

JUN 18 2013



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

**PROCUREMENT MEMORANDUM 2013-09**

**ACTION**

**MEMORANDUM FOR: BUREAU PROCUREMENT OFFICIALS  
HEADS OF CONTRACTING OFFICES**

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

**SUBJECT:** First Consideration to Use FedBid Reverse Auction Service  
(Revised)

**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. Background**

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). In Fiscal Year 2012, OAM implemented a first consideration policy for contracting officers to utilize the FedBid Reverse Auction Services tool when buying commercial products. It established a departmental goal of 25% utilization for reverse auction eligible items based on the value of actions. This Procurement Memorandum expands the policy for using FedBid first to include both commercial products and certain simple services and increases the departmental goal from 25 to 50% of eligible items.

FedBid enables buyers to achieve significant efficiencies, documentation, competition and further savings on GSA Schedule, NASA SEWP and other contract-based buys by requiring 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. Fedbid allows buyers to re-post their procurements if they determine the initial results are not advantageous. The government's ability to obtain active competition in the reverse auction process is what delivers much of the cost savings realized on the reverse auction marketplace.

**2. Purpose**

This Procurement Memorandum provides agency policy and procedures for using the FedBid Reverse Auction Services tool for buying commercial item products and simple services. It supersedes guidance

provided in Procurement Memorandum 2012-05 and increases the Department's goal for use of the FedBid Reverse Auction Service tool.

Effective immediately, the Department's goal for the use of Fedbid is 50% of the 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. However, FedBid may also be used for actions above the simplified acquisition limit as deemed appropriate by the contracting officer. The Procurement Performance Excellence Office (PPEO) within the Office of Acquisition Management 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.

### **3. Actions Required**

Contracting officers shall:

- Consider use of the Fedbid reverse auction marketplace first when buying commercial products and simple services over the micro-purchase threshold and up to the simplified acquisition limit.
- Use discretion as to whether reverse auctioning is appropriate and can meet the competitive and source selection standards, see Attachments A and B.
- Review and give priority to small business goals not currently being met by their bureau/organization, and use features in the Fedbid tool to support accomplishment of small business goals.
- Document the contract file when a determination is made not to use reverse auctioning for the purchase of commercial products and simple services over the micro-purchase threshold and up to the simplified acquisition limit. The Determination Not to Use FedBid Reverse Auction Service template in Attachment C shall be used to provide the documentation.
- Continue the practice of making a determination of fair and reasonable prices.
- Follow appropriate acquisition statutes, regulations, and policies when using Fedbid.

### **4. Effective Date**

This Procurement Memorandum is effective upon issuance and remains in effect until rescinded or superseded.

### **5. Additional Information**

Questions may be directed to Tammy Journet at (202) 482-4511 or [tjournet@doc.gov](mailto:tjournet@doc.gov)

Attachments

## Attachment A

### Procedures for Posting Procurements on FedBid Reverse Auction Service

1. Prepare a fully developed 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](http://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 quote from the Suggested Source, including shipping. 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. Include additional line items on FedBid to reflect the itemized price breakout needed for the purchase or delivery order
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, if one was received, as well as any additional seller(s) that the bureau wishes to engage; 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, assess industry feedback, 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 to include routine communication with requiring activity in cases of determining technical acceptability, etc.
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: [buversupportfedbid.com](http://buversupportfedbid.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.

**Commercial Service** — A service by which sellers are being evaluated on a firm fixed price basis, and where price is the most important evaluation factor

#### GUIDANCE:

FedBid is DOC's provider of web-based reverse auction services for procuring commercial item requirements 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 and commercial services. 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 or commercial services over the micro-purchase threshold and up to the simplified acquisition limit. The contracting officer shall complete the Determination Not to Use FedBid Reverse Auction Service template and maintain the form in the contract file, See Attachment C.

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.

FedBid works effectively for commodity procurements where price is the most important evaluation factor. Service areas where FedBid may work effectively include:

- Training Services
- Conference Services
- Maintenance Services
- Rental or lease of Equipment
- Orders with fixed rate labor hours, where the number of hours required are specified

Contracting officers should closely review the requirement and/or consult their supervisor on commercial procurements with non-standard services, more complex services requirements, best value procurements requiring a multi-faceted trade-off analysis, or procurements with complex specifications before using the reverse auction tool.

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 synopsisizing 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**

<b>Determination Not to Use FedBid Reverse Auction Service</b>	
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 <i>(provide additional information as necessary)</i>	
<input type="checkbox"/> Non-commercial product <i>(explain)</i> :	
<input type="checkbox"/> Complex requirements <i>(explain)</i> :	
<input type="checkbox"/> Best value procurement requiring multi-faceted trade-off analysis <i>(explain)</i> :	
<input type="checkbox"/> Brand name or equal not available from reverse auction marketplace vendors <i>(explain)</i> :	
<input type="checkbox"/> Other <i>(explain)</i> :	
<input type="checkbox"/> Other <i>(explain)</i> :	
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: 50% of Eligible Actions (Value of Actions)											
Scale: Green = 50% or Greater, Yellow = Within 10% of achieving goal, Red = Less than 40% accomplishment											
Bureau	Total Procurement <sup>i</sup>		Reverse Auction Eligible Items <sup>ii</sup>		Reverse Auctions Achieved <sup>iii</sup>		FY XXXX <sup>iv</sup> 1st Quarter Goal Achievement (% of Value)	FY 2012 <sup>v</sup> YTD Goal Achievement	YTD <sup>vi</sup>		
	Actions	Value of Actions	Actions	Value of Actions	Actions	Value of Actions			\$\$	%	YTD <sup>vi</sup> % Small Business Awards
CENSUS											
NIST											
NOAA											
OS											
PTO											
DOC-Wide											

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<sup>i</sup> Source: FPDS-NG. Includes all procurement actions for the quarter.

<sup>ii</sup> 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 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. Reverse Auction Eligible Items are to be inclusive of the Reverse Auctions Achieved values.

<sup>iii</sup> Actual reverse auction buys for the quarter recorded in FedBid.

<sup>iv</sup> Calculated by dividing the value of reverse auctions achieved by the value of reverse auction eligible items for the quarter.

<sup>v</sup> Accumulation of quarterly goal achievements.

<sup>vi</sup> Dollar savings calculated by subtracting the purchased price from the original funded value for each transaction. The percentage savings computed by dividing the dollars saved by the original funded value.

<sup>vii</sup> Calculated by dividing the value of awards to small business entities by the total value of awards made through FedBid.