



*Strategic Procurement:*

*Fair Market Value  
Assessment*

*for the Canadian Foundation  
for Innovation (CFI)*

*“CFI Fair Market Value is the price an institution would normally be expected to pay in such circumstances, after normal and educational discounts, but prior to consideration of any special CFI discount that may be offered as a contribution towards a CFI-funded project.”*

# Risk Management Matrix for Funding Agencies – McMaster 2017

## Risk Management Matrix (RMM)

McMaster University exercises a ‘case by case’ risk-based approach for all CFI projects and other grant funding agencies. The department of Strategic Procurement, along with Research Finance, conduct thorough reviews and audits to ensure compliance in accordance to CFI terms and conditions. Each department evaluates the information presented and sets strategies to mitigate risk to the University. Based on the results, the level of due diligence, documentation and approval related to the Fair Market Value and In-Kind contribution assessments may be adjusted.

## Fair Market Value (FMV) Workflow

Total Purchase Order Value (net tax)	In-kind Value	CFI Quote Format	Assessment Methods			Documented FMV Assessment	Director Approval of FMV Assessment	Request a 3 <sup>rd</sup> Party Appraisal
			Market Comparison	Previous Purchases	Experience with a Supplier			
\$0.00 to \$10,000 <sup>*(1)</sup>	< \$100K	Yes	No	No	No	N/A		
\$10,001 to \$50,000	< \$100K	Yes	No	No	No	N/A		
\$50,001 to \$99,999	< \$100K	Yes	Yes *except strategic partner VOR <sup>*(2)</sup>	Yes, if no competitive quotes <sup>(2)</sup>	Yes, if no competitive quotes <sup>(2)</sup>	Fair Market Value Assessment Form	Yes	
\$100,000 or greater	\$100K > <\$500K	Yes	Yes *except strategic partner VOR <sup>*(2)</sup>	Yes, if no competitive quotes <sup>(2)</sup>	Yes, if no competitive quotes <sup>(2)</sup>	Fair Market Value Assessment Form	Yes	
\$100,000 or greater	>\$500K	Yes	Yes *except strategic partner VOR <sup>*(2)</sup> & Sole Source <sup>*(4)</sup>	Yes, if no competitive quotes <sup>(2)</sup>	Yes, if no competitive quotes <sup>(2)</sup>	Fair Market Value Assessment Form	Yes	CFI decision(3)

(1) Purchase below \$10,000.00 is on an exception basis only

(2) When there is a strategic partner VOR in place, we will not use additional assessment methods as original VOR was competitive process (purchases above \$10K).

(3) Approval from CFI is needed before a PO is issued.

(4) ACAN (Advance Contract Award Notification) posted on MERX is required before CFI decision and PO issued.

## Fair Market Value (FMV) Process

### RESEARCHERS/REQUESTERS\*:

Researchers are required to provide Strategic Procurement with the information below for all CFI quotations requiring Fair Market Value assessment. Researchers are to ensure the required 'backup' information is attached to the Purchase Requisition to address Assessment Methods with the exception of purchases requiring CFI decision items identified as: (a) In-kind above \$500K (b) In-kind above 45% (c) high-risk project

For all related Purchases researchers are required to provide information to Strategic Procurement to address the topics below. Identify any areas that are not applicable, or where information is not available. Please work with the appropriate Strategic Procurement Specialist to address the following:

- A) Price Comparison- describe discount, educational discount, etc.
- B) Technical Differences- features, specifications, strengths or weaknesses
- C) Performance Differences- features, specifications, strengths or weaknesses
- D) Supplier Reputation- long standing to McMaster, no issues, specialty products, responsiveness, reputation, experience in field
- E) Service Reputation- quick response with researchers, dedicated resources, history on campus, can met service deadlines

**\*This process will be reviewed on a yearly basis based on project experience and CFI requirements**

## Assessment Methods

### CFI Quote Format (as per CFI Policy and program guide)

Items involving in-kind contributions must be reported at the fair market value, which consists of the list price less normal or educational discounts. If the list price and the normal educational prices are the same, the supplier must provide a statement in their response to explain the rationale behind their pricing strategy such as "We do not have educational price policy":

List price

- Educational discount (offered due to its educational status)
- Normal discount (for i.e.: due to volume of purchase)
- = Fair market value (FMV) or Eligible cost
- Eligible In-kind contribution for CFI project (or contribution in-kind CIK)
- = Net selling price

### Market Comparison (RFX or Competitive Quotes)

A comparison of other quotes/proposals received through a competitive RFX process that supports useful market comparisons. Competitive quotes from

multiple vendors must be received.

Note: Consider the differences in technical features, performance or other relevant factors such as i) supplier reputation ii) service history iii) technical differences iv) performance difference when conducting the assessment as noted above in the Fair Market Value (FMV process section).

### **Previous Purchases**

When there is no competitive pricing information and when no other supplier information is available, a comparison will be completed based on previous purchases of the same or similar infrastructure item where the purchase was not related to a CFI-fund project and did not involve any in-kind contribution (eg. redacted invoices).

### **Experience with a Supplier**

Review quotes from the supplier to determine their previous normal and education discounts, and in-kind contribution percentages.

## Assessment Documentation

### **\$10,001 to \$50,000**

Strategic Procurement Management will review all documentations related to the purchase order completed by the Strategic Procurement Specialist owing the commodity. Management Sign-off will occur once all documentation is found appropriate. A Purchase Order, including a signed FMV form, will remain on-file in Strategic Procurement department.

### **\$50,001 to \$99,999**

Fair Market Value Assessment Form (FMVAF) will be completed by a Strategic Procurement Specialists using the Assessment Methods, including all supporting backup documentation.

The FMVAF assessment must be reviewed and approved (signed) by the Director of Procurement Services and forwarded to Research Finance.

### **\$100,000 and > with In-Kind < \$500,000**

Fair Market Value Assessment Form will be completed by a Strategic Procurement Specialist using the Assessment Methods with supporting backup documentation.

The FMVAF must be reviewed and approved (signed) by the Director of Strategic Procurement Services and forwarded to Research Finance.

### **\$100,000 and > with In-Kind > \$500,000**

For purchase above \$100K with \$500K or more of In-kind contributions, we will contact CFI for discussion and direction. The University will not issue a purchase order until the CFI has provided feedback and management agrees to proceed with a 3<sup>rd</sup> party appraisal. The University will issue a FMV document package to CFI for their review.

## Important Links & Contacts

Canada Foundation for Innovation - <https://www.innovation.ca/>

Forms and templates that you may need to manage your CFI-funded projects. - <https://www.innovation.ca/awards/manage-awards/forms-and-templates>

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