

RECEIVING – INSPECTIONS AND DEFECTS

POLICY No.: **P-110**

SUPERSEDES No.:

EFFECTIVE DATE: **JULY 1, 2002**

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I. PURPOSE

To provide guidance needed to properly inspect and process any defects discovered during or after inspection.

II. SCOPE

This policy applies to all Town employees.

III. GENERAL

Although inspection of goods received is not a function of the Purchasing Division, the Buyer or a purchasing staff member should be informed of any negative results of inspection so that appropriate action can be taken with the supplier.

IV. DUTY TO INSPECT

Under the Uniform Commercial Code (UCC), a buyer has no statutory duty to inspect goods on arrival. Failure to inspect goods at time of arrival may preclude the right to reject the shipment in its entirety, even though it does not constitute a waiver of the rights to claim breach of warranty upon a subsequent discovery that the goods are faulty. Most suppliers have sought to impose a duty to “inspect upon arrival” by inserting clauses in the contract stating that all claims must be made within ten (10) days after arrival of the shipment. Such clauses normally are interpreted by the courts to apply only to claims for defects readily apparent upon arrival.

V. RECEIVING AND INSPECTION POLICIES

Sound receiving and inspection policies mark the starting point for preserving the Town’s rights against suppliers and are essential to successful prosecution of claims for shortages or damages to shipment. Early detection of defects or obvious failures to comply with specifications often permits us to secure a replacement at the supplier’s expense and puts us in a more favorable position if a claim develops.

Shortage and/or damage should be called to the attention of the supplier or the carrier at the earliest opportunity. Tardy claims are usually suspect, and there is the risk of losing our rights because of a shorter nonclaim clause in the “bill of lading” or the “supplier’s packing slip.”

VI. DEFECTS NOT REASONABLY DISCOVERABLE ON RECEIPT OF SHIPMENT

In certain types of goods, a defect or fault is not reasonably discoverable on receipt of shipment.

For example:

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- (1) Goods received in packages that are not opened until needed;
- (2) Goods shipped in sealed packages or containers;
- (3) Defects that do not appear until the goods are put into service.

When the defect appears prompt action may be essential to remedy the malperformance or other deficiencies.