



# Project Implementation

# Procurement of Infrastructure

The CFI and ORF operate on the principles that:

- funds must be used effectively and economically
- all purchases follow the usual institutional tendering and purchasing policies and procedures.

# Tracking of expenditures: Key points

## 1. Foreign Currency

Foreign currency transactions must:

- Be reported in CDN dollars in financial reports, in accordance with the usual institutional policies and procedures
- Be recorded using the actual exchange rate in effect **at the time** of expenditure (at the invoice date or at the payment date) and **not** at the time of commitment (i.e. purchase order date is not acceptable)

# Tracking of expenditures: Key points

## 2. Items involving in-kind contributions

- The CFI/ORF recognize eligible items involving in-kind contributions at fair market value. There may be a request for consideration of an in-kind contribution by suppliers but the PI should not ask for a specific amount or percentage, since this is to be provided by the supplier on a voluntary basis.
- During the purchasing process, exercise careful judgment and ensure that in-kind contributions are real and properly valued.

# Key definitions

- **Fair Market Value (FMV)** – This is the agreed upon price in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and not compelled to transact
- **Normal Discount** – The discount a supplier would normally offer to an institution, taking into consideration factors such as the institution's current volume of transactions and location

# Key definitions

- **Educational Discount** – The discount offered to an institution due to its educational status
- **Net Selling Price** – The cash consideration paid or payable by the institution

# Key Definitions:

Fair

**Market Value** = List Price – Normal Discount – Educational Discount

# Key Definitions:

**Fair Market Value** = Net Selling Price + In-Kind Contribution

**In-Kind Contribution** = Fair Market Value – Net Selling Price



# In-kind Contributions from Suppliers

- To help establish the fair market value, a confirmation from the supplier is required (e.g. quote, competitive bid document, invoice or letter) of the price that would have normally been charged to the institution for the item or service (i.e. the price after normal and educational discounts but prior to any discount offered as a contribution toward the CFI/ORF-funded project).

# In-kind Contributions from Suppliers

The institution should also consider other readily available information such as:

- Other bids received as part of a competitive bid process and that provide useful market comparisons;
- Cash consideration paid in a previous purchase of the same (or similar) infrastructure item, where the purchase was not related to a CFI/ORF-funded project and did not involve an in-kind contribution
- Institution's experience with a supplier's discount structure.

# Reporting of items involving in-kind contributions

Items involving in-kind contributions must be reported at fair market value. This constitutes the eligible cost to be reported to the CFI/ORF.

Example:

<b>List price</b>	<b>\$500.00</b>
Normal discount	(\$20.00)
Education discount	(\$80.00)
<b>Fair market value</b>	<b>\$400.00</b>
CFI discount (In-kind contribution)	(\$100.00)
<b>Net selling price*</b>	<b>\$300.00</b>
*does not include taxes	

# Reporting of items involving in-kind contributions

## Taxes

- Taxes associated with the cash portion of an item involving an in-kind contribution, net of any rebate received, can be included in the eligible cost reported to the CFI.
- Taxes must not be calculated and reported for the portion of the item considered an in-kind contribution.

# Tracking of expenditures and contributions and financial records

- A verifiable audit trail must be maintained for all transactions reported, including in-kind contributions.
- Financial records must identify the various funding sources and the **full** actual cost of all eligible items (i.e. items presented in the proposal or updated budget and/or the final financial report), even if the cost of these items exceeds the budget cost.

# Eligibility Dates

- The institution is responsible for ensuring that the cash and in-kind contributions from eligible partners have been made, as well as expenditures incurred, after the eligibility date set for each fund
- Expenditures are considered to be incurred when the goods are received, services have been rendered or work has been performed.

# Tracking of expenditures and contributions and financial records

- The **Internal Budget Template** is a useful tool that should be used to track all expenditures and provides a snapshot of the activity at any given time if used continually throughout the project.
- It is important to ensure that the full matching (usually in-kind contributions) are realized, or the CFI and ORF awards will be reduced.

# Supporting Documentation

The institution must keep on file the following supporting documentation:

## Expenditures

- Purchase requisition
- Request for bids
- All bids received following a competitive bid process
- Documentation justifying an exception if a competitive bid process was not undertaken



# Supporting Documentation

## Expenditures continued....

- Summary form documenting bids received and the evaluation and rationale for selection of the successful supplier or service provider
- Purchase Order or Contract
- Receiving Document of Statement of Work Performed
- For travel costs – boarding passes (if avail) or other evidence supporting that travel has taken place

# Supporting Documentation

## Expenditures continued....

- Invoice
- Proof of Payment
- For Personnel & Construction Costs – please see Guide

# Supporting Documentation

## Contributions

- Agreement or letter confirming the amount contributed and the conditions of funding (if any)
- Proof of receipt

# Supporting Documentation

## Other

Supporting evidence of key controls in place. For example:

- Evidence of approval of purchase requisition
- Purchase order
- Receipt of goods or services
- Payment
- Review of infrastructure changes and request for prior approval
- Reconciliation of financial records and financial reports

# Changes to Infrastructure Projects

- In a small number of instances, CFI recognizes that changes to an item may be necessary (e.g. enhanced functionalities).
- Modifications to a proposed vendor or model (with similar functionalities) are acceptable without prior approval, as they do not constitute a change to the nature of the infrastructure.

# Changes to Infrastructure Projects

The sponsors allow a change or new item if all of the following criteria are met:

- Still able to complete the project as initially described in the proposal;
- Infrastructure is directly related and essential to the project;
- The change has a positive impact on the project and research objectives, and/or the proposed change will benefit the portfolio of CFI-funded projects at the institution;

# Changes to Infrastructure Projects

Criteria for changes/new items continued...

- New or replacement item constitutes an eligible cost;
- The department will be able to operate and maintain the infrastructure over its useful life and will assume all related costs.
- For new items (including increases in the quantity of an item), prior CFI approval is required only if the related cost is more than \$50,000.

# Changes to Infrastructure Projects

The sponsors require an appropriate oversight framework to ensure actual purchases are in line with the proposal.

Therefore, check with RSO staff **first** regarding any changes.



# Changes to Infrastructure Projects

- The final financial report must describe all changes from what was approved at award finalization (generally that was described in the proposal), if prior approval was not needed

Check with RSO staff in order to ensure that the change is eligible **prior** to implementing it.

# Changes with a Negative Impact

Changes that have a negative impact on a project and its research objectives are not eligible. Should this be necessary, prior approval from the CFI/ORF via the RSO must be obtained, regardless of cost implications.

Examples are:

- non-purchase or decrease in quantity of an item ;
- purchase of an item with significantly different functionalities detrimental to the research project or resulting in a significant change in scientific methodology or an overall loss of functionality

# Other Changes

Notify RSO staff if any of the following changes occur or are anticipated:

- a change in project leader;
- a change in status of any of the listed co-PIs ;
- for any reason, the project is unable to be completed or is unable to comply with award conditions.

# Differences in Total Eligible Costs from Budget

- Upon project completion, the amount of the final CFI and ORF contributions are calculated based on the actual total eligible costs incurred for the project.
- The final CFI and ORF contributions are limited to the maximum allowable share of eligible costs (typically 40%) or the maximum CFI and ORF amounts, whichever is lower.
- If the costs are higher than the budget, other sources must be identified during purchasing.