

new or similar replacement item. It is the only way we have, generally speaking, of getting the property sold. It is the normal procedure of selling. It is not regarded as surplus.

Mr. COPENHAVER. Going back to this truck sale you referred to earlier, \$475 and the \$75 bid, that was presumably, as you say, competitive bidding on the exchange aspect of it. Presumably, more than one company was solicited for the value they would give you on these trucks in exchange for new trucks. And I presume—of course, you would not know specifically for all matters, but on this truck deal presumably the installation, the service officer in charge of the exchange/sale would have had to check with the surplus disposal officer for his branch, is that correct, to see what the value of the truck would have been if it was sold.

Colonel DAVID. An evaluation was made of all the trucks. Originally we were going to repair these vehicles. When we found out that we could get more in trade-in and buy a brandnew vehicle for about the cost of an overhauled one, the exchange/sale trade-in procedure was adopted. An evaluation was made of all the various vehicles around the country located at post camps and stations, and were turned in on a one-for-one basis. We told the company, Here is a vehicle at Camp Pendleton, or wherever the station may be, and at that time the vehicle was transferred over to the contractor as part of the exchange/sale.

Mr. COPENHAVER. Well, perhaps I did not make my point clear. On the second go-around you were only offered \$75 for the trucks on the exchange end of it, and you said that Mr. Morris said, No, go on that bid, right?

Colonel DAVID. That is right.

Mr. COPENHAVER. But did you also seek to find out what the surplus sale of the item would be, whether it was higher and could be moved over to the surplus officer for sale?

Colonel DAVID. For the \$75 vehicle?

Mr. COPENHAVER. Yes.

Colonel DAVID. The \$75 vehicles were determined to be no more than scrap. This was why the price was \$75, but the vehicles were eventually turned over to the PDO, for processing as DOD excess. If they did survive utilization screening and were not donated, then they were eventually sold. The proceeds in this particular case were not given back to the exchange/sale account because the vehicles were sold as surplus.

Mr. MONAGAN. Colonel, I had not read Mr. Riley's statement before. I just had an opportunity to look at the last paragraph. And since he is not here, I call it to your attention. It says:

It has been brought to GSA's attention that military services may have in some instances interpreted the exemption authority more broadly than was intended by GSA. We have, however, received no formal notification to this effect. Upon receipt of such notification, we will investigate the alleged misinterpretations, and if they are substantiated, corrective action will be taken.

I think that is a little on the stiff side. We are all involved in this thing. We are all involved in seeing that the regulations are carried out properly, and I hope that you do not have to have a grand jury proceeding or an indictment before you adjust the procedures here.

Colonel DAVID. I do not believe, Mr. Chairman, that Mr. Riley intended to be stern about this alleged situation.