

CHAPTER 12. COMPETITIVE BIDDING REQUIREMENTS

12-1.GENERAL.

- a. Open and competitive bidding is firmly established as public policy. Although Section 13 of the ACC does not require competitive bidding, insurance must be purchased in accordance with procurement standards for other services. However, it is recommended that insurance be purchased through competitive bidding. This method should prove to be most effective for HAs.
- b. 24 CFR 85.36 and 24 CFR 950 provide that procurement of services under a Federal grant must be done in accordance with the grantee's (PHAs/IHAs) procurement procedures, reflecting applicable State and local laws and regulations, provided that they conform to applicable Federal law. Section 85.36 and 24 CFR 950 require competition in all procurement transactions (including insurance). Generally, awards are to be made to the responsible firm whose proposal to provide the service is most advantageous to the program, with price and other factors considered. Factors other than price that may be considered in the procurement of insurance are continued availability of coverage and predictability of premium over the long-term. Any selection based on factors other than cost must be supported by the HAs written determination, in accordance with Section 85.36 and 24 CFR 950, that the arrangement will promote economy and efficiency, or that selection factors other than cost make selection of that entity the most advantageous to the HA.
- c. The methods of selection to be used (specified in Section 85.36(d)) include a simple and informal method for small purchases (those not exceeding a cost of \$25,000) and the competitive proposal method, as well as formal advertising.
- d. Risk protection coverage should be for a fixed term, not to exceed three years, and the HA should reassess its choice of risk protection coverage before the expiration of the term.
- e. For budgeting and accounting purposes, it is recommended that all insurance policies expire on the same date, preferably to coincide with the HA's fiscal year.

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- f. While 24 CFR 85.36 permits the procurement of services by sealed bidding (formal advertising) or by competitive proposals, the Department recommends that the PHA/IHA use

the sealed bids method for a firm-fixed price contract. The sealed bid procurement leadtime should take at least 120 days to complete. Competitive proposals, on the other hand, will add to the bidding cycle. The purchase of insurance is subject to a due date (the required effective date of the policy) and the evaluation of the bids and the award of the contract must be completed prior to the due date, Under the competitive proposal method, it is often necessary to meet with each offeror and negotiate for a price that is most advantageous to the program. This is time consuming and will extend the bidding cycle.

The following pages will concentrate on procurement through sealed bids.

12-2. WAIVER OF COMPETITION REQUIREMENTS.

Competition requirements may be waived and procurement by noncompetitive proposals may be authorized in accordance with 24 CFR Section 85.36(d) (4) (i) by the Assistant Secretary upon a determination of good cause, supported by documentation of the pertinent facts and grounds.

Note: Notwithstanding any other State or Federal law, regulation or other requirement, any public housing agency or Indian housing authority that purchases insurance from a nonprofit insurance entity, owned and controlled by public housing agencies or Indian housing authorities, and approved by HUD, may purchase such insurance without regard to competitive procurement.

12-3. COMPETITIVE BIDDING PROCEDURES.

Competitive bidding procedures involve: (1) developing timetables for the procurement process, (2) preparing the solicitation, (3) advertising the IFBs, (4) HA evaluation and award, and (5) notifying the HUD Field Office of the results of the bidding process.

NOTE: A PHA/IHA shall not employ a broker of record for the purpose of procuring insurance. Any insurance consultant, agent or broker who serves as a consultant to the HA in the drafting, advertising and/or review of IFBs shall be barred from submitting bids.

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12-4. INDIAN PREFERENCE IN THE AWARD OF CONTRACTS.

The IFB may be restricted to qualified Indian-owned enterprises and Indian organizations as provided by the Indian Self-determination and Education Assistance Act (25 U.S.C. 450e(b); 24 CFR 950.160 and 950.175).

12-5.HA TIMETABLE FOR INSURANCE PROCUREMENT.

- a. AT LEAST 120 DAYS prior to the effective date of coverage, HAs should commence the collection of data necessary for the preparation of the IFB. This data should include: (1) computer printouts of all losses from the current and prior insurance companies, (2) a computation of the current insurable values of all buildings, and (3) correct addresses and dwelling unit count for all projects.
- b. AT LEAST 90 DAYS prior to the effective date of coverage, HAs should advertise for bidders. Formal advertisements should appear once a week for two weeks and the bid opening should be set far enough in advance to enable agents/brokers to prepare bids. The advertisement is simply a notice that the HA is requesting bids. Specific information regarding the coverage, proposal format, etc. is to be obtained from the HA to avoid a lengthy advertisement.

NOTE: See Appendix Three for a sample bid advertisement.

- (1) In order to generate maximum interest from bidders, the HA may advertise in the following weekly magazines if annual insurance premiums are large enough to warrant the expense. We suggest using \$250,000 as a threshold. The smaller HA's may just wish to use the local newspaper and largest regional newspaper serving the area.

The National Underwriter
Property & Casualty Edition
175 W. Jackson Boulevard
Chicago, Illinois 60604

Fax #: 312-922-2745
Leadtime - 13 days
prior to the Monday
publication.

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Classified Advertising
Business Insurance
740 N. Rush Street
Chicago, Illinois 60611

Fax #: 312-280-3189
Lead time - 7 days
prior to the Monday
publication.

- (2) In addition to advertising for bidders, prospective bidders may be solicited from known competent insurance agents/brokers as well as from agents/brokers and companies that currently service HAs in the state. The state insurance department may also be contacted for assistance in identifying potential bidders.
- (3) HAs should mail an IFB to all who request it. The complete IFB should be ready for distribution at the time of initial advertisement.

- c. AT LEAST 20 DAYS prior to the effective date of coverage, HAS should schedule the bid opening.
- d. AT LEAST 10 DAYS prior to the effective date of coverage, HAS should make the award in writing.
- e. WITHIN 15 DAYS after the effective date of the policies or the scheduled date of initial occupancy, HAS should submit, or have the insurance company submit, certificates of insurance for review and filing to the field office.

12-6. ADDITIONAL IFB DATA.

The IFB should also set forth: (1) the deadline for receipt of bids, (2) the mailing address to which the bids shall be sent, (3) the instructions concerning the format and packaging of bids, (4) the name, address, and telephone number of a HA official who can clarify the intent of the bid request along with the deadline for requesting such clarification, and (5) the method of award.

12-7. OPTIONAL TERMS.

Only the alternate or optional terms specified in the IFB should be considered in making the award.

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12-8. HA EVALUATION OF THE IFB AND AWARD.

The award is to be made to the qualified bidder submitting the lowest responsive and responsible bid. The IHA shall apply the Indian Preference Rule in the award of insurance contracts.

When only one bid is received in response to an IFB, such bid may be considered and accepted if the HA makes a written determination that: (a) the specifications were clear and not unduly restrictive; (b) adequate competition was solicited and it could have been reasonably assumed that more than one bid would have been submitted; (c) the price is reasonable; and (d) the bid is otherwise in accordance with the IFB. Such written determination should be placed in the bid file.

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