

To: Spencer Kraemer, Director – Purchasing
From: Patrick Lynch, Internal Audit Manager
Date: June 9, 2020
Subject: Single Bid Procurement - RFP 20-0005

Background:

Citizens' procurement requirements are established by Florida law and the Company's purchasing policy (#501). Citizens is required to comply with 287.057, Florida Statutes, which is the Florida statute governing procurement by state agencies.

A sole source procurement is defined in the Statute as, "Commodities or contractual services available from a single source may be excepted from the competitive-solicitation requirements." While a single bid procurement is defined as, "If less than two responsive bids, proposals, or replies for commodity or contractual services."

Foregoing the competitive bidding process and awarding a sole sourced or single-bid contract carries several risks if not monitored consistently. Specifically, these risks include:

- Legal action, such as lawsuits and fines, due to violation of state or federal procurement laws
- Corruption between the buyer and the seller
- Overpaying for goods and services due to non-competitive bidding
- Vendors leveraging sole source contracts to take advantage of the Company (i.e. inflating prices, unsatisfactory performance of contract)
- Less than optimal quality of service or goods due to non-competitive bidding

Objective and Scope:

To evaluate the system of internal controls surrounding single-bid procurements is adequate and appropriate for effective compliance with Company policies and Florida statute.

The scope of this audit will be specific to RFP 20-0005 *Portable Generator Rental*, which was a single-bid procurement.

Results:

Our review found that this procurement was appropriate and in compliance with State statute. The intent of this request for proposal was to select multiple vendors to create a panel of qualified resources to meet its portable generator rental needs. Citizens would assign work on a case by case basis in the event of a catastrophic event and no vendor is entitled to receive any volume of work. Additionally, we found the timeframes relevant to this RFP to be appropriate considering the limited complexity and the minimal level of service sought by Citizens.

While only a single bid was received, Audit found that over 1,000 suppliers were notified of this procurement opportunity via the State's Vendor Bid System (VBS) and individual emails. The low response rate was most likely attributable to potential suppliers not wanting to be held to their contracted rates while demand for generators increases following a catastrophic event.

Lastly, in accordance with State statute, we found adequate documentation to support reasons why Invitation to Bid (ITB) was not practical; and that Purchasing regularly notifies Department of Management Services all instances where Citizens receives less than two responsive bids, proposal, or replies.

CC: Dan Sumner, Chief Legal Officer & General Counsel
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Jason Atwood, Manager – Purchasing
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