



Reverse Auctions Buyers' Reference Guide

Mississippi Department of Finance and Administration

Office of Purchasing, Travel and Fleet Management (OPTFM)

Foreword

This Reverse Auctions Buyers' Reference Guide is intended to serve as a quick reference and companion tool for the MMRS Reverse Auctions Buyers' Training Guide found here: <http://www.dfa.ms.gov/media/6244/rfqf-buyers-guide.pdf>.

When utilized together, these documents will assist agency buyers in successfully performing reverse auctions in MAGIC. If you need additional assistance or have questions about this Guide, please feel free to contact OPTFM at 601-359-3409 or PurchasingandTravel@dfa.ms.gov

Reverse Auctions

Reverse auctions are the primary method of receiving bids in the competitive sealed bidding process required by Miss. Code Ann. Section 31-7-13 (as amended). Please read the MS Procurement Manual, Section 3.106.22, in addition to this Guide before preparing to perform an Auction.

Exemptions

Not every commodity is a good candidate for reverse auctions. Factors to determine whether to use reverse auction are discussed in Section 3.106.22 of the Procurement Manual. If you think your procurement should qualify for an exemption, please complete the Reverse Auction Exemption Form found on OPTFM's website.

Additionally, Section 31-7-13 exempts contracts for design or construction of public facilities, including buildings, roads and bridges, as well as procurements made by the individual institutions of higher learning.

Bid Packet Template

Please refer to Section 3.106.22.2 of the Procurement Manual for required sections in the Bid Packet. Additionally, OPTFM has developed template language to utilize in its own procurements, which can be accessed here:

<http://www.dfa.ms.gov/media/6242/general-conditions-reverse-auction.pdf>

Prequalification of Suppliers

In order to ensure that only responsive suppliers are invited to attend the auction, Buyers should require suppliers to include specifications, literature, samples, etc. in response to the initial RFQF to determine that the supplier's product offering meets the agency's needs. Buyers should build in ample time in the procurement cycle to review and evaluate the materials submitted prior to holding the live auction event.

Conditions of Participation

Including Conditions of Participation is optional, however, can be useful in confirming that the bidder is aware of certain information when participating. For example, you might have the bidder confirm that he has read and understands all technical requirements, agrees to the rules for chatting or deletion of erroneous bids, etc.

How to Determine the Start Price for the Auction

Suppliers are required to submit a price quote with their RFQF response. Buyers should use this information in addition to independent market research to determine a start price for the auction. For example, Buyers can consider the “going rate” for the item in the free market, past award amounts for the item, the average of the prices submitted (excluding any outliers), or a combination of all of the above when determining this amount.

Length of the Auction

The average auction lasts approximately twenty (20) minutes. However, times may vary greatly depending upon the size of the procurement (i.e., number of line items, number of lots, etc.). A procurement with a few hundred items may require several hours. Sufficient time should be given to allow for adequate competition.

How to Set Bid Decrements

Bid decrements are the mechanism for guiding the bidding by predetermining the minimum amount that can be bid to unseat the lowest bidder. For example, if the lowest bid is \$25 and the bid decrement is set at \$3, only a bid of \$22 or less can be submitted. Decrements are set at the discretion of the Buyer. Depending on the value of the item, decrements could be anywhere from \$.01 to \$10,000.00. There is no hard and fast rule for determining decrement amounts, however the U.S. General Services Administration (GSA) suggests they be 2% or less of the starting price of the auction (Ex: In an auction where the starting price is \$25, GSA would recommend setting the decrement at \$.50 or lower).

Participation in Person by Supplier

If a supplier chooses to participate in the Auction in person, they must so indicate in their response to the initial RFQF so that the Buyer can have adequate personnel at the event to perform surrogate bidding. Suppliers participating in person must submit each bid during the Auction in writing, signed by someone authorized to bind the Supplier to the bid.

When to Pause or Extend an Auction

If the Buyer determines that cause exists to pause bidding, the auction time may be extended to make up for the time bidding was paused. Buyers may need to pause an auction for a variety of reasons, including but not limited to: the need to delete an

erroneous bid where the mistake is evident to the Buyer (see Section 3.106.12 of the Procurement Manual for treatment of mistakes), technical difficulties experienced by the Buyer, emergency need of the Buyer to leave the room, etc. While the bidding is paused, the time on the auction will continue to count down. When the pause is lifted, the Buyer should consider extending the auction the amount of time it was paused.

Using the Chat Feature

Buyers have the capability to broadcast messages to all suppliers (ex: that the auction will be paused or extended) or to communicate with individual bidders (ex: confirming that a bid was made erroneously, i.e. \$2.50 entered instead of \$250). Chat history will be saved in the system and should be preserved for the Procurement File.

Banning Bidders

The system provides the capability to ban bidders. Bidders may be banned for any reason they could foreseeably be removed from a public bidding event, i.e., sending threatening or abusive language to the Buyer or any other inappropriate or unlawful behavior.

Notification to Suppliers

Every vendor that responds to the RFQF should receive an email notification from the procuring agency. Qualifying Vendors should receive a notice that includes the vendor has qualified to participate in the reverse auction, the auction number, the time and date of the auction, and a reminder to verify technical requirements. Vendors that responded and did not qualify should receive a notification that includes the reason why the vendor did not qualify to participate in the reverse auction.

Line Items vs. Lots

Procurements that include multiple items must be configured correctly in order to allow vendors to submit the best possible bids. Procurements that will be awarded at the line level should have the requested items separated into individual line items. This allows bid validation rules to be applied at each line individually. Procurements that will be awarded based on a grand total for all lines should have the requested items grouped into lots. This allows bid validation rules to be applied at the lot total instead of the line item.

Sequential Bidding

Sequential bidding allows different end times for each item/lot in the auction. Sequential bidding functionality allows bidders to focus on one item at a time. The number of items in the auction should be considered when selecting the Sequential End-Time Gap.

Requesting DFA to Host Reverse Auctions

DFA can assist agencies with hosting reverse auctions on Tuesdays and Thursdays. In order to request assistance, send an email to MASH@dfa.ms.gov with the following information prior to configuring the reverse auction in MAGIC:

- RFQF number
- Proposed date and time of the reverse auction
- Number of vendors requesting surrogate bid responses to the auction
- Number of agency personnel that will be present
- Any special needs or considerations
- A brief summary as to why the agency is requesting assistance.