



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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B-171563

MAR 10 1971

[Sale of Surplus Government-owned Milling Machine]

Dear Senator <sup>William</sup> Proxmire:

On December 13, 1970, you sent us a letter from Mr. Vincent P. Reusing which questioned the propriety of the sale of a surplus Government-owned Cincinnati Hydrotel #28-60 milling machine by the Southern Electronic Engineering Company. You requested that we make a preliminary examination into the situation to determine if it warrants an extensive investigation.

DLG 02470

We discussed this sale with Southern Electronic Engineering Company, the selling agent; the Defense Contract Administration Services Region, Atlanta, which was responsible for administering the sale; Department of Defense officials; Mr. Michael P. Reusing of Tucker Tool and Dye Company; and Mr. Vincent P. Reusing of New York. We reviewed surplus sales regulations and instructions and the bidding and sales records pertinent to this case.

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The milling machine was manufactured by the Cincinnati Milling and Grinding Machine Company and cost \$49,279. Although the property record showed 1953 as the date of manufacture, Southern Electronic Engineering Company advised us that the machine was actually manufactured in 1946 or 1947. They stated that this type of machine, which traces or mills according to patterns, is no longer manufactured. Newer models use tapes for milling operations. They stated that the machine was no longer dependable for milling and had been used only for drilling holes. According to the property records, repairing, rebuilding or overhauling the machine would cost \$35,000.

DLG 02472

On April 3, 1970, the Defense Industrial Plant Equipment Center, which controls all Government-owned idle industrial equipment in the hands of defense contractors, authorized the Defense Contract Administration Services Region, Atlanta, to dispose of the milling machine locally. On July 22, 1970, Southern Electronic Engineering Company was advised to sell the milling machine using formal bid procedures provided in Armed Services Procurement Regulation (Para. 24.206.2).

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The bidders' list furnished to Southern Electronic Engineering Company contained the names of 16 firms throughout the United States which previously had shown interest in buying surplus machinery.

On September 30, 1970, Southern Electronic Engineering Company requested bids from all the firms on the list plus two others. Neither Square Service Corporation, the successful bidder, nor Tucker Tool and Die Company were on the bidders' list--they apparently learned about the sale through other channels.

The invitation for bids specified that sealed bids would be opened at 4:30 p.m., on October 19, 1970, and that a bid deposit equal to 20 percent of the bid price was required with each bid. Southern Electronic Engineering Company representatives opened the sealed bids on October 19, 1970, in the presence of a Government representative, who witnessed the bid opening and signed the abstract of bids, as required by the Armed Services Procurement Regulation. According to the bid abstract, the following responses were received.

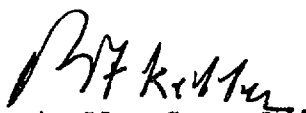
<u>Company</u>	<u>Response</u>
Mickleburgh Machinery Company, Inc., Pennsylvania	No bid
Campbell-Sorensen, Michigan	\$2,086
Square Service Corporation, New Jersey	\$2,180
The Tumpane Company of Georgia	\$1,720
Machinery Systems Corporation, New York	No bid

A representative from Campbell-Sorensen, the second highest bidder, was also present at the bid opening.

On October 21, 1970, an official of the Defense Contract Administration Services Region, Atlanta, approved the sale to the highest bidder, the Square Service Corporation. A representative of Square Service Corporation took delivery of the milling machine on October 26, 1970. The net proceeds of the sale were received on October 28, 1970.

In our opinion, the sale was conducted in accordance with Government regulations and was made to the highest bidder. In accordance with discussions with your office, we plan no further work on this case.

Sincerely yours,

  
Assistant Comptroller General  
of the United States

The Honorable William Proxmire  
United States Senate