

# Reverse Auctions

## Frequently Asked Questions



# Background Information

- ▶ House Bill 1106 (2017) - Effective Jan. 1, 2018
- ▶ House Bill 1109 (2017) - Effective Jan. 1, 2018



# Know the Difference

| HB 1106  | HB 1109   |
|--|---|
| Requires “ <b>electronic bidding</b> ” option  | Requires “ <b>reverse auction</b> ” as primary method of bidding                |
| Secure electronic interactive system   | No definition of reverse auction  |
| Applies to commodities, equipment, and construction  | Construction exempted   |
| Cannot require participation   | Cannot require a particular type of participation (electronic, in person, etc.) |
| Population exemptions (County <20k, City<10k) and exemption where no high-speed internet available | Applies to everyone regardless of population or access to high-speed internet   |

# Question 1

- ▶ Am I required to allow electronic bidding for anything other than commodities?
- ▶ **Yes.** You must allow for electronic bidding for **construction** also, but you cannot make it mandatory (HB 1106).
- ▶ NOTE: If you receive an exemption from reverse auction for commodities and use sealed bidding, you must still allow for receipt of electronic bids.



# Question 2

- ▶ How do I allow an electronic construction bid when the law requires a COR # on envelope?
- ▶ **HB 1106** allows bidders to include copy of COR as attachment with electronic submittal

| YATES CONSTRUCTION, LLC                 |                    |
|---|--------------------|
| Record Type                             | Licensed           |
| License Number                          | 18506 -MC          |
| Address                                 | P.O.BOX 54         |
| City                                    | PHILADELPHIA       |
| State                                   | MS                 |
| Miss. County                            | NESHOB             |
| Zip                                     | 39350              |
| Phone                                   | 601-656-5411       |
| Fax                                     |                    |
| DBA Name                                |                    |
| Expiration Date                         | 07/08/2017         |
| Minority                                | No                 |
| First Issue                             | 08/09/2010         |
| Class(es)                               |                    |
| Classification                          | Qualifying Name    |
| BUILDING CONSTRUCTION                   | WILLIAM G YATES JR |
| CONSTRUCTION MANAGEMENT                 | WILLIAM G YATES JR |
| HEAVY CONSTRUCTION                      | WILLIAM G YATES JR |
| HIGHWAY, STREET AND BRIDGE CONSTRUCTION | WILLIAM G YATES JR |
| MUNICIPAL AND PUBLIC WORKS CONSTRUCTION | WILLIAM G YATES JR |
| Officers                                |                    |
| Name                                    | Title              |
| WILLIAM G YATES JR                      | PRESIDENT          |
| YATES CONSTRUCTION, LLC                 |                    |

# Question 3

- ▶ Am I required to use reverse auction for purchases if I am in a County with population under 20,000?
- ▶ Yes. The exemption due to population pertains to **electronic bidding** only.
- ▶ But, note that AG Op., *Adams* (June 1, 2018), Choctaw County School District also benefits from electronic bidding exemption because Choctaw County has less than 20,000 residents

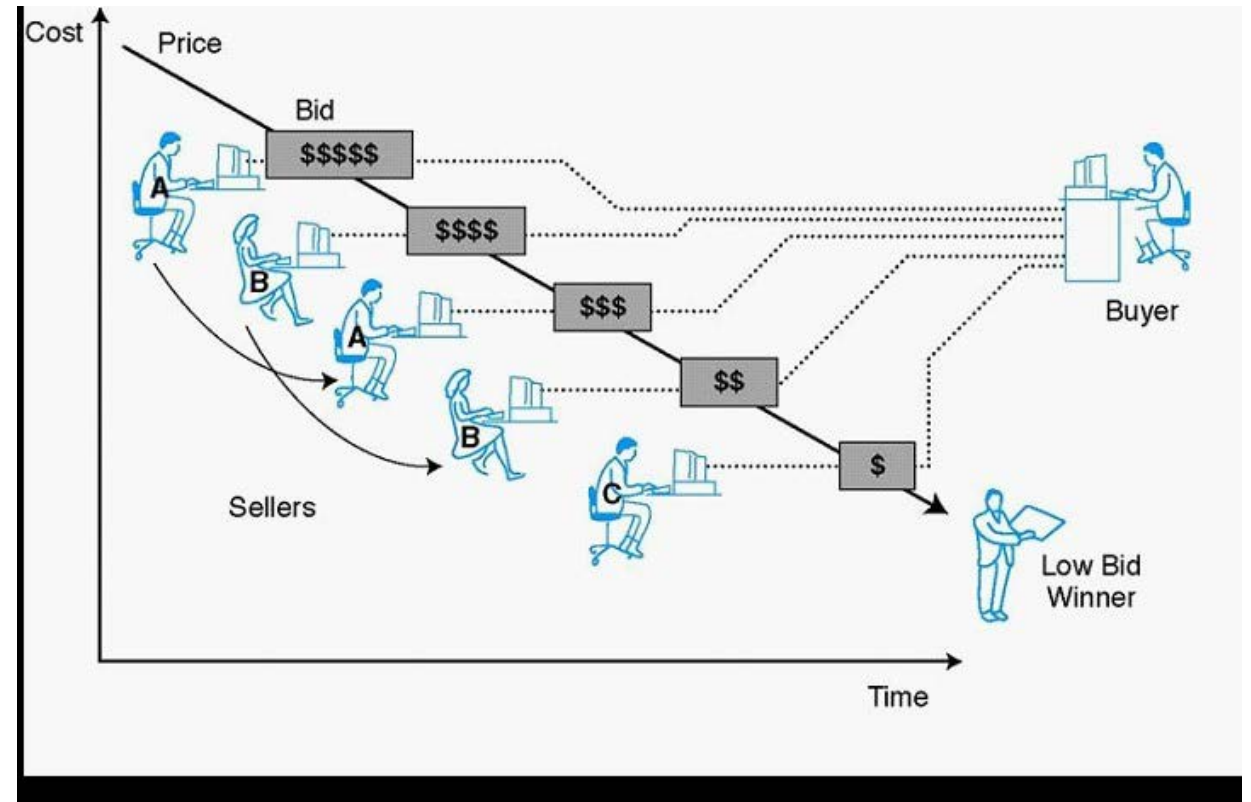




# Question 4

## ► What is a **reverse auction**?

*An online auction in which sellers bid against each other to win a buyer's business. Typically used to purchase commodities from multiple pre-qualified providers. Also referred to as eAuction.*



# Question 5

- ▶ Can I use **state contracts** through DFA and the **express products lists (EPL)** through ITS without conducting a reverse auction?
- ▶ **Yes.** These continue to be available for use by all governmental entities.





# Question 6

- ▶ Must I hold a reverse auction if I am bidding construction or services?
- ▶ **No.** Reverse auction is only to be used for the purchase of commodities or equipment over \$50,000.00.



# Question 7

- ▶ How are the vendors chosen to participate in the reverse auction?
- ▶ Advertise for bids just like you normally advertise for sealed bids. **Evaluate those responses to make sure they meet specs.** Invite only the vendors that meet specs to the auction.
- ▶ Tip: Hold pre-bid vendor conferences and don't make specs so restrictive that you limit competition.



# Question 8

- ▶ Can I hold a reverse auction with one vendor?
- ▶ **Yes.** Although not the most advantageous, there is no rule or law that says you cannot hold auction with only one vendor.



# Question 9

▶ How do we conduct a reverse auction?



▶ There is **no prescribed format**.

- Vendors must have a way of participating if they chose not to participate online.
- Must have a computer available or someone from the entity will enter the bid for the vendor.
- Reverse Auction is not required to be conducted online (in person paper bids, by telephone, etc.)
- Vendor should alert the governmental entity if they will be attending in person.

## Question 10 & 11



- ▶ How long does the average auction last?
- ▶ Depends on the commodities. Can be as short as **twenty minutes** or as long as **several days**.
- ▶ Can I negotiate with vendors after the auction?
- ▶ **No**. Once auction is completed, you have the choice of accepting the bid or cancelling the procurement.



# Question 12

- ▶ How do we get an exemption?
- ▶ “not in the best interest of the state”
- ▶ Purchasing entities must **seek PPRB approval** for exemption from using reverse auction as method of procurement.



**MS Department of Finance and Administration – Public Procurement Review Board**  
**STATE AGENCY/GOVERNING AUTHORITY**

**REVERSE AUCTION EXEMPTION FORM**



# Reverse Auction Exemption Form



MS Department of Finance and Administration – Public Procurement Review Board  
STATE AGENCY/GOVERNING AUTHORITY

## REVERSE AUCTION EXEMPTION FORM

### AGENCY/GOVERNING AUTHORITY CONTACT INFORMATION

AGENCY/GOVERNING AUTHORITY NAME: \_\_\_\_\_

AGENCY/GOVERNING AUTHORITY CONTACT PERSON: \_\_\_\_\_ PHONE: \_\_\_\_\_

AGENCY/GOVERNING AUTHORITY CONTACT EMAIL ADDRESS: \_\_\_\_\_

BRIEF COMMODITY DESCRIPTION: \_\_\_\_\_ BUREAU/DEPARTMENT CODE: \_\_\_\_\_

QUANTITY: \_\_\_\_\_ ESTIMATED COST \$: \_\_\_\_\_

PURCHASING DIRECTOR/DESIGNEE SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

PLEASE PROVIDE A DETAILED EXPLANATION WHY A REVERSE AUCTION IS NOT IN THE BEST INTEREST OF THE STATE:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PLEASE PROVIDE AN ALTERNATIVE PROCESS TO SOLICIT BIDS THAT PROMOTES OPEN COMPETITION:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### DFA USE ONLY:

APPROVED: ☐ REJECTED: ☐ APPROVED UPON CONTINGENCY: ☐ DATE: \_\_\_\_\_

NOTES: \_\_\_\_\_

- Governing Authorities must submit completed form to [PPR@DFA.MS.GOV](mailto:PPR@DFA.MS.GOV). The email subject line must contain: GOVERNING AUTHORITY NAME\_REVERSE AUCTION EXEMPTION (Ex: HINDS COUNTY\_REVERSE AUCTION EXEMPTION)
- State Agencies must use MAGIC to request an exemption. An "ONLINE" Request must be created with the Reverse Auction Exemption form attached. Link to Reverse Auction Exemption: <https://magic.dfa.ms.gov/PPR>
- All exemption requests must be submitted by the published deadline. The submission deadline schedule can be found at: <https://www.dfa.ms.gov/ppr/>

# Question 13

- ▶ How long is the exemption process?
- ▶ It is a **4 month process**.
- ▶ Examples of reasons for exemptions: multiple awards, no participation in prior auctions.



# Reverse Auction Exemptions

- ▶ Reverse Auction exemptions – Must justify why reverse auction will not work for the commodity you are purchasing.
- ▶ **Questions** – How many vendors did you notify? How many vendors have bid in the past? If you have trouble getting responses, are your specs restrictive?



# Question 14

- ▶ Can I award a contract for multiple years if I receive an exemption?
- ▶ Yes. However, if you have a multi-year contract, (example: one year with option to renew 4 additional one year periods) **you must come back to the PPRB for approval** to extend the contract.



# Question 15

- ▶ If the governmental entity wishes to spend more on the contract than was approved by PPRB, does the increase need to be approved by PPRB?
- ▶ **Yes.** Any increase in total amount or length of contract, resulting from an exemption and approved by the Board, must come back before the Board for approval.



# Question 16

Who can we hire?





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## **Mission Statement**

The Office of Purchasing, Travel and Fleet Management promotes economy and efficiency in procurement functions for governmental entities within the State of Mississippi and to provide a consistent, efficient, and cost effective fleet management program for all vehicles owned by the State of Mississippi.

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# Questions?



# Contact Information

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