

| Corporate Policy and Procedures | | | |
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| Policy Title: | Purchasing | Policy Number: | 501 |
| Effective Date: | June 22, 2016 | Policy Administrator: | Purchasing |

I. PURPOSE/SCOPE

This document provides Citizens' policies and procedures for the procurement of commodities and contractual services. It is the goal of Citizens to maintain an open, competitive procurement process that provides fair and equitable treatment of all persons seeking to provide commodities or contractual services to Citizens.

Citizens has established this Purchasing corporate policy (Policy) to assist employees in procuring commodities or contractual services in the most efficient and effective manner and to ensure that purchasing and contracting functions are performed in compliance with Section 627.351(6)(e), F.S. and Section 287.057, F.S.

II. POLICY

A. GENERAL RULES

1. This policy has been established with recognition that Citizens is an agency for purposes of Section 287.057, F.S., and will conduct purchases in accordance therewith.
2. This Policy applies to the purchase of all commodities or contractual services by Citizens except the following:
 - a. Those purchases specifically addressed in Citizens' Business Travel Policy;
 - b. The procurement of office space is governed by the provisions of Chapter 255, F.S.;
 - c. Services provided by trade persons or technical experts to assist a licensed adjuster in the evaluation of individual claims; and
 - d. Financial services providers and underwriters procured pursuant to Section 627.3513, F.S.
3. In implementing Section 287.057, F.S., reference is made to categories of purchases which can be found in see Section 287.017, F.S. For purposes of this policy the relevant categories from Section 287.017, F.S. are as follows:
 - a. CATEGORY TWO: \$35,000.
 - b. CATEGORY THREE: \$65,000.
 - c. CATEGORY FOUR: \$195,000.
 - d. CATEGORY FIVE: \$325,000.

4. Unless otherwise specified by law, the following purchasing requirements are applicable based upon the total value of the contract:

| Total Value of the Purchase | Purchasing Requirements |
|-----------------------------|---|
| Less than \$2,500 | Purchases must be carried out using good purchasing practices. Such practices include but are not limited to the receipt of written quotes or written records of telephone quotes. |
| \$2,500 to \$35,000 | Purchases may be made by quotes from two or more Vendors, or from informal bids to be opened upon receipt. Verbal quotes must be documented in writing by the Purchasing Officer receiving them, and this writing must document the name and address of each responding Vendor, the total amount quoted, the proposed contract terms, and any other applicable terms and conditions to the commodities or contractual services sought. The Purchasing Officer must retain all documentation for verbal quotes in the purchasing file. The Purchasing Officer shall document the conditions and circumstances used to determine the procurement method. |
| Greater than \$35,000 | Competitive Solicitation. |

5. The proposed or projected dollar amount of the purchase will determine the method of procurement. The life of the contract, including amendments and renewals, must be included when determining the dollar amount.
6. Procurements of commodities or contractual services cannot be divided or allocated to circumvent the provisions of this Policy.
7. Extension of a contract for commodities or contractual services must be in writing for a period not to exceed 6 months and is subject to the same terms and conditions set forth in the initial contract and any written amendments signed by the parties. There may be only one extension of a contract unless the failure to meet the criteria set forth in the contract for completion of the contract is due to events beyond the control of the contractor.
8. This Policy does not prohibit: (1) amending an existing contract on terms and costs more beneficial to Citizens; (2) amending an existing contract on terms and costs that are extended or increased if the amendment is approved by the Board; or (3) the renewal of a contract under the renewal terms provided by the contract.
9. Commodities or contractual services may not be received prior to the issuance of a purchase order or execution of a contract.

10. The Chairman of the Board may invite no more than a single member of the Board of Governors to serve as a Board observer for a competitive solicitation of commodities and contractual services valued at or over \$2 million. The Board observer will be provided with all documents related to the competitive solicitation and should endeavor to be present at public meetings. The Board observer may only discuss bid responses with evaluators or negotiators in a public meeting.
11. Citizens' Board members, officers, and employees may not procure, purchase, or acquire any commodities or contractual services or make any contract that conflicts with this Policy.
12. In implementing this Policy, the Provisions of Section 627.351(6)(e), F.S., will be strictly construed to promote the use of competitive procurement practices.
13. Preparation of contracts for purchases of commodities and contractual services is the joint responsibility of Legal Services and the Vendor Management Office. All contracts valued at Category Two and above must be reviewed and approved by the Legal Services Department prior to execution.

B. GENERAL RESPONSIBILITIES

The Purchasing Department is responsible for establishing, administering, and overseeing policies and procedures related to the purchase of commodities or contractual services in accordance with the Citizens' Plan of Operation and Florida statutes. The Purchasing Department is responsible for:

1. Managing the procurement of commodities or contractual services to efficiently support Citizens' operational needs;
2. Establishing ethical and efficient purchasing processes;
3. Assisting in identifying potential Vendors and providing assistance in identifying the appropriate procurement methods available to the business unit;
4. Maintaining the Purchasing Department's public records in accordance with Chapter 119, F.S., and Citizens' Records Retention Schedule;
5. Complying with all applicable public meeting requirements, posting all required procurement notices, and ensuring that they are listed on the Purchasing page of Citizens' purchasing website;
6. Ensuring purchase orders receive all required approvals prior to receipt of commodities and contractual services.

C. APPROVAL AUTHORITY

The authority specified in this section must be exercised by at least one individual with operating responsibility or oversight for the commodity or contractual service being sought. In the absence of an ELT Member with operational responsibility or oversight, the President may delegate approval and/or signing authority to another member of the business unit or to another ELT Member.

1. Approval authority levels for purchase requisitions are provided in the chart below.

| APPROVAL AUTHORITY FOR REQUISITION REQUESTS | |
|---|---------------------|
| TITLE | LIMITS |
| Manager/ Assistant Director | Less than \$2,500 |
| Director | Less than \$10,000 |
| Vice President | Less than \$35,000 |
| ELT Member | Less than \$100,000 |
| Two ELT Members | \$100,000 or more |

2. Signing authority for contracts is provided in the following chart:

| SIGNING AUTHORITY FOR CONTRACTS | |
|---------------------------------|------------------------|
| TITLE | LIMITS |
| Vice President | Less than \$35,000 |
| ELT Member | Less than \$100,000 |
| Two ELT Members | Greater than \$100,000 |

D. COMPETITIVE SOLICITATIONS

Procurements of commodities and contractual services valued at or over Category Two are subject to Section 287.057, F.S., except where they are exempt from such requirements by law. The Purchasing Department will manage the Competitive Solicitation process. This method may require approval of a corresponding concept proposal.

Competitive solicitation processes may include:

- Invitations to Bid (ITB)
- Requests for Proposals (RFP)
- Invitations to Negotiate (ITN)

1. Evaluation Process

The Purchasing Department, with input from the business unit, shall create a process for the evaluation of Vendor proposals appropriate for the commodities or contractual services being procured and coordinate the receipt and evaluation of responses to the competitive solicitation. The process must include the criteria to be evaluated and the method of evaluation, and must include pricing as a separate scored criterion. Pricing must comprise at least 20% of the total points available in the initial evaluation criteria, unless based upon adequate written justification, the Director of Purchasing approves an amount less than 20%.

2. Responsibilities Related to Competitive Solicitations

- a. The Purchasing Department will oversee all purchasing processes.
- b. The Purchasing Department will develop, coordinate, and direct the procurement process for all Competitive Solicitations.
- c. The business unit(s) will be primarily responsible for developing the technical and substantive elements of the procurement document (e.g., scope of work, deliverables, and performance criteria). Legal Services and the Vendor Management Office will provide assistance to the business unit during this process.
- d. The Purchasing Department will develop the procedural content of the procurement documents.
- e. The business unit will implement and manage the resulting contract.
- f. Legal Services may provide opinions and recommendations as to the procurement process and its staff may serve as subject matter experts in Competitive Solicitations.

3. Tied Bids

In the event a tie occurs in price and/or score between two or more Vendors during a competitive solicitation, Citizens will determine the recommended Vendor for award based upon the following criteria (listed in order of priority):

- a. All commodities or contractual services of the Vendor are manufactured / performed in Florida;
- b. The Vendor has implemented a drug-free workplace program that meets the requirements of Section 287.087, F.S.;
- c. All commodities or contractual services of the Vendor are manufactured / performed in the United States;
- d. The vendor is a foreign manufacturer with employees in Florida, as designated in Section 287.092, F.S.

If none of the above criteria resolves the tie, Citizens will conduct a coin toss to determine the recommended Vendor for award. The tied Vendors will be informed of the tie and will be provided with reasonable notice of the time and location of the coin toss, which they may attend. The Director of Purchasing or designee will ensure at least one witness is present during the coin toss and document the results.

4. Protest Procedures

Protests will be governed in accordance with Citizens' Procurement Protest Procedures.

E. OTHER STATUTORILY AUTHORIZED PROCUREMENT PROCESSES

The following procurement processes may be used when the specific conditions described below are met:

1. Emergency Purchases

Citizens may utilize the Emergency Purchases procedures in Section 287.057(3)(a), F.S., if Citizens' President determines in writing that an immediate danger to the public health, safety, or welfare or other substantial loss to the state requires emergency action. After Citizens' President signs such a written determination, Citizens may proceed with the procurement of commodities or contractual services necessitated by the immediate danger, without receiving competitive sealed bids, competitive sealed proposals, or competitive sealed replies. However, the emergency procurement must be made by obtaining pricing information from at least two prospective Vendors, which must be retained in the contract file, unless Citizens determines in writing that the time required to obtain pricing information will increase the immediate danger to the public health, safety, or welfare or other substantial loss to the state. Citizens shall furnish copies of all written determinations and any other documents relating to the emergency action to the Department of Management Services (DMS). A copy of the written statement must be furnished to the State's Chief Financial Officer with the voucher authorizing payment. The individual purchase of personal clothing, shelter, or supplies which are needed on an emergency basis to avoid institutionalization or placement in a more restrictive setting is an emergency for the purposes of this paragraph, and the filing with DMS of such statement is not required in such circumstances. In the case of the emergency purchase of insurance, the period of coverage of such insurance may not exceed 30 days, and all such emergency purchases must be reported to DMS.

2. Single Source Purchases

Citizens may utilize the Single Source procedures found in Section 287.057(3)(c), F.S. Commodities or contractual services available only from a single source may be excepted from the competitive solicitation requirements. If Citizens determines that commodities or contractual services are available only from a single source, Citizens must electronically post a description of the commodities or contractual services sought for at least 7 business days. The description must include a request that prospective Vendors provide information regarding their ability to supply the commodities or contractual services described. If it is determined in writing by Citizens, after reviewing information received from prospective Vendors that the commodities or contractual services are available only from a single source, Citizens must provide notice of its intended decision to enter a single-source purchase contract in the manner specified in s. 120.57(3).

3. DMS Approved Contract Sources

Pursuant to sections 287.056 and 287.057 F.S. Citizens may use any state term contract or alternative contract source approved for use by the Florida Department of Management Services.

4. Specific Exceptions

Sections 287.057(3)(e) and 627.351(6), F.S., identify commodities and contractual services that are not subject to competitive solicitation requirements. However, Citizens may competitively procure such commodities and contractual services.

F. CONFLICT OF INTEREST

1. In addition to Citizens' Conflict of Interest Policy, the following conflict provisions of Section 287.057 F.S., must be adhered to:

- a. Citizens will follow the standards contained in Section 287.057(17), F.S., which include:
 - i. Citizens must avoid, neutralize, or mitigate significant potential organizational conflicts of interest before a contract is awarded. If Citizens elects to mitigate the significant potential organizational conflict or conflicts of interest, an adequate mitigation plan, including organizational, physical, and electronic barriers must be developed.
 - ii. In the event a conflict cannot be avoided or mitigated, Citizens may proceed with the contract award if Citizens' President certifies that the award is in the best interests of the state. Citizens' must specify in writing the basis for the certification.
- b. Citizens may not proceed with a contract award under subparagraph a.ii. (above) if a conflict of interest is based upon the Vendor gaining an unfair competitive advantage. An unfair competitive advantage exists when the Vendor competing for the award of a contract obtained:
 - i. Access to information that is not available to the public and would assist the Vendor in obtaining the contract; or
 - ii. Source selection information that is relevant to the contract but is not available to all competitors and that would assist the Vendor in obtaining the contract.
- c. A person who receives a contract that has not been procured pursuant to Section 287.057 (1)-(3), to perform a feasibility study of the potential implementation of a subsequent contract, who participates in the drafting of a solicitation or who develops a program for future implementation, is not eligible to contract with Citizens for any other contracts dealing with that specific subject matter, and any firm in which such person has any interest is not eligible to receive such contract. However, this prohibition does not prevent a Vendor who responds to a request for information from being eligible to contract with Citizens.

2. Members of Citizens' Board of Governors and Citizens' Senior Managers are required to comply with the ethics requirements in Chapter 112, Part III.
3. Members of Citizens' Board of Governors and all Citizens' employees shall comply with Citizens' Code of Ethics and provide a completed and signed Purchasing Conflict of Interest Disclosure Form when involved in a procurement evaluation, negotiation or selection process.
4. Vendors must:
 - a. Provide a completed and signed Vendor Conflict of Interest Disclosure Form for all contracts and purchase orders with a total value of \$35,000 or more; and
 - b. Provide a completed and signed Purchasing Conflict of Interest Disclosure Form when serving on behalf of Citizens during the evaluation and/or selection process.

Conflicts of interest (potential or actual) will be referred to Citizens' Ethics Officer to determine the proper course of action. Failure to comply with the provisions established above may render the Vendor ineligible to participate in Citizens' purchasing process.

G. DIVERSITY PROGRAM

Consistent with Florida law, Citizens may implement a diversity program consistent with the practices established by the DMS. Such program may encourage expanded participation from: minority, woman-owned, service disabled veteran, and wartime veteran business enterprises.

Citizens will accept applicable certifications from federal, state or any other governmental agency or political subdivision authorized by law to certify such entities.

H. FLORIDA SMALL BUSINESS ENTERPRISES (FSBE) and FLORIDA BUSINESS ENTERPRISES (FBE).

Citizens may, at its discretion, utilize FSBE and / or FBE status as a Vendor evaluation criterion in the procurement of commodities or contractual services when the use of a Florida-based business may be beneficial for Citizens, its policyholders, or the State of Florida.

Florida Small Business Enterprises (FSBE) are independently owned and operated business concerns that have or maintain their primary corporate/home office within the State of Florida, employ 30 or fewer permanent full-time employees, and that together with their affiliates, have a net worth of not more than \$3 million and an average net income, after federal income taxes and excluding any carryover losses, of not more than \$2 million for the preceding 2 years.

Florida Business Enterprises (FBE) are businesses which have or maintain their primary corporate/home office within the State of Florida.

III. COMPLETING A PURCHASE

A. METHODS:

1. Contract

All competitive solicitations must be documented by a contract signed by authorized representatives from all parties.

2. PCard and Check Request

The PCard and check request may be utilized for payment of business and travel expenses when consistent with Policy 301, *Expenses Related to Business Travel*, Policy 302, *Purchasing Card (PCard)* and Policy 304, *Business Expenses Not Related to Business Travel*. Such purchases must also comply with the purchasing requirements of this Policy 501, *Purchasing*, specifically Section II.A.4. (above).

3. Direct Order

The direct order method allows authorized users to submit orders under an existing contract directly to Vendors. This method is primarily used for the purchase of office supplies.

4. Purchase Order

The Purchase Order method may be used by Citizens:

- a. For contracts where commodities or contractual services are authorized to be ordered by Citizens via a purchase order.
- b. For purchases from a DMS Approved Contract Source, when specifically authorized; and
- c. For purchases less than Category Two.

The Purchase Order must specify that the contract and solicitation terms and conditions are incorporated into the Purchase Order. A discrepancy must be resolved under the most favorable position to Citizens. A Purchase Order may not be used to amend or otherwise alter a contract. A Vendor may not deliver services or furnish products until Citizens transmits a Purchase Order.

B. DELIVERY VERIFICATION

As to the purchase of commodities and contractual services, the contract manager or business unit (when no contract manager is assigned) will ensure commodities and contractual services meet the requirements of the contract or purchase order and are received prior to approving invoices.

IV. DEFINITIONS

Citizens hereby incorporates the definitions found in Section 287.012, F.S. Additionally, the following definitions apply:

- A. Amendment means a document by which changes are made to the terms of an executed contract, such as an adjustment in cost, commodities, contractual services, time period, and/or method of payment.
- B. Board of Governors (BOG) means the board appointed in accordance with Section 627.351(6)(c), F.S.
- C. Contract means the legally enforceable agreement for commodities or contractual services.
- D. Contract Manager means the person, assigned by the business unit, who is responsible for enforcing performance of the contract terms and conditions.
- E. Contract Renewal means an agreement to renew a contract memorialized by contract amendment.
- F. ELT Member means the President/CEO, any executive who reports directly to President/CEO, the Chief Internal Auditor and the Inspector General.
- G. Purchase Order means a specific type of form or format used to effectuate a purchase. A purchase order may be used for purchases over Category Two when authorized by an existing Contract or State Term contract.
- H. Purchase Requisition means a formal request to procure commodities or contractual services on behalf of a business unit.
- I. Purchasing Central means the Purchasing Department's site on Citizen's intranet webpage.
- J. Vendor means a person or entity that is a party to an existing contract with Citizens or is under consideration for a contract.

V. AUTHORITY

Citizens' Plan of Operation, Section 7(A)(12)
Chapter 119, F.S.
Chapter 255, F.S.
Chapter 286, F.S.
Section 287.057, F.S.
Section 287.017, F.S.
Section 627.351(6)(e), F.S.

VI. HISTORY

| <u>Action</u> | <u>Date</u> |
|----------------|--------------------|
| Board Adoption | February 23, 2006 |
| Board Adoption | December 7, 2006 |
| Board Adoption | March 13, 2008 |
| Board Adoption | March 18, 2010 |
| Board Adoption | December 15, 2010 |
| Board Adoption | September 20, 2013 |
| Board Adoption | June 22, 2016 |

VII. RESOURCES

A. CONTACTS

Please contact Purchasing Department at Purchasing@Citizensfla.com.

B. FORMS

Evaluator Conflict of Interest Disclosure Form (501A – located on the Purchasing Portal)
Vendor Conflict of Interest Disclosure Form (501B – located on the Purchasing Portal)
Purchase Requisition Form (501C – located on the Purchasing Portal)

VIII. APPROVAL

Approved by vote of the Board of Governors at its meeting on June 22, 2016.