



MEMORANDUM FOR BUREAU CHIEF PROCUREMENT OFFICERS

Irish B. Cooper

FROM: IRIS COOPER, SENIOR PROCUREMENT EXECUTIVE

SUBJECT: Usage of Reverse Auction

1. Purpose: This APU provides guidance to Bureaus on the use of reverse auction.

2. Effective Date: July 10, 2014.

3. Expiration Date: Until superseded, incorporated in the DTAP or otherwise rescinded.

4. Background: Reverse Auctions can be an appropriate acquisition tool when purchasing commodities or non-complex services. It is another tool in the contracting officer's "tool box". Since there are multiple commercial vendors¹ available providing reverse auction tools and/or services, these tools/services should be competed. Because a vendor's terms of use or similar conditions will form the rules for the procurements to be conducted, contracting officers should ensure that such terms are consistent with applicable regulations and the agency's needs prior to selecting a vendor. Furthermore, care shall be used when considering the use of reverse auction as part of the acquisition strategy. The importance of this was highlighted in a recent GAO report on Reverse Auctions (Report #GAO-14-108, dated December 2013). The report found there to be general confusion about the functions, responsibilities and use of reverse auctions, in some instances negating the intended benefits of this tool/service.

GAO found that confusion over reverse auctions was due in part to a lack of FAR guidance and in part to contracting activities' failure to fully understand and monitor the use of the tool. GAO has recommended OMB (1) take steps to amend the FAR to address agencies' use of reverse auctions and (2) issue guidance advising agencies to collect and analyze data on the level of interactive bidding and, where applicable, fees paid, to determine the cost effectiveness of using reverse auctions, and disseminate best practices from agencies on their use of reverse auctions related to maximizing competition and savings. While government-wide guidance may be forthcoming, in the interim this APU represents Treasury's guidance on when to use this tool/service.

¹GSA provides a reverse auction platform that can be used for non-complex supplies and simple services that are available on GSA schedule. Refer to the following link for a list of current GSA schedules available and additional information about how to use this tool/service: <http://reverseauctions.gsa.gov/reverseauctions/reverseauctions/>.

5. Department of the Treasury Acquisition Procedures (DTAP) Change:

a. ADD: 1007.102(a)(5) Appropriate consideration of use of reverse auction (see FAR 7.105(b)(5)(v)).

b. ADD: 1007.105(b)(5)(v) *Criteria for selecting the use of reverse auction.*

(A) *General guidance.* Reverse auctioning is an Internet-based or electronic commerce acquisition tool/service following traditional auction principles that allows the Government to procure goods and services from offerors/suppliers in a competitive and dynamic environment where the sellers successively bid prices down until the auction completes. A contract can be awarded to the winner provided it represents the best value and the rest of the offer is found to be technically acceptable. Use of reverse auctioning may not always be in the best interest of the government or fit the acquisition strategy. Prior to making a determination to use reverse auction for a particular requirement the conditions described below shall be met.

- (1) High volume, commodity type commercial items or commodity-like services (excluding A/E services and personal services), which do not need exact or lengthy specifications, are available off the shelf;
- (2) Requirements documents are well-defined, and are of low complexity or are universally understood (e.g. IT type equipment);
- (3) Solicitation documents can be standardized with respect to procedures for the auction such as cut-off time, duration, extensions, communication procedures;
- (4) There is a well-established supplier base and strong industry interest in participating in a reverse auction;
- (5) The tradeoff process is not being used nor evaluation criteria deemed by the contracting officer to be subject to significant interpretation and subjective judgment;
- (6) Performance within CONUS; and
- (7) Fixed-price contract (see [FAR 16.2](#)).

(B) *Considerations.* The following represents additional considerations to support the contracting officer's determination:

- (1) Historical use of reverse auction for the same or similar item;
- (2) How the use of a reverse auction fits into the overall acquisition strategy (e.g. time and socio-economic);
- (3) An auction starting price and target price can be reasonably determined;
- (4) Anticipated savings offset the costs (e.g. direct or indirect); and
- (5) The dollar value is sufficient to support the use.

(C) *Documentation.* If a determination is made to use reverse auction, the acquisition file must be documented to explain how the reverse auction will support the acquisition, set forth the basis of the determination, and an analysis of any direct costs (such as fees) or indirect costs associated with the use of this tool/service.

c. ADD: 8.405-1(f)(9) In the instance of the use of a reverse auction, the contracting officer should examine whether the lowest price, plus any applicable fee(s), actually results in a savings below the target price when deciding to follow through with an award. In addition, if only one response is received consider if an award is still in the best interest of the government.

d. ADD: 8.405-1(g)(5)(A) *Reverse Auction*. For instances where a reverse auction was used, the documentation in the contract file must clearly reflect that the contracting officer made all acquisition decisions throughout the procurement process, and that the role of any acquisition support contractor personnel was solely administrative and not decision-making.

e. ADD: 8.405-2(d) In the instance of the use of a reverse auction, the contracting officer should examine whether the lowest price, plus any applicable fee(s), actually results in a savings below the target price when deciding to follow through with an award. In addition, if only one response is received consider if an award is still in the best interest of the government.

f. ADD: 8.405-2(f)(9) *Reverse Auction*. For instances were a reverse auction was used, the documentation in the contract file must clearly reflect that the contracting officer made all acquisition decisions throughout the procurement process, and that the role of any acquisition support contractor personnel was solely administrative and not decision-making.

g. ADD: 1010.002(b)(1)(viii) Viability of use of reverse auction (see FAR 7.102(a)(5)).

h. ADD: 12.203(a) *Reverse Auction*. Any acquisition of reverse auction software and/or services must comply with competition requirements. To help ensure the intended benefits of reverse auctions are maximized, the contracting officer should examine whether the lowest price, plus any applicable fee(s), actually results in a savings below the target price when deciding to follow through with an award. In addition, if only one response is received consider if an award is still in the best interest of the government. For purposes of documenting the award, the contract file must clearly reflect that the contracting officer made all acquisition decisions throughout the procurement process, and that the role of any acquisition support contractor personnel was solely administrative and not decision-making.

Additional Information: Questions about this APU may be directed to Thomas O'Linn via e-mail at thomas.olinn@treasury.gov or via telephone at (202) 622-2092.