

## **Part II Chapter 33 Material Inspection**

- A. Refusal of Shipments.** Shipments of ordered material should not be refused for any reason except when there is obvious damage in transit or if it is certain that the material is different than that specified on the order. Improper refusal of shipments may result in charges for storage, redelivery, and possible restocking charges, and would be the responsibility of the agency. When a material is obviously damaged in transit, the shipment should not be accepted and appropriate notations should be made on the freight bill and/or the bill of lading. A copy of the notations should be retained and should include:
1. Name of agency inspector receiving shipment and agency.
  2. Date and reason for rejection.
  3. Time supplier was notified and how. A copy of any written notice should be retained by the Agency.
  4. When other problems exist with the shipment, the shipment should be received and the Agency should immediately notify the supplier and the Bureau of Procurement.
- B. Responsibility for Inspecting Material.** Inspection of material shall be the responsibility of the receiving Agency. Shipments should be inspected no later than three to five business days after delivery. Failure to inspect the shipment within a reasonable time period after delivery may result in the waiver of the agency's right to reject the shipment. Record(s) of agency inspections must be posted on the agency receiving report, and shall include the following:
1. Condition of material as acceptable or not acceptable (if not acceptable, state the reason).
  2. The date of agency inspection.
  3. The printed name, signature, office, and telephone number of the agency inspector.
- C. Rejection Report.** Receipt of unacceptable material requires issuance of a rejection report. If the agency requires technical assistance in evaluating the acceptability of a received material, the agency may request assistance from the Quality Assurance (QA) Division within the Bureau of Procurement. QA assistance is not intended to replace agency inspections. A material that is not acceptable can usually be detected at the agency. The QA Division may be able to recommend a laboratory for the agency to contact for testing. The QA Division can assist the agency in dealing with the supplier or manufacturer when the agency is unable to resolve a problem with an unacceptable material.
1. The request for QA assistance should be forwarded to the:

Department of General Services  
Bureau of Procurement

555 Walnut Street  
6<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1914

2. The request should include:
    - a. A brief description of the problem.
    - b. A statement showing how the material deviates from the specification.
    - c. The name and telephone number of a contact person who can answer questions about the problem.
  3. If the request is accepted, the agency will be notified of any further action required by the agency.
  4. Upon completion of the QA evaluation, the agency and the Bureau of Procurement will be notified of the results.
  5. If the QA Division rejects the material, the agency must issue a rejection report.
- D. Rejection of Material.** In order to be effective, the supplier must be notified of the rejection of the material in a reasonable time after delivery. The material may be deemed accepted by the Commonwealth if the supplier is not notified of its rejection within a reasonable time period. If the supplier is a qualified small business concern, immediate notification pursuant to *4 Pa. Code § 2.37(c)* stops the running of time periods needed before a qualified small business concern is able to collect interest penalties on a late payment for a material or service. (See [Management Directive 305.7, Interest Penalties for Late Payments](#).)
- E. Written Rejection Report.** The written rejection report must be forwarded to the purchasing agency. If the purchasing agency is DGS, forward report to the appropriate commodity specialist at:
- Department of General Services  
Bureau of Procurement  
555 Walnut Street  
6<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1914
- In a timely manner and it **must** include:
1. A copy of the procurement document. The purchase order, or form GSPUR PO.
  2. A copy of the agency receiving report with the reason(s) for rejection.
- F. Resolution of Rejection.** A material covered by a rejection report must be held unused by the receiving agency pending resolution of the rejection. Payment for the rejected items should also be suspended.

- G. Receipt of Rejection Report.** Upon receipt of rejection report, the commodity specialist of the Bureau of Procurement will determine if formal notification of the supplier is justified. If not justified, cancellation of the rejection must occur at this point. This action will require coordination and agreement between the commodity specialist and the person who signed the agency receiving report.
- H. Formal Notification of Rejection.** A formal notification of rejection will be sent to the supplier via letter covering the:
1. Specific reason(s) for the rejection and this may include a copy of receiving report.
  2. Replacement date (generally, this should be 10 business days from notification date).
  3. The Bureau of Procurement must be advised, in writing, of the supplier's intentions. (Generally, this should be one week from the notification date.)
  4. Surcharge remedy as defined in the terms of the Contract or Purchase Order.
- I. Notification Letter.** The notification letter is prepared by the purchasing agency. An information copy of the rejection notification is forwarded to the using agency upon distribution of the letter.
- J. Systematic Follow-up.** Systematic follow-up will start one week after the supplier notification date. This follow-up will be made by the purchasing agency.
- K. Resolved Rejections.** The rejection will be resolved or unresolved with the supplier. The following pertains to resolved rejections:
1. Replacement of the rejected material with an acceptable material at no additional cost to the Commonwealth.
  2. A memo or letter from the receiving agency covering receipt of the acceptable material must be forwarded to the purchasing agency or the commodity specialist, Bureau of Procurement, whichever is applicable, to close the applicable rejection file.
  3. In certain cases, the rejected item(s) will be returned to the supplier and the order cancelled. This will occur if the material is unattainable; proof of this is received; and approval is granted by purchasing agency counsel. Generally, correspondence will be in the file from the receiving agency confirming the cancellation action.
- L. Unresolved Rejections.** Unresolved rejections will require all or part of the following actions depending upon the supplier's course of action:
1. Rejected item(s) will be returned to the supplier and the order cancelled. The commodity specialist will coordinate this action.
  2. Reaward (same opening) or repurchase (rebid) of the item(s) will occur. Approval of additional funds will be required via action memo. A new GSPUR PO will carry an 01-1 number.

3. The supplier will receive a surcharge letter to pay the amount specified, which will be equal to the additional cost to the Commonwealth as a result of the supplier's inability or refusal to deliver an acceptable material. Any check received will be forwarded to the agency comptroller for deposit.
4. If payment is not received, purchasing agency counsel may correspond with the supplier.
5. Inaction by the supplier may result in the initiation of legal action, presentation of a claim against the surety company, if applicable, or both.
6. In addition, the supplier may be banned from doing business with the Commonwealth for a specified period of time (debarment). In the event of debarment notification of this action will be distributed to all Commonwealth agencies by the Commonwealth Contractor Responsibility Program in [Management Directive 215.9, Amended](#). Even if debarment action is not initiated, the Agency or DGS should make an entry in the Contractor Responsibility Program concerning the supplier's unsatisfactory performance.
7. Rejection will be considered closed and placed in the banned status file. Nonpayment of any surcharge amount may be considered by the Commonwealth in determining the supplier's responsibility for any future contract awards until claim is paid or until the end of the period of debarment or suspension.

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**References:**

1. [Management Directive 305.7, Interest Penalties for Late Payments](#)
2. [Management Directive 215.9, Contractor Responsibility Program, Amended](#)