

## **Subchapter 3017.72 Reverse Auctions**

### **3017.7200 Scope.**

This subchapter establishes DHS policies and procedures on the use of reverse auctions.

### **3017.7201 Definition.**

*Reverse Auction* means a process for pricing contracts supported by an electronic tool where offerors bid down, as opposed to the traditional auction, which requires buyers to submit sequentially higher bids, the main goal of which is to drive prices downward.

### **3017.7202 General.**

(a) When properly employed, reverse auctions may have potential benefits, to include enhanced competition, price reductions, and improved procurement process efficiency for some procurements.

(b) To facilitate obtainment of these potential benefits, DHS has awarded an enterprise-wide Blanket Purchase Agreement (BPA) for a reverse auction provider. For information on that BPA, including the fees associated with its use, see the OCPO Category Management and Strategic Sourcing website (located at [http://dhsconnect.dhs.gov/org/comp/mgmt/ocpo/SSPO/Documents/Strategic%20Sourcing/SSPO%20Category%20Webpages/SSVs%20-%20IT\\_Telecom.html](http://dhsconnect.dhs.gov/org/comp/mgmt/ocpo/SSPO/Documents/Strategic%20Sourcing/SSPO%20Category%20Webpages/SSVs%20-%20IT_Telecom.html)).

(c) When using a GSA Federal Supply Schedules contract, and when an order will contain a brand name specification, FAR 8.405-1(e) requires the contracting officer to post the RFQ on e-buy along with the justification (see FAR 8.405-6).

### **3017.7203 Policy.**

(a) Because there are fees associated with conducting a reverse auction, contracting officers must confirm early in the acquisition-planning phase that the appropriate conditions exist to optimize the benefits of a reverse auction to include more robust competition, larger supplier base, and enhanced price reductions. Therefore, before conducting a reverse auction, the contracting officer shall:

(1) Confirm the product or service to be procured is suitable for a reverse auction. Products and services best suited for reverse auctions:

- (i) Are sold in a highly competitive marketplace such as commodities;
- (ii) Have specific, unambiguous specifications or work statements;
- (iii) Are products that do not require extensive customization or tailoring; and
- (iv) Are procurements that result in fixed price contracts.

- (2) Confirm through market research that there is a reasonable expectation that two or more sources will participate in an auction. Ensuring the existence of adequate competition is particularly important when conducting reverse auctions under multiple award indefinite delivery, indefinite quantity contracts where the number of sources eligible to participate in auctions is limited.
- (3) Understand all fees associated with the procurement to include fees charged by the DHS reverse auction provider (see the Reverse Auction Ordering Guide at the OCPO Category Management and Strategic Sourcing website for fee information including caps on fees) and fees charged when placing orders under another agency's vehicle, such as GSA's federal supply schedule. This evaluation ensures the whole cost of the transaction is evaluated and will allow the contracting officer to assess if a reverse auction is expected to result in overall cost savings in light of the additional fees being charged.
- (b) Include in the contract file the rationale for using a reverse auction and how its use supports the acquisition.
- (c) Comply with FAR 15.101-2(c) and DHS Acquisition Alert 20-12, Use of Lowest Price Technically Acceptable (LPTA) Procedures, when using low price technically acceptable (LPTA) selection procedures. FAR 15.101-2(c) and DHS Acquisition Alert 20-12 implement Section 880 of the FY 2019 National Defense Authorization Act that restricts the use of LPTA procedures to include prohibiting its use when procuring certain products and services. For additional guidance on the use of LPTA selection criteria see Section 3.5.2, Lowest Price Technically Acceptable Process, of the DHS Source Selection Guide (at <http://dhsconnect.dhs.gov/org/comp/mgmt/ocpo/APL/Pages/Guides&Tools.aspx>).
- (d) When using a reverse auction, contracting officers shall:
- (1) Allow for multiple rounds of bidding to strengthen competition.
  - (2) When only one source participates in the auction, consider if an award is still in the best interest of the government. If an award is made, follow the applicable one-bid procedures at HSAM 3006.102(b), HSAM 3008.404(a)(1), or HSAM 3016.505(b)(1)(iii).
  - (3) Upon concluding a reverse auction, include in the contract file the bid results and the supporting documentation provided by the reverse auction provider and identify the benefits achieved by using the tool.
- (e) In light of the fees charged, Components shall review the contractor provided auction reports at least annually to assess if reverse auctions are providing value to the organization by increasing competition, improving pricing, providing efficiencies, and promoting small business.