



# Determination of Responsibility of Contractors' Financial Viability Guidance and Matrix

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## 1. Financial Viability Assessment

An assessment of the financial viability, of a company, vendor, contractor, consultant, or person proposing to provide items of tangible personal property, construction, or services to PSFA or a local public body, shall (subject to RFP requirements) be performed either during the RFP process or before award of any contract/agreement or purchase order.

1. A Financial viability assessment evaluates the risk that, over the life of a proposed contract, an offeror:
  - May not be able to deliver the goods and services which are specified in the contract; or
  - May not be able to fulfil guarantees or warranties provided for in the contract.
2. Conducting financial viability assessments imposes a cost on Offerors and the District/Agency; assessments should be commensurate with the scale, scope and relative risk of the proposed project. The process for viability assessments should be conducted at an appropriate time in the proposal/bid process to minimize costs and time for both the Offeror and the District/Agency. Consequently, the timing within a procurement process and the extent of financial viability assessments should be determined on a case by case basis and not mandated on an entity-wide basis.

## 2. Risk and Financial Viability Assessment Matrix

The following table outlines the key factors that characterize low, medium and high risk projects, and should be considered when assessing each separate procurement stage in a project. The level of risk of the procurement is relevant to the nature of the financial viability assessment that should be applied.

LEVEL OF RISK	KEY FACTORS
Low Risk \$5,000.00 - \$69,999.99 <i>(See Section #3 below)</i>	<ul style="list-style-type: none"> <li>• Low strategic importance to entity</li> <li>• Low level of complexity</li> <li>• Minimal sensitivity</li> <li>• Low value</li> <li>• Short-term supply/project</li> </ul>
Moderate Risk \$70,000.00 – \$199,999.99 <i>(See Section #3 below)</i>	<ul style="list-style-type: none"> <li>• Moderate strategic importance to entity</li> <li>• Moderate level of complexity</li> <li>• Tight/inflexible delivery timeframe</li> <li>• Moderate level of sensitivity</li> <li>• Medium value</li> <li>• Medium-term supply/project</li> </ul>
High Risk \$200,000.00 + <i>(See Section #3 below)</i>	<ul style="list-style-type: none"> <li>• High strategic importance to entity</li> <li>• High level of complexity</li> <li>• Tight/mandatory delivery timeframe</li> <li>• High level of sensitivity</li> <li>• High value</li> <li>• Long-term relationship and supply</li> </ul>

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### **3. Viability Assessments: Information**

Irrespective of the level of risk, the District/Agency shall ensure that Bid/RFP request documentation enables the District/Agency to complete further financial checks. For example:

*The District/Agency, or any party authorized by the District/Agency, may perform such security, probity and financial investigations and procedures as the District/Agency may determine are necessary in relation to any Offeror, its employees, officers, partners, associates, subcontractors or related entities including consortium members and their officers, employees and subcontractors. Offerors may be required to provide access to records requested by the District/Agency or its representative/s in order to facilitate the necessary financial investigations.*

The RFP/Bid request documents will have a mechanism for excluding high financial viability risk Offerors, where risks cannot be appropriately managed. This will be in the form of a clause enabling the District/Agency to exclude Offerors on the basis of their financial viability risk, or by including risk to the District/Agency as an issue to be considered during the evaluation process, for example as part of a risk criterion or as part of an evaluation criteria.

#### **Low risk**

Where project risk is low, a full financial viability assessment may not be necessary. An Offeror's Declaration as to financial viability may be an adequate indication of the tenderer's financial viability.

#### **Moderate risk**

An Offeror's Declaration and a copy of the previous year's financial statements (audited if available) should be the minimum requirements for moderate risk projects. This should enable the District/Agency to confirm the financial soundness of the Offeror.

#### **High risk**

An Offeror's Declaration and financial statements for the previous three years should be a minimum requirement for high risk projects. If the most recent set of financial statements are more than six months old, the District/Agency could also request the most recent part year accounts (audited if available).

Reference Document: **DECLARATION & CONFIRMATION OF FISCAL VIABILITY - Form COFV-Ver. 1-2018(sm)**

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