were also advised of various procedural changes to preclude recurrence of conditions we found, which had been made subsequent to our review.

Generally, we believe that the Air Force has established an effective program for obtaining needed parts from engines being disposed of. The importance of the program is emphasized in Air Force regulations, and application of existing procedures has resulted in substantial dollar savings each year from reclamation. Our review showed, however, that failure to reclaim even a relatively few parts which are needed can result in substantial losses which, we believe can be avoided. We believe also that the action taken by the Air Force as a result of our review will further improve existing procedures and that, if effectively implemented and enforced, these improved procedures should help prevent recurrence of the type of deficiencies identified during our review.

[Index No. 38—B-114878, May 31, 1966]

Preferential Allowances Paid to Certain Contractor Employees at the Hanford Works, Richland, Wash., Atomic Energy Commission

Shortly after assuming operation of the Hanford Works in September 1946, the General Electric Company determined that the existing wage rate structure for certain craft and clerical positions was not equitable. Therefore, General Electric proposed in May 1948 and, with subsequent Commission approval, adopted a new wage structure designed to eliminate the inequities. The preferential allowance was adopted in conjunction with the wage structure realignment because General Electric considered it inadvisable to reduce the total wages of about 3,400 employees receiving wages at rates higher than the rates established under the wage realignment. General Electric expressed the belief that the preferential allowances would be eliminated over a period of time by upgrading, transfers to higher rated jobs, and usual personnel turnover. No specific or determinable time limit was placed on the payment of the preferential allowances, and, as of February 1, 1965, 146 employees were still receiving the allowance which totaled about $55,000 annually.

Our review showed that, within 3 years after the new wage structure became effective, the basic wage rates for most affected job classifications had, through general wage increases, equaled or exceeded the previous basic wage rates. Not only was the preferential allowance retained after the new basic rates were raised above the previous rates, but it also was increased as basic wage rates were increased.

We believe that the continued payment of the allowance, which was designed to mitigate the economic consequences of the wage structure realignment, has resulted in a misalignment of pay at the Hanford Works, thus violating the basic principle of equal pay for substantially equal work. We believe also that, because a specific or determinable time limit was not established when the allowance was approved, the Government continues to incur inequitable wage costs.

General Electric is withdrawing as the operating contractor at the Hanford Works, and, under a program of diversification announced