

**CALIFORNIA ASSOCIATION OF HEALTH UNDERWRITERS
POLICY & PROCEDURES**

POLICY TITLE: Competitive Bidding

POLICY NUMBER: 1007

DEPARTMENT COORDINATOR: Executive: Audit Committee

DATE SUBMITTED: 6-11-10

DATE APPROVED: 6-11-10

APPROVED BY: Executive Board (approved by CAHU Board August 17, 2015)

REVIEW DATE: 2017

PURPOSE: To create a bidding process for services and supplies that is transparent and fair to both CAHU and its vendors

POLICY:

- 1) Six months in advance of the scheduled termination of an existing service or supplies contract, an Audit Committee shall be created.
- 2) The purpose of this committee will be to make a recommendation to the Board of Directors (BOD) as to whether a contract should be negotiated with the vendor currently contracted to CAHU or whether bids should be requested from additional parties.
- 3) The Audit Committee will perform an audit of the vendor currently contracted with CAHU.
 - i) The committee will determine the nature and process of the audit.
 - ii) The committee will establish its own rules of conduct subject to a majority vote of the committee.
- 4) Three to four months before the termination of the contract, the Audit Committee will report back to the board its decision as to whether negotiations should begin with the existing contract holder or whether the committee should seek bids from other potential vendors.
 - i) The Audit Committee is required to provide a written report of the rationale behind its recommendation.
 - ii) Members of the Audit Committee not in agreement with the majority have the right to write and release to the BOD a minority opinion.
 - iii) While the recommendation will be made available for BOD review, individual committee member notes will be considered the private property of the committee member and those notes may be kept private by the author and not shared if that individual committee member desires.
- 5) The CAHU Board of Directors will vote to approve the audit committee's recommendation or to overturn it.
 - i) Due to the urgency of the timing when a contract is scheduled for renewal, the CAHU by-laws will be changed to explicitly state that the BOD's vote on the Audit Committee's recommendation may be completed by e-mail or teleconference.
 - ii) The decision as to the use of an e-mail or teleconference vote if needed will be solely at the discretion of the President.

Audit Committee Actions Following The Board of Directors Vote:

The Ways & Means Committee considered four possible actions that could occur once the Audit Committee's recommendation is sent to the board. Those actions are demonstrated in the following chart:

	Audit Committee Recommends No Bidding	Audit Committee Recommends Go To Bid
BOD Agrees	1) Audit Committee starts negotiations with the existing vendor	3) Audit Committee begins the open bidding process
BOD Disagrees	2) Audit Committee begins the open bidding process	4) Audit Committee starts negotiations with the existing vendor

- 1) If the Audit Committee recommends that they do not go out for bid and the Board of Directors approves, then the Audit Committee will begin good faith negotiations with the current vendor.
- 2) If the Audit Committee recommends that they do not go out for bid and the Board of Directors does not approve that recommendation, the Audit Committee will begin its work to create a Request for Proposal (RFP). The Audit Committee will determine the scope and nature of the RFP and will undertake all necessary steps that the committee sees as appropriate to complete the task. The existing contract holder will be invited to submit an RFP if they chose to do so.
- 3) In the case when the Audit Committee recommends that bids be sought and the Board agrees, the Audit Committee will begin the bidding process as described above in #2.
- 4) In the situation when the Audit Committee recommends that bids be sought and the Board disagrees, the Audit Committee will begin good faith negotiations with the existing contract holder.

The Ways and Means Committee was in consensus that a P&P could not be adequately written to specifically describe the nature of an RFP or the specific steps that an Audit Committee should take to complete its work. Too many variables would come into play and therefore, the Audit Committee should have discretion as to how it wished to function in fulfilling its task of going to bid or negotiating with an existing vendor.