

GAO Highlights

Highlights of [GAO-18-446](#), a report to congressional requesters

Why GAO Did This Study

Reverse auctions are intended to result in enhanced competition, lower prices, and reduced acquisition costs. GAO has previously found that agencies did not maximize these benefits.

GAO was asked to review federal agencies' use of reverse auctions. This report examines (1) the use of reverse auctions and the extent to which selected agencies achieved benefits, such as competition; and (2) the extent to which selected agencies had insight into reverse auction fees.

GAO collected and analyzed data on federal agencies' use of reverse auctions from fiscal years 2013 to 2017. For five of the largest users of reverse auctions—the Departments of the Army, Homeland Security, Interior, Navy, and State—GAO reviewed documentation for 40 auctions that resulted in contract awards in fiscal year 2016 (the most recent data available when the review began), and that were selected to obtain a mix of dollar values and levels of competition, among other factors. GAO also interviewed contracting officials and analyzed agency guidance.

What GAO Recommends

GAO is making a total of 21 recommendations to the five agencies in GAO's review, including that agencies inform contracting officials about fees to better compare available provider options. Defense, State, and Interior concurred with this recommendation. DHS did not, stating that contracting officials should obtain this knowledge during market research. GAO believes managing this information centrally could eliminate confusion and minimize duplicate efforts.

View [GAO-18-446](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or tinapoli@gao.gov.

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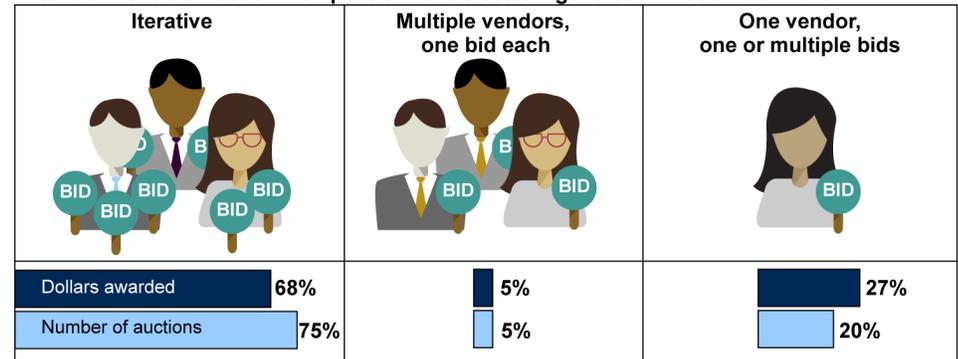
REVERSE AUCTIONS

Additional Guidance Could Help Increase Benefits and Reduce Fees

What GAO Found

Federal agencies' use of reverse auctions—a process where vendors bid against each other with lower prices to win government contracts—declined between fiscal years 2013 and 2017, from about 34,000 to 19,000 auctions valued at about \$1.9 billion and \$1.5 billion, respectively. In fiscal year 2016, the year GAO studied in detail, nearly three-quarters of auctions at the agencies GAO reviewed resulted in iterative bidding—when there are multiple bidders and at least one bidder submits more than one bid during the auction (see figure).

Extent of Reverse Auction Competition for Selected Agencies in Fiscal Year 2016



Source: GAO analysis of Compusearch, FedBid, and General Services Administration data. | GAO-18-446

Contracting officers said reverse auctions reduce administrative burden, especially during peak contracting times. Reverse auctions data indicate that selected agencies may have saved more than \$100 million in 2016.

The five agencies GAO reviewed indirectly paid about \$13 million in fees to reverse auction providers through awardees in 2016. However, 28 of the 30 contracting officials GAO interviewed did not fully understand how fees were set. Further, in 2016, agencies GAO reviewed indirectly paid approximately \$3 million in fees for reverse auctions for which a fee-free alternative was likely available. None of the guidance GAO reviewed provided sufficient information for contracting officers to assess the appropriateness of these fees (see table). Without better information, contracting officials may be offsetting potential savings by paying more in fees than necessary for the level of services required.

GAO Assessment of Reverse Auction Guidance at Selected Agencies

Agency	Addresses contracting officials' role in understanding and assessing fees	Details fee structure for reverse auction platforms used by the agency	Requires or suggests consideration of fee-free options when appropriate
Army	●	◐	◐
Navy	○	◐	◐
Homeland Security	●	○	○
Interior	●	○	○
State	○	○	○

Legend: ● = addressed in agency guidance; ◐ = partially addressed in agency guidance or addressed only for one or more agency components; ○ = not addressed in agency or component guidance

Source: GAO analysis of agency guidance. | GAO-18-446