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eProcurement: Chapter 30B  
and Online Auctions

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## ***eProcurement: Chapter 30B and Online Auctions***

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This advisory provides guidance on disposing of surplus supplies through online auctions while complying with Massachusetts General Law Chapter 30B, the Uniform Procurement Act. Chapter 30B, §15 requires local governments to use a sealed bid or an auction process for the disposition of tangible supplies with a resale or salvage value of \$5,000 or more.

The Office of the Inspector General was recently asked if an online auction service, such as eBay, would satisfy the auction requirement of Chapter 30B, §15. It is the opinion of the Inspector General that an online auction service does satisfy the auction requirement of Chapter 30B, §15, when the awarding authority fully complies with all other Chapter 30B, §15 requirements.

Chapter 30B, §15 requires that notice of the sale of a surplus supply by auction must comply with the advertising procedures set forth in Chapter 30B, §5(c). When disposing of surplus supplies, local governments must advertise the auction at least once in a newspaper of general circulation, not less than two weeks before the auction date; post a notice of the auction in a conspicuous place, for instance, a bulletin board in your town or city hall or in your government office, for at least two weeks before the auction date; and for supplies with a resale or salvage value of \$100,000 or more, the local government must advertise in the “Goods and Services Bulletin,” which is published by the Secretary of State. The advertisement and notice must indicate the supply offered for sale, designate the location and method for inspection of such supply, state the terms and conditions of the sale, including the place, date and time for the auction, and state that the governmental body reserves the right to reject any and all bids. The advertisement should reference the auction website, such as [www.ebay.com](http://www.ebay.com), and indicate the opening and closing dates of the auction, as well as any key words or auction number that could be used to locate the item on the website. You may also want to use the following language in your notice: “Inspection of supplies may be done either (1) photographically at the web address above or (2) in person by visiting the

[awarding authority's office] on [specific date and time]." You should be liberal in providing photographs on the website to allow for inspection.

It is important to note that some online auction services charge a fee for the auction. If the fee will cost more than \$5,000 but less than \$25,000 you will be required to solicit three oral or written price quotations for the auction services. If the fee will cost \$25,000 or more, you must issue an invitation for bids or a request for proposals. In most instances auction fees are between 1 percent and 2 percent of the final sale. For example, if you estimate in advance that your final sale will be \$250,000 and the auction fee is 2 percent, then the auction fee will be estimated to cost \$5,000, just meeting the threshold for soliciting three quotes.

An example of how the use of online auctions is beneficial for your local government can be found in the November 30, 2003 *Boston Globe* article entitled, "Forget book sales; libraries find eBay." The article discusses how public libraries, including the Boston Public Library, have been selling books through online auctions in addition to, or instead of, traditional book sales. Where as in traditional book sales a book may sell for \$1, books online can sell for between \$15 and \$500. For instance, in 11 months, the Friends of the Boston Public Library raised \$10,000 selling 6,000 books online.

Many local governments throughout the country utilize online auctions to sell surplus supplies from gardening tools to computers to vehicles. The State of Illinois auction web site, <http://ibid.illinois.gov/> is a good example. The Village of Irvington in New York State also sells its surplus supplies on eBay, see <http://www.ci.irvington.ny.us/news.asp?action=detail&article=375&category>. Local governments not only sell their surplus supplies, but some also use online auction services to sell seized and confiscated tangible property as well. Furthermore, eBay's online auction has information specifically tailored for local governments that want to sell surplus supplies through its services. EBay's information is located at <http://pages.ebay.com/governmentsurplus/index.html>. For other examples of online auctions go to [www.firstgov.gov/shopping/supplies/supplies.shtml](http://www.firstgov.gov/shopping/supplies/supplies.shtml).

If you need assistance selling your items, private businesses will sell items for you through online auctions. These trading assistants will take pictures and write detailed descriptions of the items, and handle shipping, payment and customer service. When calculating the fee that you will be required to pay a trading assistant, you must first calculate the anticipated fee for the services which is usually a percentage of the final sale, to determine if you must use sound business practices or solicit bids or quotes for the trading assistant's services.

As there is strong evidence that online auctions may significantly increase revenue, it is the opinion of the Inspector General that local governments may choose to benefit financially by using online auctions when disposing of surplus supplies provided that they follow the requirements set forth in Chapter 30B, §§5(c) and 15.