RESOLVED, the Board of Directors hereby establishes the following policy governing all Lake of the Woods, Association, Inc. procurements and directs the General Manager to act as the Principal Procurement Agent for the Association.

SECTION 1

PURPOSE

The Procurement Policy governs decisions and activities related to competitive procurement, the purchase of goods and services, and the execution of contracts. It states the signature authority necessary to obligate the Association. It provides guidance for the procurement of capital equipment as well as labor and materials for capital projects and major repairs. These procurement policies are essential to the Association in protecting, maintaining, and enhancing company assets and in providing excellent customer service to the members.

GOVERNING DOCUMENTS

Broad procurement-related powers of the Association are established in the Articles of Incorporation. Limits of signature authority are stipulated in the Bylaws.

ROLES AND RESPONSIBILITIES

1. **Board of Directors** – The Board establishes and oversees the procurement system as part of its fiduciary responsibility to the members of the Association. The Board bases its actions on prudent, sound, and ethical business decisions that are in the best interest of the company and the membership. The Board awards contracts and sets procurement standards. The Board delegates certain responsibilities to the General Manager.

2. **General Manager and Staff** – The General Manager is authorized as the Principal Procurement Agent for the Association. The GM uses prudent, sound, and ethical business decisions to determine best value for the company and to spend the Association funds as judiciously as possible.

The GM prepares procurement policies, contracts, and purchase item recommendations for Board action based on best practices. The GM oversees the preparation of Requests for Proposals and Invitations for Bids, and executes certain contracts. The Assistant General Manager and Facilities Director provide daily guidance to the operation center managers on best practices.
The GM may authorize the Assistant General Manager, Department Directors, and Operation Center Managers to act as purchasing agents for their departments according to established limits. The AGM, Department Directors and Operation Center Managers document purchases and track expenditure of funds on a monthly basis according to budget. They gather procurement information from vendors, evaluate bids, and determine if vendors have adequate resources and a satisfactory performance record to accomplish the work. They negotiate contract terms in coordination with the General Manager. They maintain project files containing bids and contracting information.

3. **Finance Director** – The Finance Director maintains the company’s financial records of procurements, and assists the departments with proper documentation. The Finance Director documents procurement transactions according to generally accepted accounting principles (GAAP) for the annual independent audit.

4. **Finance Committee** – The Finance Committee advises the Board on procurement policy and certain large procurements, and makes recommendations for improvements that incorporate best practices for Associations. The committee considers procurement issues and makes recommendations during the annual budget review process.

**SECTION 2**

**CONTRACTS**

All contracts and purchase orders must be made in the name of the Association.

*The Board of Directors may contract for services such as professional golf maintenance, a professional security patrol group, or for any other functions or services that may be deemed to be in the best interests of the Association. (LOWA Bylaws Article V)*

Selection will be of the bid evaluated to be the **best combination of price and value** from among qualified bidders. The Association is not obligated to select the lowest bidder.

1. All contracts signed on behalf of the Association shall first be thoroughly reviewed by the General Manager and / or the Association Attorney to assure they benefit and protect the Association and its members.
2. All contracts signed shall be approved by the Board of Directors. Approval can be **Direct** (motion of the Board) or **General** (approved as part of the budget).
3. Most contracts normally are limited to one year terms and contain 30-day cancellation clauses. Two to five year contracts are permissible in justified circumstances.
SIGNATURE AUTHORITY
The General Manager or his designees have the authority to sign contracts that are $10,000 or less in value that is a part of the current fiscal year approved budget. All contracts must be made in the name of the Association. All contracts greater than $10,000 must be approved by the Board of Directors and signed by the President, Vice President or Treasurer and attested to by the Secretary of LOWA. (Bylaws Article V)

APPROVAL LEVELS
To ensure the most effective use of the Association’s financial resources, the following authorizations and bid requirements are established. Signers must confirm that all appropriate pre-approvals have been completed before signing.

<table>
<thead>
<tr>
<th>Amount of Procurement (Budgeted)</th>
<th>Minimum Number of Bids Required</th>
<th>Authorizing Officials</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $5,000</td>
<td>Optional as determined by the General Manager</td>
<td>Assistant General Manager, Department Director or Cost Center Manager</td>
</tr>
<tr>
<td>$5,000 to $10,000</td>
<td>Three</td>
<td>General Manager or Management Designee or President, Vice President or Treasurer</td>
</tr>
<tr>
<td>Over $10,000</td>
<td>Three</td>
<td>Board Approval with President, Vice President or Treasurer signature</td>
</tr>
</tbody>
</table>

DOCUMENTATION AND RECORDS RETENTION
When bids or proposals are received, the AGM, Department Director or Operation Center Manager will work in close coordination with the GM to prepare a Determination Memorandum summarizing the outreach to vendors, bids received, contract prices, budgeted amounts, and other pertinent information. The Determination Memorandum must be signed by the General Manager and kept in the Project File.

The General Manager, along with the Finance Director, shall ensure that adequately detailed records of purchases and projects files are maintained for a period after the final project entry is made as established in the LOWA Records Retention Policy.
ARCHITECT AND ENGINEERING SERVICES

If the estimated cost of a major construction project or major repair is estimated at $100,000 or more, the Association will retain the services of an architect or engineer qualified to practice in Virginia to approve project documents and monitor the project through completion and final inspection.

CHANGE ORDERS

Once a bid has been accepted and a project begun, additional expenses incurred due to unforeseen circumstances or additional work outside the original scope that will exceed the approved project budgetary authority by 10 percent or $10,000, whichever is less, must be approved by the Board with prior notice to the Finance Committee.

SUBCONTRACTING

Subcontracting is not allowed without prior written approval of the Association. When subcontracting is required, the contractor must show proof of performance of the subcontractor on similar jobs. The subcontractor’s name and duties are to be specifically detailed in contract documents. Such contract documents must include the contractor’s requirement to be responsible for and to oversee subcontractor work and protect the Association against claims and liens from the subcontractor. The GM is to inform the Board of Directors in writing when a subcontractor earning over $10,000 is employed.

INSURANCE

The General Manager and Finance Director shall determine vendor insurance requirements for contracts in coordination with the Association Insurance Agent and Association Attorney. The Association requires a Certificate of Insurance showing proof of general liability, automobile, and worker’s compensation insurance before performing onsite work. LOWA must be named as Additional Insured for general liability coverage.

REQUESTS FOR PROPOSALS AND INVITATIONS FOR BIDS

The General Manager is responsible for preparing and soliciting competitive proposals through Request for Proposals (RFPs) for professional services and through Invitation for Bids (IFBs) for major projects ($10,000 or more) or projects that are long term or complex in nature.

1. Proposals and Bids will include a detailed description of the work to be done or the product to be purchased.
2. Selection criteria, including price, along with their importance and relative weights will be included.
3. The Association will employ a subject matter expert to assist with the specifications of highly technical proposals.
4. The General Manager will approve selection criteria, outreach to vendors and schedule.

Upon completion of a major project, the project manager will conduct an after action review of the effectiveness of the RFP process to determined lessons learned for future RFPs.

SECTION 3

SOURCING

Competitive procurement is preferred in most circumstances where major purchases ($10,000 or more) are contemplated as the best way to obtain the best price and favorable terms.

Annually, as part of the budget preparation process, Department Directors and Operation Center Managers will competitively price contracts on operating supplies and materials and general budget items to help ensure the company is realizing best value.

The General Manager is authorized to deviate from this competitive procurement policy under certain circumstances:

1. The purchase is of a unique character where only one vendor might be available.
2. The purchase is deemed an emergency or time sensitive by the General Manager, and the bid process would jeopardize ongoing operations.
3. The purchase is of a routine nature and is, in the opinion of the General Manager, priced competitively and in the best interest of the company.

SOLE SOURCE PROCUREMENT

The Board recognizes that in some circumstances it is necessary and in the company’s best interest to obtain procurement without formal bids. On this basis, procurements up to $10,000 may be obtained from a sole source only if a written Sole Source Justification Memorandum is submitted to and signed by the General Manager for the project file. Sole Source purchases greater than $10,000 require the same memorandum and must be approved by the Board of Directors prior to contracting with the vendor.

EMERGENCY PROCUREMENT

The General Manager has the authority to approve an emergency procurement exceeding $3,500 per item and supply supporting documentation to the Board of Directors on a timely manner, according to the LOWA Bylaws. (Bylaws Article V)
NON BUDGETED ITEMS

Any non budgeted items or expenditures that exceed $3,500 will require Board approval with prior notice to the Finance Committee. All non-budgeted items under $3,500 will require General Manager’s approval.

PURCHASE ORDERS

The General Manager or his designees have the authority to sign purchase orders for items that are approved in the current fiscal year budget. All purchase orders must be made in the name of the Association. (Bylaws Article V)

Procurements of individual items and services for $5,000 or more from vendors, except procurements accomplished by contract, shall be on the company Purchase Order Form. POs shall also be used for store account purchases. POs may be used on other purchases as an aid for tracking expenditures. POs must include all necessary information to affect the purchase, including supplier name, address, and point of contact; agreed-to price and delivery dates; special terms and conditions; and the intended location and use of the purchase.

INVOICE PROCESSING

All check requests must supporting documentation such as a copy of the related procurement order, contract or invoice attached. All such documentation shall be signed or initialed by the Department Director or Operation Center Manager as received, in good order, and approved for payment.

BANK DEBIT CARDS AND STORE ACCOUNTS

Bank Debit Cards. Debit cards are used by certain employees to expedite the delivery of merchandise where time is of the essence. Because debit cards obligate the company immediately to pay for an item or service, they are to be used only in specific circumstances. The company prefers to set up an account and receive an invoice for services. In the age of e-purchases, this is not always possible. Debit card use is available for:

1. Small, one-time purchases such as meals, books, and parts.
2. On-line purchases where invoicing is not an option.
3. First time purchases after which an invoice will be sent by the vendor for future purchases.
4. Emergency and time sensitive purchases.

All purchases must be documented on the Debit Card Form with initialed receipts attached. All purchases must be approved by the General Manager. The approval of an authorized check signing officer of the Board of Directors is required on the form for purchases over $1,000 and for purchases of the General Manager.
The General Manager is authorized to carry a debit card. The GM, with concurrence of the Treasurer, may authorize the issuance of a limited number of cards to the Assistant General Manager, Facilities Director, and other senior staff. The Treasurer shall establish the credit limits for each card, and review bank statements.

Store Accounts. LOWA maintains store accounts with hardware stores, construction materials yards, lawn and garden centers, and office supply stores. All purchasers must be preauthorized by the Operation Center Manager and have a Purchase Order number at time of purchase. The PO number must be written on the receipt. The purchaser must hand in the receipt to the Operation Center purchase manager in a timely manner.

QUALITY MANAGEMENT SYSTEM PROCEDURES

The General Manager is responsible for establishing procurement procedures to be incorporated into the Quality Management System, and Department Directors and Operation Center Managers must adhere to QMS procedures in obtaining and awarding bids of goods and services at a competitive price.

EFFECTIVE DATE: September 18, 2013

IN WITNESS WHEREOF, I have executed this Resolution this date of September 18, 2013

LAKE OF THE WOODS ASSOCIATION, INC.

By: James R. Walsh, President

ATTEST:

I, as Secretary for Lake of the Woods Association, Inc., hereby attest that the foregoing Administrative Resolution No. 2013-6 was adopted by the Board of Directors at a duly-held and noticed Board of Directors meeting held on the September 18, 2013.

Louisa Rucker, Secretary