



State Procurement Manual

Department of Administration, State Bureau of Procurement

Number
PRO-311

Section	Effective	Replaces
COMPETITIVE SOLICITATIONS	9/16/19	PRO-C-31 (9-1-17)
Title	Page	
REVERSE AUCTION	1 of 3	

SCOPE: The purpose of this policy is to establish the official procedure for obtaining approval, and subsequently conducting, a reverse auction.

POLICY: A reverse auction is a procurement method used to obtain bids for commodities or services where something is purchased from the lowest bidder (which is the “reverse” of a typical auction wherein something is sold to the highest bidder).

Reverse auctions are normally conducted via the Internet whereby bidders anonymously bid against each other for an item (or group of items) needed by an agency. The State of Wisconsin has the legal authority to conduct such events, but consideration is given to competitive bidding and reverse auctions are exceptional.

Prior to requesting approval to run a reverse auction, agencies will consider all competitive solicitation options to determine the method that is in the best interests of the state. See PRO-301, Competitive Procurement Policy.

If the State Bureau of Procurement (Bureau) approves the use of a reverse auction, it will do so in writing and the agency will follow the procedures prescribed by the Bureau.

Unlike competitive bids, there is no mandatory public opening of reverse auction responses and no mandatory public viewing of the reverse auction event. However, responses and reverse auction logs are considered public record. See PRO-105, Procurement Record Retention and Access.

Protest and appeals procedures apply to reverse auctions for contractual services valued over the official sealed bid threshold. See PRO-101, Procurement Definitions and Thresholds. The right to protest the solicitation in a reverse auction is determined by the date of the state's decision to invite/not invite a vendor to participate in a reverse auction (“invitation to participate”). See PRO-204, Contractual Services Procurement.



Legal Authority

Wis. Stats. 16.72(2)(a), (b); (4)(a); 16.75(1)(a), (b), (cm); (1m); (4); (5); (7); 16.754
Agencies Affected: All, unless otherwise noted

Authorized:
Sara Redford, Director
State Bureau of Procurement



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Section COMPETITIVE SOLICITATIONS	Effective 9/16/19	Replaces PRO-C-31 (9-1-17)
Title REVERSE AUCTION		Page 2 of 3

Legal/public notice requirements apply to reverse auctions valued over the official sealed bid threshold. See PRO-601, Legal/Public Notice.

PROCEDURE:

I. Factors for Consideration

The agency will evaluate its need using the following criteria to determine if a reverse auction is feasible. If the criteria are met, the agency will request approval to run the event from the Bureau.

- A. **Compression:** This is based on the amount of markup there is on an item relative to the value of the total lot. If there is not a substantial markup, vendors are already selling near or at cost. In this case, a reverse auction may not provide enough additional savings to justify the cost of conducting an auction.
- B. **Lot size:** This is based on how much money is at stake and how attractive the business is to prospective bidders. Presumably, a larger lot would attract a larger number of bidders, and therefore, result in better prices.
- C. **Definable quality:** Items that have defined specifications and/or have small or no differences in quality are best suited to a reverse auction.
- D. **Competitive market:** Items available from many vendors are better suited to a reverse auction than items for which there are only one or two suppliers.

II. Bureau Approval

- A. If the Bureau concurs that a reverse auction is appropriate, the Bureau will work with the agency to plan and conduct the process.



Legal Authority

Wis. Stats. 16.72(2)(a), (b); (4)(a); 16.75(1)(a), (b), (cm); (1m); (4); (5); (7); 16.754
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Section	Effective	Replaces
COMPETITIVE SOLICITATIONS	9/16/19	PRO-C-31 (9-1-17)
Title	Page	
REVERSE AUCTION	3 of 3	

- B. Clarifications, negotiations, and acceptance of all specifications, requirements, terms and conditions, etc. will occur before the state decides whether to invite a vendor to the reverse auction. After the reverse auction, the state may permit changes only with the limitation that the change(s) do not alter the scope or content of the original solicitation to a degree that will affect the justification that was used to eliminate other vendors from being invited to the reverse auction.
- C. The state will notify responding vendors as to whether they are invited to the reverse auction. The state will not disclose to the public or other vendors, the names of the vendors that have been invited to the reverse auction until after the reverse auction has occurred.
- D. No surrogate bidding is allowed.
- E. The state must approve any re-opening of an auction after it has been closed.

