Chapter 11

Shipping / Freight Charges

11.0 Shipping / Freight Charges

It is the basic policy of the University to purchase goods "FOB Destination". This means that the vendor pays the freight charges for shipping the goods to the ordering department (in essence the cost of shipping is included in the price of the goods), the vendor retains title to the goods until the carrier delivers the goods, and any claim for loss or damage incurred during delivery shall be between the vendor and the carrier. Delivery FOB Destination without any qualifying language following the term is the preferred method of purchase (reference Appendix B: Commonwealth of Virginia, Purchasing Manual for Institutions of Higher Education and their Vendors, Section 9. F.)

A department may pay freight charges and/or change the FOB point when it is a requirement to make the purchase. Departments are cautioned that changing the FOB point can create problems in the event the product is damaged or lost in transit. In such cases, any claim for loss or damage incurred during delivery shall be between the University and the carrier.

If departments are paying freight cost, a shipping line item must be added to the purchase order. This designation on the purchase order is notification to the vendor that the University accepts title only when goods are received. This will also notify Accounts Payable that the department has authorized the vendor to prepay the freight cost and add it as a separate line item on the invoice.

Accordingly, Accounts Payable will pay the full invoice that includes the actual freight costs as stated by the shipping vendor.

Remember when purchasing goods "FOB Destination, Prepay and Add", the department has the responsibility to determine the actual (or maximum) freight charge. This will ensure that the total amount of the order does not exceed the departmental delegated purchasing authority, since that limit includes freight and handling charges.

References: