

## DISBURSEMENTS: FREIGHT

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## DISBURSEMENTS: FREIGHT

I. INTRODUCTION

This chapter establishes the guidelines for approving and processing payments for freight or shipping costs. Freight payments are made by the University either to commercial transportation companies (carriers) or to the University's suppliers (vendors). Freight payments are made to carriers on the basis of the carrier's freight bill and to vendors when a freight or shipping charge appears as a separate line item on a vendor's invoice.

II. DEFINITIONS

Freight Cost/Shipping Cost: The cost to transport supplies, materials, or equipment via a commercial carrier; also may include packing, crating, and handling costs.

Freight Bill: A multiple copy document issued by a commercial carrier which generally contains the name of the carrier, the name and the location of the shipper and the consignee, the shipping date, a description of the commodity to be transported, the rate, the total freight charge, and whether the freight charge is collect or prepaid. At a minimum, this document should include the following copies:

- 1) An original copy, which is the carrier's invoice;
- 2) The consignee's copy, which is retained by the recipient who signs for the delivery of the shipment; and
- 3) The delivery receipt copy, which is retained by the carrier as proof of delivery.

F.O.B.: This acronym means "Free on Board" and requires the seller to place goods on board a carrier without cost to the buyer. If the seller is to assume the cost of transportation, the vendor's invoice should include the term F.O.B. destination; if the buyer is to absorb the cost, the invoice should state F.O.B. point of origin. Unless otherwise specified, the destination or point of origin determines:

- 1) The place or location where title to and responsibility for the goods pass from the seller to the buyer;
- 2) Whether the seller or the buyer is responsible for the freight cost; and

II. DEFINITIONS (Cont.)

- 3) Whether the seller or the buyer is responsible for filing a claim in the event of loss or damage.

## III. RESPONSIBILITY FOR PAYMENT OF FREIGHT CHARGES

## A. INBOUND SHIPMENT

The University, unless otherwise specified, is responsible for the payment of freight charges when any of the following F.O.B. terms has been agreed to by the University and the vendor:

F.O.B. (point of origin). Example: F.O.B. Chicago.

F.O.B. (point of origin), freight prepaid and added to invoice. Example: F.O.B. Chicago, freight prepaid and added.

F.O.B. (destination), freight collect. Example: F.O.B. University of California, Riverside, freight collect.

F.O.B. (destination), freight prepaid and added to invoice. Example: F.O.B. University of California, Riverside, freight prepaid and added.

## B. PREPAID OUTBOUND SHIPMENTS

The University is also responsible for the payment of freight charges on outbound shipments that are prepaid.

IV. GUIDELINES FOR PROCESSING FREIGHT CHARGES FOR PAYMENT

Freight charges should be paid within the period required by governmental regulatory agencies. The following time periods prescribed by these agencies apply in determining the period within which a payment should be made:

- o Interstate Commerce Commission -- 7 days for interstate surface shipments; and
- o Civil Aeronautics Board -- 10 days for interstate air shipments.

The California Public Utilities Commission no longer regulates California intrastate shipments; therefore, the prescribed period of time within which such payments must be made should be negotiated by the carrier and the shipper.

The procedures in the following guidelines should be used to determine the propriety or validity of **freight charges of**

**\$500<sup>1</sup> or more** before any payment can be made or considered final:

A. FREIGHT BILLS

1. Match the freight bill to the purchase order (P.O.) or blanket order for inbound shipments or to the shipping request for outbound shipments to ensure that:
  - a) The University is responsible for payment of the freight charge, and
  - b) The carrier submitting the freight bill is the same as the carrier specified in the "Ship By" section of the P.O.

Any of the following discrepancies on an invoice should be investigated:

  - a) there is no P.O. or blanket order or shipping request to support the freight bill;
  - b) the freight bill is submitted by a different carrier than the one shown on the P.O.; or
  - c) the freight bill is supported by a P.O., but the F.O.B. term indicates that the payment of the freight charge is the vendor's responsibility.
2. Refer the following items to materiel management for disposition:
  - a) freight bills in excess of \$500 (or less if a lower threshold has been set by the campus) that are not supported by a P.O. or blanket order;
  - b) freight bills that do not match the name of the carrier shown on the P.O. if, in the judgment of the accounting officer, there is reason to doubt the propriety of the charge; or
  - c) freight bills with F.O.B. terms indicating that the payment of freight costs is the vendor's responsibility.
3. Process valid freight bills in accordance with the procedures for regular invoices (see section II.B., Accounting Manual chapter D-371-36, Disbursements: Invoice Processing).

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<sup>1</sup>Campuses have the option of setting a lower threshold.

IV. GUIDELINES FOR PROCESSING FREIGHT CHARGES FOR PAYMENT (Cont.)

## B. INVOICES WITH FREIGHT OR SHIPPING COSTS ADDED

1. Process such invoices as specified in section A.1. above. In addition:
  - a. Blanket numbers or recording numbers should be used in lieu of regular P.O. numbers for freight or shipping costs added to the cost of blanket orders.
  - b. The accounting officers may elect to pay the vendor's invoice or refer the invoice to materiel management for disposition when freight or shipping costs added in excess of \$500 (or less, if a lower threshold has been set by the campus), are not supported by a copy of the carrier's freight bill.
2. Refer the following items to materiel management for disposition:
  - a. Any freight or shipping cost, even if supported by the carrier's freight bill, if the carrier shown on the freight bill does not match the carrier shown on the P.O., especially if in the judgment of the accounting officer there is reason to doubt the propriety of the change; or
  - b. Any freight bill with F.O.B. terms specified on the P.O. or blanket order indicating that the freight payment is the vendor's responsibility.
3. Process as specified in section A.3. above.

V. CLAIMS FOR REIMBURSABLE FREIGHT

Campus accounting offices should claim any reimbursable freight payments from the appropriate fund sources (State, etc.).

VI. RESPONSIBILITIES

## A. ACCOUNTING OFFICERS

Accounting officers are responsible for ensuring that:

- 1) the processing of freight charges for payment (freight bills or invoices with shipping costs added) is made in accordance with the requirements and guidelines established in this chapter; and
- 2) the timeliness of payments is followed as provided in Section IV.

## B. MATERIEL MANAGEMENT

Materiel Management is responsible for determining when the University is responsible for paying a freight charge and for ascertaining that the amount of the freight charge is consistent with the tariff schedules under which a carrier operates.

VII. REFERENCES

Accounting Manual chapters:

D-371-16 Disbursements: Approvals Required

D-371-36 Disbursements: Invoice Processing

Business and Finance Bulletin:

BUS-43 - Materiel Management

University Auditor Robert T. Tuffnell, Memorandum to University Controller J. A. Pastrone on Invoices with Freight or Shipping Cost Added, May 10, 1984.

Director Donald L. Alter, Memorandum to Accounting Officers on Invoices with Freight or Shipping Costs Added, February 8, 1993.

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