



Jim Haining &lt;jhaining@gmail.com&gt;

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**FROM MIKE GIFFORD: My thoughts as to Reverse Auctions.**

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To: jhaining@gmail.com

Mon, Jul 10, 2017 at 11:28 AM



Housing Agency Procurement Assistance

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Dear Procurement Professionals,

I have received a number of calls from folks informing me that there are a number of companies trying to "sell" their Agency on the advantages of Reverse Auctions and their software that conducts such.

If you are unsure as to what a Reverse Auction is, Wikipedia has what I believe to be an excellent description. Basically, if you were to conduct a Reverse Auction for Unit Inspection Services, you would accept, typically online, proposed costs from bidders, and the bidders will be able to see the other offers and propose a cost to "beat" the previous costs proposed (typically, the bidder would give a cost just under or less than the latest offer). This keeps going until no one will give a better cost, then that lowest cost proposed is the winning bidder.

As to HUD procurement regulations, there is one huge problem with this method of procurement--please see the following citation from Section 7.2.P.6 of HUD Procurement Handbook 7460.8 REV 2, wherein it states within the last sentence: "'Auctioning' (revealing one offeror's price in an attempt to get another offeror to lower their price) is prohibited." Accordingly, Reverse Auctions are not allowed by HUD.

Even if Reverse Auctions were allowed (which they are NOT), I am not convinced that Reverse Auctions are effective. It is my opinion (e.g. not a proven fact) that contractors tend to bid too low to get the work, then hope to increase their costs through change orders.

In conclusion, I am not a fan of Reverse Auctions. This opinion does not necessarily apply to companies that sell Reverse Auction software (I do not give recommendations or opinions--negative or positive--pertaining to companies or vendors), just to the Reverse Auction method of procurement.

I hope that this helps.

Regards,

**Michael S. Gifford, C.P.M., CPSD**  
*Housing Agency Procurement Assistance*

I have a consulting practice providing procurement- and contracts-related mentoring, training, and technical assistance to housing agencies. I help housing agencies conduct procurement and contracts in a HUD-compliant and "best practice" manner. [Click here](#) to see my full resume. Please do not hesitate to contact me if you have any questions or concerns pertaining to procurement and contracts (initial answering of questions is "no charge"). As I am either on-the-road or on the phone a lot, an initial contact by e-mail is best; please be sure to include your return telephone number (office/cellular) so that I can call you back.

7/10/2017

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