UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

May 16, 2012

PROCUREMENT MEMORANDUM 2012-05

ACTION

MEMORANDUM FOR: Department of Commerce, Acquisition Policy

FROM: Barry E. Berkowitz
Senior Procurement Executive and
Director for Acquisition Management

SUBJECT: First Consideration to Use FedBid Reverse Auction Service

References: Federal Acquisition Regulation (FAR) Part 1.102-4 (e), *Role of the Acquisition Team*;
FAR Part 2, *Definitions of Words and Terms*;
FAR Part 4, *Electronic Commerce in Contracting*;
FAR Part 6, *Competition Requirements*;
FAR Part 8, *Required Sources of Supplies and Services*;
FAR Part 12, *Acquisition of Commercial Items*;
FAR Part 13, *Simplified Acquisition Procedures;* and
FAR Part 19, *Small Business Programs*
Office of Federal Procurement Policy (OFPP) Memorandum, *Utilization of Commercially Available Online Procurement Services*, May 12, 2004

1. **Purpose:**

This guidance establishes agency policy and procedures for using the FedBid Reverse Auction Service tool for buying commercial item products.

2. **Effective Date:** Upon signature this will be effective.

3. **Expiration Date:** This guidance will remain in effect until cancelled or superseded.

4. **Background and Explanation:**

The Office of Acquisition Management (OAM) developed an agency enterprise contract for Reverse Auction Services to promote acquisition savings and to assist staff with their acquisition streamlining efforts. The contract was awarded to FedBid, Inc. (FedBid).

Experience with the FedBid web-based reverse auction marketplace has provided acquisition savings, increased competition, and resulted in a significant number of contract awards to small businesses. In addition to acquisition savings, employee efficiency and greater quality control are achieved. Additionally, the FedBid Reverse Auction Service provides the documentation required for end-of-year certification as well as an audit trail. Reverse auctions work best for commodity purchases where price is the primary evaluation factor and where technical evaluations are unnecessary. FedBid is not an alternative to any of the sources listed in the FAR. In fact, FedBid works in conjunction with those sources to provide buyer process efficiencies and an improved competitive process. If a buyer needs to post to FBO, for example, FedBid provides an automated data feed capability so that the combined synopsis/solicitation is automatically posted to FBO without work duplication. In addition, FedBid is an AbilityOne Strategic Partner (http://www.abilityone.gov/abilityone_program/alliances_commercial.html), working directly with the program to support its mission to create employment opportunities for the disabled.

FedBid also enables buyers to achieve significant efficiencies, documentation, competition and further savings on GSA Schedule, SEWP and other contract-based buys by being able to require all sellers to submit contract-based bids. Using the dynamic online marketplace enables sellers to submit multiple real-time bids in an automated, transparent, documented, auditable process resulting in pricing that is consistently lower than published contract pricing. This distinction in capability and approach is essential to understand, as the government's ability to obtain active competition in the reverse auction process is what delivers much of the cost savings realized on the FedBid marketplace.

5. Action Required: Contracting officers shall consider the FedBid reverse auction marketplace first when buying commercial products over the micro-purchase threshold and up to the simplified acquisition limit. FedBid Reverse Auction Service is a tool that streamlines the acquisition process.

- FedBid may be used for actions above the simplified acquisition limit as deemed applicable by the contracting officer.
- Contracting officers shall follow appropriate acquisition statutes, regulations, and policies when using the tool.
- The Reverse Auction tool can support the accomplishment of small business goals. Contracting officers shall review the small business goals for their bureau when using the tool.
- Priority shall be given to socio-economic small business classifications in which the bureau or office is currently not meeting its goal or goals.
- Contracting officers shall continue the practice of making a determination of fair and reasonable prices.
- FedBid Reverse Auctions allow buyers to re-post if they determine the initial results are not advantageous.
- Contracting officers must use discretion as to whether reverse auctioning is appropriate and can meet the competitive and source selection standards, see Attachments A and B.

- Contracting officers shall document the contract file when a determination is made not to use reverse auctioning for the purchase of commercial products.
- The Determination Not to Use FedBid Reverse Auction Service template in Attachment C may be used to provide the documentation.

This policy establishes a Departmental goal of 25% of items eligible for reverse auction, based on the value of actions, for all bureaus. The goal includes procurements below the simplified acquisition threshold and above the micro-purchase threshold. PPEO will monitor the goal for each bureau on a quarterly basis using the Reverse Auction Performance Matrix (see Attachment D) and convey the progress to the bureaus.

6. Additional Information:

Questions may be directed to Tammy Journet, Deputy Procurement Performance Excellence at (202) 482-4511 or tjournet@doc.gov

Attachments

Attachment A

Procedures for Posting Procurements on FedBid Reverse Auction Service

1. Prepare a fully developed the solicitation, documenting the minimum government requirement, without overly restrictive specifications, including all data values, item details, and any required support documents that a seller would need to respond with an offer.

2. Go to www.fedbid.com

3. If this is your first time on FedBid, register as a Buyer

4. Sign in as a Buyer

5. Enter your DOC email address and password and click "Log In"

6. Set the parameters for the buy, e.g., Buy End Date and Time, Contract Type and Payment Type, etc. **Note:** input into the "Target Price" field the lesser of the IGCE amount or lowest market research estimate from the Suggested Source, including shipping, and check the "Active Target Price" box. The exact amount must be entered. The only time the Active Target Price box should remain unchecked is when there is no funding amount or market research quote

7. Select a Category and Subcategory for the type of item being purchased

8. Input detailed line item description(s), including salient characteristics, as applicable

9. Attach any required support documents into the FedBid buy for review and acceptance by sellers who wish to bid. Do not release solicitations to FedBizOpps via C.Award: SF 18, Request for Quotation, and SF 1449, Solicitation/Contract/Order for Commercial Items, shall not be attached

10. Enter Suggested Seller information, which is the source of market research-quote; enter shipping information; and view summary data to ensure you have a complete package

11. Start reverse auction process and monitor marketplace questions and comments

12. Upon close of the competition, view bids with links to each Seller's bid detail, where the Buyer may select/accept a bid

13. View ActivityCard and About Seller features for more seller information and conduct normal pre-award due diligence

14. Make a selection, award in FedBid, and post required notices

If no bids are received through FedBid in response to a limited procurement strategy, do not cancel the buy. Instead, repost the buy and use a broader procurement strategy.

For assistance, contact FedBid Buyer Support at: buyersupport@fedbid.com or 877- 933-3243 (877.9FEDBID).

Attachment B

Reverse Auction Definitions and Guidance

DEFINITIONS:

Best Value – The expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement.

Commodity – A mass-produced unspecialized commercial item.

Change Agent –A person who takes extraordinary interest in the adoption, implementation, and success of a cause, policy, program, project, or product.

Commercial Item – Any item, other than real property, that is of a type customarily used by the general public or by non-government entities for purposes other than Governmental purposes, and has been sold, leased, or licensed to the general public, or offered for sale, lease, or licensed to the general public.

FedBid – A provider of web-based reverse auction services for procuring commercial items, satisfying competition, and publicizing requirements.

FedBizOpps – The Federal Government website that provides a single point-of-entry for commercial vendors and Federal buyers to post, search, monitor, and retrieve business opportunities solicited by the Federal contracting community.

Reverse Auction – A web-based procurement process where potential sellers compete with one another to meet a buyer's requirement. A reverse auction allows sellers to submit multiple bids until the specified time for bids has ended.

GUIDANCE:

FedBid is the provider of web-based reverse auction services for procuring commercial item products such as office equipment, tools, instruments, IT components, and software. Contracting officers and other authorized buyers shall consider the FedBid reverse auction tool first when buying commercial item products. The tool is authorized through a task order with FedBid issued under a General Services Administration Federal Supply Schedule Contract.

Contracting officers are required to document the contract file when a determination is made not to use reverse auctioning for a purchase of commercial item products. The contracting officer shall complete the Determination Not to Use FedBid Reverse Auction Service template and maintain the form in the contract file.

Only authorized buyers shall register as FedBid buyers and initiate procurement actions under the FedBid Task Order. Program office staff cannot register as buyers or initiate procurement actions in the FedBid online tool without express permission from the Deputy, Procurement Performance Excellence Office.

Attachment B

FedBid works effectively for commodity procurements where price is the most important evaluation factor.

The use of FedBid Reverse Auction Service provides for full compliance with FAR Part 13 competition standard of "maximum practicable competition" for procurements conducted under Simplified Acquisition Procedures. Contracting officers may use one or more technical factors, such as past performance, as well as price in evaluating offers. The contracting officer has broad discretion in using evaluation procedures and, pursuant to FAR Part 13, is not required to state the relative importance assigned to each evaluation factor and subfactor or even to include subfactors.

The FedBid reverse auction tool provides the following benefits to the procurement process:

- Promotes greater competition for all posted requirements by sending the solicitation to FedBid's large network of vendors for commodity buys
- Fulfills the requirement outlined in FAR 5.101(a)(2) for posting of contract actions expected to exceed $15,000 but not expected to exceed $25,000
- Fulfills the requirement outlined in FAR 5.101(a)(1) for synopsizing contract actions expected to exceed $25,000 by an automated feed to FedBizOpps
- Provides opportunity for increased small business utilization
- Buyer selects a Seller's bid only if the buyer finds it to be advantageous
- Provides business processes including enhanced auditable transaction data, improved efficiency and transparency, web-based application that can be used as a fast, effective means of completing commercial item buys anywhere with Internet access

Attachment C

Determination Not to Use FedBid Reverse Auction Service	
PR Number:	
Date:	
Bureau/Region:	
Name of Buyer:	
Customer Name:	
Customer Office:	

Brief Description of Requirement:

Rationale for Not Using FedBid for this commercial purchase *(provide additional information as necessary)*

☐ Non-commercial product *(explain)*:

☐ Complex requirements *(explain)*:

☐ Best value procurement requiring multi-faceted trade-off analysis *(explain)*:

☐ Brand name or equal not available from reverse auction marketplace vendors *(explain)*:

☐ Other *(explain)*:

☐ Other *(explain)*:

Contracting Officer's Signature: _____ Date: _____

First Consideration to Use FedBid Reverse Auction Service

Attachment D

Reverse Auction Performance Matrix

Department of Commerce

Reverse Auction Performance Matrix

Goal: 25% of Eligible Actions (Value of Actions)

Scale: Green = 25% or Greater, Yellow = Within 5% of achieving goal, Red = Less than 20% accomplishment

	Total Procurement[i]		Reverse Auction Eligible Items[ii]		Reverse Auctions Achieved[iii]		FY 2012[iv] 1st Quarter Goal Achievement (% of Value)	FY 2012[v] YTD Goal Achievement	YTD[vi] Savings		YTD[vii] % Small Business Awards
Bureau	Actions	Value of Actions	Actions	Value of Actions	Actions	Value of Actions			$$	%	
CENSUS											
NIST											
NOAA											
OS											
PTO											
DOC-Wide											

Attachment D

Reverse Auction Performance Matrix

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[i] Source: FPDS-NG. Includes all procurement actions for the quarter.

[ii] The Reverse Auction Eligible Items 'Actions' and 'Value of Actions' will be derived from the data DOC self-reports to FPDS-NG. The data will be filtered to exclude actions:

- under the micro-purchase threshold;
- that are outside the simplified acquisition threshold;
- that are identified with a service code;
- that are not Firm Fixed Price, Fixed Price;
- that are identified as modifications;
- for which Fair Opportunity was not given;
- that have less than one offer.

Any action reported to FPDS-NG is after-the-fact (the procurement is already complete). The Performance Matrix reflects actions taken to promote the use of reverse auctions (actions before the competition takes place). These actions may include: dissemination of the policy, designating a "change agent" (to champion the use of reverse auctions, monitor the implementation of the initiative, and communicate the excitement, possibilities and details of reverse auctions to others within the organization), providing training, establishment of an award program (time off, on-the-spot cash award, etc), establishment of internal bureau goals, and discussing the Performance Matrix results with staff members.

[iii] Actual reverse auction buys for the quarter recorded in FedBid.

[iv] Calculated by dividing the value of reverse auctions achieved by the value of reverse auction eligible items for the quarter.

[v] Accumulation of quarterly goal achievements.

[vi] Dollar savings calculated by subtracting the purchased price from the government estimate (PR funded amount) for each transaction. The percentage savings computed by dividing the dollars saved by the government estimate (PR funded amount) value.

[vii] Calculated by dividing the value of awards to small business entities by the total value of awards made through FedBid.