent data shall be retained by the department for a period of at least three years. These are public records, available for public inspection upon request.

F. PURCHASING AND PAYMENT PROCEDURES.

Purchase Orders

1. Purchase orders represent a commitment related to unperformed contracts for goods or services between a city department and a vendor. When a PO is executed, Finance staff enters the information into the accounting system and creates an "encumbrance" against the line-item budget identified in the PO.

The use of encumbrance accounting is a critical element of budgetary control in governmental accounting systems and serves three distinct purposes:

- a. Provides a written contract between the City of Pleasant Hill and a vendor.
- b. Decreases the available budget by an amount equal to the purchase order. This procedure lessens the chance of overspending a line-item budget.
- c. At the end of the fiscal year, unexpended encumbrances are added to the next fiscal year's line item budget so that sufficient budget is available to meet the prior fiscal year's commitments. Encumbrances without any activity for a period of one year will be released at the end of the fiscal year (with prior departmental notification).

2. When is a Purchase Order Needed?

You should prepare a purchase order request under the following circumstances, and when the amount exceeds \$10,000:

- a. Professional service contracts
- b. Equipment purchases
- c. Monthly maintenance contracts that exceed \$10,000 annually
- d. Public Works contracts

3. Requesting a Purchase Order

Preparing purchase orders is the responsibility of the Account Payable Accounting Technician. Before he/she can generate a PO, you need to prepare a Purchase Order Request form. This form provides the relevant information needed to prepare the PO. A sample copy of the Purchase Order Request and Purchase Order form are included in the forms section of this manual.

4. Processing Payments Against a Purchase Order

When an invoice is received against a PO, please indicate the PO number on the Accounts Payable Coversheet. This action will ensure that the invoice payment will be deducted from the outstanding encumbrance associated with the PO. You should track the payments against a PO on your department's copy to know how much is remaining on the PO.

5. When Not to Use a Purchase Order

Do not prepare a PO request if you have received the goods or services and have

received an invoice. A PO should be issued when a contract is executed or goods are ordered.

6. Special Situations

- a. If the request is for a project that was not included in the 2-year or CIP budget, attach a copy of the City Council Resolution or minutes showing approval of the expenditures. Please be sure to indicate the account that should be encumbered.
- b. If funding needs to be transferred from one or more accounts, please indicate the account where expenditures were originally budgeted. Finance will prepare the budget revision form to transfer the funds at the same time the purchase order is prepared.
- c. If the funding source is from the City Manager's Discretionary Fund, please discuss with either the Accounting Manager or Accountant so the appropriate process occurs.

Accounts Payable Coversheet

1. Routine Payment

When you wish to pay a vendor, prepare an accounts payable coversheet (coversheet). A sample copy of the coversheet form is included in the forms section of this manual.

- a. Complete the coversheet. (If the request is for a partial payment on a purchase order, the purchase order number must be written on the "P.O. No." line on the invoice coversheet.)
- b. Attach the original invoice and a copy of the invoice to substantiate the payment; have an authorized signer sign the coversheet.
- c. Submit these documents to the Accounts Payable Accounting Technician.

2. Urgent/emergency payment (manual check)

The issuance of manually prepared checks is discouraged and should be done only when the specific circumstances necessitate expediting payment. When requesting urgent/emergency payment, the requesting department should personally deliver the request to the Accounting Manager or Finance Director for their approval.

- a. Complete a coversheet, noting on the request "HAND CHECK".
- b.

- b. Note the date and time the check is needed.
- c. Note whether the check should be mailed or held for pickup.

Open accounts

Open accounts are created by the Finance Department and are entered into with vendors that are expected to supply products or services to the City on an ongoing and/or regular basis where the total volume or total dollar amount cannot be reasonably estimated.

An open account may be requested by a department by contacting the Accounts Payable Technician. If no other purchasing authority exists with the vendor, a letter is prepared and signed by the Director of Finance that authorizes the purchase of goods and/or services for a set period. The letter is mailed by the Finance Department and the department is then notified that the open account is valid. When an employee purchases an item on an open account, he/she should sign the receipt (legibly) and show a City photo identification card. Examples of open accounts include: AAA Business, CBS Stationers, Staples, Contra Costa Country Club and Ace Hardware. An example of an open account letter appears in the forms section of this manual.

Credit Card Purchase.

City credit cards are issued by the Finance Department at the request of the Department Head and should be used for City business only - no cash withdrawals are allowed.

Whenever possible, City credit cards should NOT be used to pay for either general or professional services to the City (maintenance agreements, rentals, etc). This is because the IRS requires us to send 1099's to many service providers, and the 1099 process in the Accounts Payable (A/P) system works only for payments made by check directly to the service provider. Payments charged to a credit card bypass A/P. We recommend that all services be invoiced and paid for by City checks to the vendors, not charged to City credit cards.

Retain a receipt for every payment or purchase made in person with your City credit card, and turn the original receipt over to your department secretary as soon as possible after your trip or purchase with a clarification of the item purchased, the meeting attended, etc.

Whenever meals are charged, write on the receipt the names of those attending and the business purpose of the meal. If the card was used for a phone or Internet order, provide your secretary with a copy of the order confirmation, registration form, flyer, catalog page, or other documentation describing the purchase and the price. He/she will hold all of these original receipts and other documents until the monthly bill comes in.

When the VISA bill arrives, the Finance Department retains a copy and sends the original

to your secretary, who will match it to the receipts and other documents being held. Then he/she will complete the “Bank of America VISA Charges” form, identifying the appropriate departmental expenditure account and description to use for each purchase. (A copy of this form appears in the forms section of this manual). The original receipts should be attached. You or any authorized signer in your department should promptly sign the form and send it to the Accountant, Penny Anderson, within one week of your department receiving the statement. The department director should review the forms for all credit cardholders in the department before sending it to the Accountant.

Petty cash.

Petty cash is available to City staff as an advance for City purchases without the need to use personal funds, as well as for reimbursement if personal funds have already been used. A petty cash fund is maintained in the Finance and Police departments. Petty cash should be used to make minor purchases of up to \$300 when no other purchasing option is available.

For reimbursement of personal funds already spent:

- a. Complete the petty cash form including the date, amount, account code, and description. (A copy of this form appears in the forms section of this manual).
- b. Attach the receipt to the form.
- c. Write the name of the person being reimbursed on the “Received By” line.
- d. If someone other than that person collects the funds, they must initial the form.
- e. Have an authorized signer for that department sign.

For a petty cash advance:

- a. Follow steps a, c, and d above. The description should be “Advance for...” with a clear description of how the advance will be used.
- b. After all purchases are complete, return the store receipt and any change to the Finance Cashier.

For a large cash advance (several hundred dollars), please plan ahead and request a check in the weekly A/P check run.

G. INSURANCE REQUIREMENTS.

Insurance is required in connection with a purchase or contract: which involves service performed on City property; is a professional services contract; or whenever there is an inherent

risk of personal injury in the activity involved. When insurance and indemnity are required, the contractor should hold the City harmless, agree to defend, and maintain insurance for commercial general liability, automobile liability and workers' compensation (if there are any employees) in the form and amounts determined by the City Attorney. (PHMC § 5.10.070D.) The City Attorney has prepared standard insurance requirements, which are included under the "Contracts" tab and should be attached to any vendor-provided contract whenever insurance and indemnification are required. It is the responsibility of the department staff preparing the contract to obtain insurance certificates from the contractor evidencing the required insurance.

1. General liability insurance.

Each contractor engaged in service on City property is required to maintain commercial general liability insurance in an amount not less than \$1,000,000 per occurrence for bodily injury, personal injury and property damage. The City of Pleasant Hill shall be named as an additional insured. Certain high-risk activities may require higher limits.

2. Automobile liability insurance.

Each contractor engaged in service on City property is required to maintain automobile liability insurance in an amount not less than \$1,000,000 covering bodily injury and property damage. The City of Pleasant Hill shall be named as an additional insured. Certain high-risk activities may require higher limits.

3. Workers' compensation insurance.

Each contractor engaged in service on behalf of the City is required to maintain workers' compensation insurance and employer's liability insurance for his/her employees in accordance with the laws of the State of California. If contractor has no employees, he/she shall sign or initial an Exemption from Workers' Compensation Insurance statement. An exemption form is attached to the City's standard Professional Services Agreement form.

4. Professional liability insurance.

Each professional retained under a professional services agreement shall maintain professional liability insurance in an amount not less than \$1,000,000 unless this requirement is waived by the City Attorney.

5. Policy endorsements.

Each general liability and automobile liability insurance policy shall be with insurers possessing a Best's rating of no less than A:VII and shall be endorsed with the following specific language:

- a. The City of Pleasant Hill, its elected or appointed officers, officials,

employees, agents and volunteers are to be covered as additional insureds with respect to liability arising out of work performed by or on behalf of the Consultant, including materials, parts or equipment furnished in connection with such work or operations.

- b. This policy shall be considered primary insurance as respects the City, its elected or appointed officers, officials, employees, agents and volunteers. Any insurance maintained by the City, including any self-insured retention the City may have, shall be considered excess insurance only and shall not contribute with it.
- c. This insurance shall act for each insured and additional insured as though a separate policy had been written for each, except with respect to the limits of liability of the insuring company.
- d. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, agents or volunteers.
- e. The insurance provided by this policy shall not be suspended, voided, canceled, or reduced in coverage or in limits except after 30 days written notice has been received by the City.

H. CONTRACTS.

1. General Services Contracts.

The following provisions apply to entering into general services agreements for goods or services. Splitting of the purchase of goods or services into smaller orders for purposes of evading the competitive bidding provisions are not permitted.

- a. Services less than or equal to \$10,000. (See PHMC §5.10.080.)
 - 1) Obtain verbal or written quotes for services (preferably three).
 - 2) Select quotation representing the best value as defined in PHMC §5.10.040 and considering any local preference.
 - 3) Review vendor's contract form, prepare General Services Agreement or prepare purchase order.
 - 4) If using vendor's form, attach standard insurance requirements (see form under "Contracts" tab) if work is to be performed on City property or involves unusual risk.

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- 5) Obtain appropriate insurance certificates from vendor, if required.
 - 6) If using General Services Agreement, check box No. 4 if work is to be performed on City property or involves unusual risk and have city attorney initial contract to signify approval of insurance.
 - 7) Have vendor sign agreement and obtain business license.
 - 8) The City Manager, or his/her designee, is authorized to sign contracts for goods or services if funds have been appropriated in the budget.
 - 9) If funds have not been appropriated in the budget, City Council approval must be obtained.
- b. Services between \$10,000 and \$50,000 (See PHMC §5.10.080.)
- 1) Obtain written quotes for services (preferably three).
 - 2) Select quotation representing the best value as defined in PHMC §5.10.030 and considering any local preference.
 - 3) Review vendor's contract form, prepare General Services Agreement or Computer Software, Equipment and Services Agreement and prepare purchase order.
 - 4) If using vendor's form, attach standard insurance requirements (a sample copy of this form is included in the forms section of this manual) if work is to be performed on City property or involves unusual risk.
 - 5) Obtain appropriate insurance certificates from vendor, if required.
 - 6) If using General Services Agreement, check box No. 4 if work is to be performed on City property or involves unusual risk and have city attorney initial contract to signify approval of insurance.
 - 7) Have vendor sign agreement and obtain business license.
 - 8) The City Manager, or his/her designee, is authorized to sign contracts for goods or services if funds have been appropriated in the budget.
 - 9) If funds have not been appropriated in the budget, City Council approval must be obtained.

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- c. Services greater than \$50,000 (See PHMC §5.10.090.)
- 1) Prepare notice inviting bids including a general description of the articles or general services to be purchased; where bid forms and specifications may be secured; and final time and place for submitting bids.
 - 2) Publish notice 10 days before the bid opening date at least once in a newspaper of general circulation.
 - 3) Consider requiring bidders' security or performance bond, or both.
 - 4) Open bids and prepare a tabulation of all bids received. Maintain tabulation of bids open for public inspection for at least 30 calendar days after the bid opening.
 - 5) Department director awards contract to bid representing the best value as defined in PHMC §5.10.030.
 - 6) Review vendor's contract form, prepare General Services Agreement or Computer Software, Equipment and Services Agreement and prepare purchase order.
 - 7) If using vendor's form, attach standard insurance requirements (a sample copy of this form is included in the forms section of this manual) if work is to be performed on City property or involves unusual risk.
 - 8) Obtain appropriate insurance certificates from vendor, if required.
 - 9) If using General Services Agreement, check box No. 4 if work is to be performed on City property or involves unusual risk and have City Attorney initial contract to signify approval of insurance.
 - 10) Have vendor sign agreement and obtain business license.
 - 11) The City Manager, or his/her designee, is authorized to sign contracts for goods or services if funds have been appropriated in the budget.
 - 12) If funds have not been appropriated in the budget, City Council approval must be obtained.
- d. Exceptions. (See PHMC §5.10.100)

The department may dispense with quotation or bidding procedures for

purchasing goods or general services in any of the following circumstances:

- 1) Emergency. In an emergency as defined in PHMC §5.10.030.
- 2) Sole or limited source. Occasionally, required goods are unique, of a proprietary nature, or of specific design or construction. Examples include hardware, software or communications equipment. In these cases, quotation or bidding procedures could be meaningless. The department shall keep a written record of the basis for this determination.
- 3) Cooperative purchasing. If such purchases are based on an agreement or cooperative purchasing program entered into by any of the following, regardless of whether the City is a named party to the agreement or an actual participant in such a program: (a) any public agency situated within the state, if the underlying purchase was made using quotation or bid procedure substantially similar to the city's; or (b) the California Multiple Award Schedules (CMAS).
- 4) Other. Where goods or general services are purchased through negotiations. This exception applies when the purchase is for: (1) a specialized technology product; (2) an addition to, or repair or maintenance of, existing equipment which can be more efficiently added to, repaired or maintained by a particular company or manufacturer; or (3) equipment which must be compatible with existing equipment, by reason of the training of the personnel or an inventory of existing replacement parts kept by the City.

The affected department head shall state in writing the basis for a determination that this section applies.

2. Professional Services Agreements. (See PHMC §5.10.110.)

The following provisions apply to contracts with professionals for services by architects, accountants, attorneys, engineers, planners, environmental consultants, technicians, and similar services.

- a. Professional Services less than or equal to \$10,000 (PHMC §5.10.110.)
 - 1) Obtain quotes for services (preferably three) or prepare requests for proposals (RFP) or requests for qualifications (RFQ) for large or complex projects.
 - 2) Select quotation representing the best value as defined in PHMC

§5.10.030 and considering any local preference.

- 3) Prepare short form Professional Services Agreement (see form under “Contracts” tab).
- 4) Have vendor sign agreement and obtain business license.
- 5) Submit agreement and insurance certificates to City Attorney for approval.
- 6) The City Manager, or his/her designee, is authorized to sign professional services agreements for services up to \$25,000 if funds have been appropriated in the budget.

b. Professional Services between \$10,000 and \$25,000 (PHMC §5.10.110.)

- 1) Obtain quotes for services (preferably three) or prepare requests for proposals (RFP) or requests for qualifications (RFQ) for large or complex projects.
- 2) Select quotation representing the best value as defined in PHMC §5.10.030 and considering any local preference.
- 3) Prepare Professional Services Agreement (see form under “Contracts” tab).
- 4) Have vendor sign agreement and obtain business license.
- 5) Submit agreement and insurance certificate to City Attorney for approval.
- 6) The City Manager, or his/her designee, is authorized to sign professional services agreements for services up to \$25,000 if funds have been appropriated in the budget.
- 7) If funds have not been appropriated in the budget, City Council approval must be obtained.

c. Professional Services over \$25,000

- 1) Obtain quotes for services (preferably three) or prepare requests for proposals (RFP) or requests for qualifications (RFQ) for large or complex projects.
- 2) Select quotation representing the best value as defined in PHMC §5.10.030 and considering any local preference.

- 3) Prepare Professional Services Agreement (see form under “Contracts” tab).
- 4) Have vendor sign agreement and obtain business license.
- 5) Submit agreement to City Council for approval.
- 6) Submit agreement and insurance certificate to city attorney for approval after City Council authorizes entering into contract.
- 7) City Manager can sign agreement after City Council approves and City Attorney approves insurance.

City Manager is authorized to sign professional services agreements in an amount up to \$100,000 without City Council approval if (a) a developer has deposited the full amount of the contract into a trust fund account (or made a deposit with a written promise to pay the balance when due), and (b) the funds are to be used for a city-managed professional services contract, such as an environmental impact report. (See PHMC §5.10.050C.2.)

I. RECEIVING OF GOODS/EQUIPMENT.

1. Inspections and testing.

The ordering Department shall inspect and/or test all goods upon receipt (or services upon completion), to assure conformance with the specifications set forth in the order. If a product is determined to be unusable, or not what was ordered, the Department shall reject it and return it to the vendor as the vendor directs, and at the vendor’s expense, for credit or replacement.

2. Acceptance.

When goods have been received or a project has been completed to the satisfaction of the ordering Department and the specifications, the packing slip and/or other completion documentation shall be signed-off by the employee receiving or inspecting. Information to be noted on the documents must include, at a minimum, the employee's signature and a legible rendering of their name and the date of receipt/completion. The employee signing must note on the receiving documents any deviation from the exact ordering specifications.