Circular No. 50/2020

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Sub: SOP for Pricing Conditions in Rate Contracts

It has been observed in some of the rate contracts that SESs amount has exceeded OLA Value and PO Amount. There should not be any mismatch between respective amounts in SES, PO and OLA at different stages. Hence, best practices in line with standard SAP validations are given hereunder, to ensure optimum checks as well as due flexibility:

- OLA: Target value at Header level should be exclusive of tax.

- At the item level, maintain basic price (exclusive of tax) along with appropriate tax code. Target value should be equal to sum total of all the item level basic prices. In case of rate contracts where quantity is ZERO and only rates are maintained in OLAs, target value should be based on sum total of basic prices and estimated quantities.

- PR (Primary and Secondary): All values should be inclusive of tax.

- PO (WO): Input basic/gross price (exclusive of tax) at item level. Maintain the same tax code as used in OLA.

- SES: Input basic/gross price (exclusive of tax). Use the same tax code as used in PO.

Standard SAP validations between OLA target value, total PO value and total SES value operate at basic prices (exclusive of tax). Therefore, it is imperative to use the same tax code across all the levels in procurement cycle to prevent PO exceeding OLA value and total SES value exceeding PO value. This will also prevent any audit issues and excess payment to vendor.

Tax code is always at line item level and this is basic design of SAP for OLAs/POs. Therefore, all the sub-service line items having same tax code needs to be included in one line item and separate line item may be created for sub-service line items for another tax code.

System can capture (only one) tax code at line item level. In case of changes in rate of tax during contract execution, separate line item may be created using the appropriate tax code at all the above levels after de-releasing respective documents, wherever required.

Note: Additional new field at header level to capture award value incl. of Tax (as approved by CPA) and activation of change history for this field so that complete audit trail is available, is being developed by ICE and will be intimated in due course.

Above guidelines should be meticulously followed by all concerned.

(A P Tripathi) 26/10/2020
ED-Chief MM Services

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