



**Statement of Curtis W. Copeland  
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**Before**

**The Committee on Oversight and Government Reform  
Subcommittee on Federal Workforce, Postal Service, and the District of Columbia  
House of Representatives**

**and**

**The Committee on Homeland Security and Governmental Affairs  
Subcommittee on Oversight of Government Management, the Federal Workforce  
and the District of Columbia  
United States Senate**

**May 22, 2007**

**on**

**“GAO Personnel Reform: Does It Meet Expectations?”**

Chairman Davis, Chairman Akaka, and Members of the Subcommittees:

My name is Curtis Copeland. I am here today to discuss certain issues related to the implementation of the new pay system at the Government Accountability Office (GAO). As requested pursuant to discussions with your staff, my testimony focuses on four issues: (1) whether the Comptroller General said during Congress’s deliberations on the GAO Human Capital Reform Act of 2004 (P.L. 108-271) that GAO employees who “met expectations” would receive annual cost-of-living adjustments; (2) whether all of those employees received those adjustments; (3) the financial implications of the Comptroller General’s decisions for GAO employees; and (4) whether a pay study conducted for GAO by the Watson Wyatt Worldwide consulting firm indicated that GAO employees were overpaid in comparison to the relevant labor market.

Before addressing those issues, I should begin by disclosing that I worked at GAO for more than 23 years — from September 1980 until January 2004. I moved to CRS more than six months before the GAO Human Capital Reform Act of 2004 was enacted. At GAO, I worked on a variety of issues, including civil service reform, ethics, and most recently, regulatory reform. At CRS, I am the head of the Executive Branch Operations Section within the Government and Finance Division, which includes civil service issues within its areas of coverage.

## **Annual Pay Adjustments and “Meets Expectation” Ratings**

With regard to the first issue that CRS was asked to address, the record indicates that the Comptroller General stated on several occasions during the deliberations on the GAO Human Capital Reform Act that GAO employees who performed at or above a “meets expectations” level on all relevant ratings dimensions would receive annual adjustments to their base pay. These statements were made in writing and orally to congressional committees, individual Members, and GAO employees. For example:

- At a July 16, 2003, hearing on GAO's human capital reform proposal before the House Government Reform Committee's Subcommittee on Civil Service and Agency Organization, the Comptroller General said in his written statement that, in developing the proposal, GAO's Executive Committee had adopted several recommendations from GAO employees, one of which was “the commitment to guarantee annual across the board purchase power protection and to address locality pay considerations to all employees rated as performing at a satisfactory level or above (i.e., meeting expectations or above) absent extraordinary economic circumstances or severe budgetary constraints.” He went on to say that GAO planned to satisfy that commitment through a GAO Order rather than through legislative language, and that he had “committed to our employees that I would include this guarantee in my statement here today so that it could be included as part of the legislative record.”<sup>1</sup> Later in his written statement, the Comptroller General reiterated that “if GAO is granted this authority, all GAO employees who perform at a satisfactory level will receive an annual base pay adjustment composed of purchase power protection and locality based pay increases absent extraordinary economic conditions or severe budgetary constraints.”<sup>2</sup> A table included in the appendix to the Comptroller General's written statement said the annual across-the-board increase to base pay would be provided “for all satisfactory performers.” A footnote to the table said that, “absent extraordinary economic conditions or serious budgetary constraints, all GAO staff rated as performing at a satisfactory level (i.e., meeting expectations or higher) can expect to receive at a minimum an annual adjustment designed to protect purchasing power (e.g.,

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<sup>1</sup> U.S. General Accounting Office, *GAO: Additional Human Capital Flexibilities Are Needed*, GAO-03-1024T (July 16, 2003), p. 10, available at [<http://www.gao.gov/new.items/d031024t.pdf>].

<sup>2</sup> *Ibid.*, p. 17.

the Consumer Price Index) and address differences in compensation ranges by localities.”<sup>3</sup>

- In response to a question from Representative Chris Van Hollen at the July 16, 2003, hearing, the Comptroller General said, “I have made it clear that, as long as employees are performing at the meets expectation level or better, then they will be protected against inflation.” He said the only exception would be “extraordinary economic conditions, like deflation or hyperinflation or serious budgetary constraints.”<sup>4</sup> Representative Van Hollen then said, “Let me make sure I understand what you were just saying. You have provided an assurance that except under extraordinarily bad budget scenarios, for example, a situation much worse than anything we’re encountering even today, and things are pretty bad today — that you would assure that employees who are meeting the minimal expectation would receive a COLA and locality pay; is that right?” The Comptroller General then said, “Yes, and we would have a different method. But yes, they would receive protection against erosion of purchasing power due to inflation, and some consideration of locality at a minimum.”<sup>5</sup>
- Christopher A. Keisling, a member of the GAO Employee Advisory Council, also testified at the July 16, 2003, House subcommittee hearing. In his written statement, Mr. Keisling said the Comptroller General had made several commitments to GAO employees that had tempered their concerns, including a statement that “employees who are performing adequately will be assured of some annual increase that maintains spending power. He outlined his assurance in GAO’s weekly newsletter for June 30<sup>th</sup> that successful employees will not witness erosion in earning power and will receive an annual adjustment commensurate with locality-specific costs and salaries.” Mr. Keisling went on to say that “To the extent that these steps are taken, overall employee opinion of the changes should improve because much of the concern has focused on making sure that staff who are performing adequately do not witness economic erosion in their pay.”<sup>6</sup>
- GAO’s human capital reform legislation (H.R. 2751) was introduced in the House of Representatives on the same day as the subcommittee hearing (July 16, 2003). The House Government Reform Committee’s November 19, 2003, report on the legislation included the views of the minority members of the committee, who said that the Comptroller General “has assured GAO employees that anyone performing satisfactory work will

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<sup>3</sup> Ibid., pp. 28-29.

<sup>4</sup> U.S. Congress, House Committee on Government Reform, Subcommittee on Civil Service and Agency Organization, *GAO Human Capital Reform: Leading the Way*, hearing, 108<sup>th</sup> Cong., 1<sup>st</sup> sess. (Washington: GPO, 2003), p. 78.

<sup>5</sup> Ibid.

<sup>6</sup> U.S. General Accounting Office, *GAO’s Proposed Human Capital Legislation: View of the Employee Advisory Council*, GAO-03-1020T, July 13, 2003, p. 9, available at [<http://www.gao.gov/new.items/d031020t.pdf>].

receive at least a cost of living adjustment.”<sup>7</sup> H.R. 2751 passed the House on February 25, 2004.

- On September 16, 2003, the Senate Committee on Governmental Affairs held a hearing on pending GAO human capital legislation (S. 1522, which had been introduced in the Senate on July 31, 2003). In his written statement, the Comptroller General recommended passage of the legislation, and said that although GAO employees had expressed strong concerns about the initial proposal, “those concerns have been reduced considerably by the clarifications, changes, and commitments I have made.”<sup>8</sup> He included a copy of his July 16, 2003, testimony as an appendix to his written statement, in which he said that one such commitment was “to guarantee annual across the board purchase power protection and to address locality pay considerations to all employees rated as performing at a satisfactory level or above (i.e., meeting expectations or above) absent extraordinary economic circumstances or severe budgetary constraints.”<sup>9</sup> GAO’s Employee Advisory Council did not testify at this hearing, but provided a statement for the record that was virtually the same as its testimony before the House subcommittee two months earlier.<sup>10</sup>
- During the September 16, 2003, hearing, Senator Thomas Carper asked the Comptroller General how employees could be ensured protection against inflation in a pay for performance system. The Comptroller General said that “for the 97-plus percent of our employees who are performing at an acceptable level or better, . . . we will protect them against inflation at a minimum.”<sup>11</sup>
- The Senate Committee on Governmental Affairs, in its December 9, 2003, report on the GAO human capital reform legislation said that the committee had “received a commitment from the Comptroller General that, absent extraordinary circumstances or serious budgetary constraints, employees or officers who perform at a satisfactory level will receive an annual base-pay

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<sup>7</sup> U.S. Congress, House Committee on Government Reform, *GAO Human Capital Reform Act of 2003*, report to accompany H.R. 2751, 108<sup>th</sup> Cong., 1<sup>st</sup> sess., H.Rept. 108-380 (Washington: GPO, 2003), p. 23, available at [[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108\\_cong\\_reports&docid=f:hr380.108.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_reports&docid=f:hr380.108.pdf)].

<sup>8</sup> U.S. General Accounting Office, *GAO: Transformation, Challenges, and Opportunities*, GAO-03-1167T (Sept. 16, 2003), p. 33, available at [<http://www.gao.gov/new.items/d031167t.pdf>].

<sup>9</sup> *Ibid.*, p. 60.

<sup>10</sup> U.S. General Accounting Office, *GAO’s Proposed Human Capital Legislation: Views of the Employee Advisory Council*, GAO-03-1162T (Sept. 16, 2003), pp. 9-10, available at [<http://www.gao.gov/new.items/d031162t.pdf>].

<sup>11</sup> U.S. Congress, Senate Committee on Governmental Affairs, *Oversight of GAO: What Lies Ahead for Congress’ Watchdog?*, hearing, 108<sup>th</sup> Cong., 1<sup>st</sup> sess. (Washington: GPO, 2003), pp. 19-20.

adjustment designed to protect their purchasing power.”<sup>12</sup> S. 1522 passed the Senate on June 24, 2004, and was enacted into law on July 7, 2004.

Several other descriptions of GAO’s new pay system addressed this issue as well. For example, a set of questions and answers provided to GAO employees in June 2003 stated that “GAO will, absent extraordinary economic conditions or serious budgetary constraints, provide all GAO staff who are rated as performing at a satisfactory level (i.e., meets expectations or higher) both across the board and performance-based annual pay adjustments.”<sup>13</sup> Using almost identical language, a GAO official testifying after enactment of the GAO Human Capital Reform Act in July 2004 said, “GAO will, absent extraordinary economic conditions or serious budgetary constraints, provide all GAO staff whose performance is at a satisfactory level both across-the-board, and, as appropriate, performance-based annual pay adjustments.”<sup>14</sup> Also, a newspaper article appearing after passage of the legislation by the House but before Senate consideration stated that GAO planned to hire a compensation consultant to compare GAO pay with that of other organizations, and quoted the Comptroller General as saying that “Regardless of how the review turns out, no GAO employee will take a cut in pay and all employees will receive an adjustment to keep pace with inflation each year.”<sup>15</sup> Another article published in November 2005 quoted the Comptroller General as saying that “employees would receive a 2.6 percent across-the-board raise if they are meeting job expectations.”<sup>16</sup>

Also, documents currently on GAO’s website continue to suggest that employees performing satisfactorily can expect an annual pay adjustment. For example, a description of the GAO Human Capital Reform Act’s provisions states that the act “establishes a compensation system that places greater emphasis on job performance while protecting the

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<sup>12</sup> U.S. Congress, Senate Committee on Governmental Affairs, *GAO Human Capital Reform Act of 2003*, report to accompany S. 1522, 108<sup>th</sup> Cong., 1<sup>st</sup> sess., S.Rept. 108-216 (Washington: GPO, 2003), p. 9, available at [[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108\\_cong\\_reports&docid=f:sr216.108.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_reports&docid=f:sr216.108.pdf)].

<sup>13</sup> U.S. General Accounting Office, “Additional Human Capital II Questions and Answers (Second Set: June 27, 03),” p. 3, provided to CRS by House Committee on Government Reform staff. The same document (p. 4) also said “The Comptroller General has stated that, absent extraordinary economic conditions or serious budgetary constraints, all GAO staff who are rated as performing at the satisfactory level (i.e., meets expectations or higher) can expect to receive an annual adjustment designed to protect purchasing power (e.g., the Consumer Price Index “CPI”) and address differences in competitive compensation by varying localities. Based on the results of last year’s performance appraisal process, over 97 percent of GAO’s analysts met this standard.”

<sup>14</sup> Statement of J. Christopher Mihm, Managing Director, Strategic Issues, U.S. Government Accountability Office, *Human Capital: Building on the Current Momentum to Transform the Federal Government*, GAO Report GAO-04-976T (July 20, 2004), p. 18.

<sup>15</sup> Stephen Barr, “Other Agencies May Learn From GAO’s Pay, Classification Review,” *Washington Post*, May 13, 2004, p. B2.

<sup>16</sup> Stephen Barr, “GAO Radically Restructures Pay to Reflect Market Rates, Performance,” *Washington Post*, Nov. 7, 2005, p. B2.

purchasing power of employees who are performing acceptably.”<sup>17</sup> GAO’s *Human Capital Strategic Plan: Fiscal Years 2004-2006* states that “all GAO employees who perform at a satisfactory level will receive an annual base pay adjustment composed of purchase power protection and locality-based pay considerations absent extraordinary economic circumstances or severe budgetary constraints.”<sup>18</sup>

## Some GAO Employees Received No Annual Pay Increase

The second issue that CRS was asked to address was whether all GAO employees who were rated as having met performance expectations did, in fact, receive an annual across-the-board pay increase in January 2006. The short answer is no. GAO noted in its response to questions after a March 10, 2006, hearing by the House Committee on Appropriations on GAO’s FY2007 appropriation that of the 1,829 GAO Analysts and Specialists assessed for performance-based compensation and actually on board on the effective date of the pay adjustments, 308 employees (approximately 17%) did not receive across-the-board permanent pay increases in January 2006 (which was a 2.6% increase in base pay). Of these employees, 14 were in Band III (roughly GS-15 equivalent); five were in Band IIB (GS-14); 236 were in Band IIA (GS-13); and 53 were in Band I (GS-7 through GS-12).<sup>19</sup> GAO confirmed with CRS last fall that all 308 employees had performance ratings of “meets expectations” or better on all relevant competencies during the rating period.

Another of the post-hearing questions in March 2006 cited the Comptroller General’s statements at the House subcommittee hearing on July 16, 2003, assuring “purchase power protection” raises to all GAO employees who met expectations, absent extraordinary economic circumstances or severe budgetary constraints. Given these statements, the questioner asked why these 308 GAO employees who “met expectations” were not given an across the board pay increase. In response, GAO said the Comptroller General’s statements to Congress in 2003 were “accurate at the time,” but said “there have been significant subsequent events that have altered the Comptroller General’s views on whether and when employees should receive pay adjustments.”<sup>20</sup> GAO said the most significant of these events was the completion of the Watson Wyatt pay study, which indicated that certain employees were already paid more than what should be the maximum pay for their positions. As a result, 53 Band I and 236 Band IIA employees did not receive the 2.6% annual adjustment to their base pay in January 2006 because, according to the Watson Wyatt study, they were already paid more than the maximum salaries for their bands (\$75,900 for Band I and \$101,600 for Band IIA).

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<sup>17</sup> Available at [<http://www.gao.gov/about/namechange.html>].

<sup>18</sup> U.S. Government Accountability Office, *The Human Capital Strategic Plan: Fiscal Years 2004-2006*, p. 9, available at [<http://www.gao.gov/new.items/d041063sp.pdf>].

<sup>19</sup> “Final Questions and Answers Submitted for the Record as Part of GAO’s 2007 Appropriation Hearing,” Mar. 27, 2006, provided to CRS by House Committee on Government Reform staff. GAO adopted a three-band pay system in 1989, and divided the middle band into Band IIA and Band IIB in late 2005 for the 2006 pay cycle. For more on this action, see U.S. Government Accountability Office, *Band II Restructuring* (GAO Order 2900.3), Nov. 4, 2005.

<sup>20</sup> *Ibid.*, p. 2.

However, some employees at the Band IIB and Band III levels did not receive the annual increase in January 2006 because of a change in GAO policy — not because of the Watson Wyatt pay study. According to that policy, for employees who were paid less than the maximum rate of their band, but more than a “speed bump” rate (established at about the 75% point of the bands, based on the Watson Wyatt results), their ability to receive an annual pay increase was also based on their performance appraisals relative to those of other GAO employees in their team and band. For Band IIB employees, their rating had to be in the top 50% of their cohort; for Band III employees, their rating had to be in the top 80% of their cohort.<sup>21</sup> As a result, five Band IIB employees received no annual adjustment to their base pay because they were paid more than the Band IIB speed bump (\$118,000), and they were not in the top 50% of appraisal scores for their band and team. Similarly, 14 Band III employees received no annual pay adjustment because they were paid more than the Band III speed bump (\$129,800), and they were not in the top 80% of appraisal averages for their band and team.

**Settlement of Appeal.** In September 2006, 12 of the employees who had been assigned to Band IIA filed a petition with the GAO Personnel Appeals Board (PAB) alleging that their reassignment from Band II to Band IIA was a violation of the GAO Personnel Act. Each of the 12 petitioners also challenged the legality of GAO Order 2540.3 (which put in place the GAO annual adjustment and performance-based compensation system) and the FY2005 Performance-Based Compensation Guide for Analysts, Specialists, and Investigators. On April 5, 2007, GAO agreed to a settlement of all 12 appeals, agreeing to retroactively place the petitioners into Band IIB effective January 8, 2006, with full back pay, including appropriate retirement contributions and interest.<sup>22</sup> Because all 12 employees had been denied the January 2006 annual pay increase, the number of employees who still have not received that increase has fallen to 296 (308 minus 12).

## Financial Implications of Receiving No Annual Pay Adjustment

The third issue that CRS was asked to address was the financial implications of the Comptroller General’s decision to deny annual pay increases to certain GAO employees with “meets expectations” performance ratings. As noted, GAO employees in Band I and Band IIA who were already being paid in excess of the new maximum rate for their band were not eligible for the 2.6% annual pay increase in January 2006. These employees, under the system in place, will receive no annual pay increases until the maximum rate for their band increases to a point above the employees’ current salary. Likewise, GAO employees in Band IIB were not eligible for the 2.6% pay increase in January 2006 if their salary was already over the “speed bump” for the band and if their performance rating was in the lower half of all other Band IIBs in their team. They will not be eligible for annual pay increases until their performance improves vis-a-vis others at their band level in their team or the “speed bump” increases to a point above the employees’ current salary.<sup>23</sup>

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<sup>21</sup> U.S. Government Accountability Office, *Pay Administration in the Analyst Performance-Based Compensation System*, Order 2540.3 (June 12, 2006).

<sup>22</sup> One of the petitioners separated from GAO in 2006, so her back pay was calculated from January 8, 2006, until the date of her separation.

<sup>23</sup> GAO notified CRS that both the maximum rate of the bands and the speed bumps will be increased (continued...)

Similarly, GAO employees in Band III were not eligible for the 2.6% annual pay increase in January 2006 if their pay was over the “speed bump” for the band and their performance rating was in the bottom 20% of all other Band IIIs in their team. However, unlike GAO employees in the other bands, the pay increases for Band III employees are no longer frozen. In late 2006, GAO revised its order on performance-based pay and eliminated the “speed bump” for Band III; as a result, all Band III employees with a “meets expectation” rating are now eligible for an annual pay increase (this year, 2.4% at GAO).<sup>24</sup>

It is possible that the pay and the retirement annuities of certain Band I, IIA, and IIB employees will be permanently affected by the decision to freeze their annual pay increases. Perhaps the best way to illustrate this effect is through a hypothetical example involving the GAO employees that were most affected by the pay freeze — those in Band IIA.

As shown in **Table 1**, if a GAO Band II employee in Washington, D.C., making \$110,000 per year in 2005 was placed in Band IIA, because the pay cap for Band IIA in January 2006 was \$101,600, the employee would not have been eligible for the 2.6% permanent pay adjustment that GAO gave that year. However, under the GAO system, that employee would have received 50% of any performance-based compensation in the form of an increase in base pay. For example, as **Table 1** indicates, if the employee was eligible to receive \$2,000 in performance-based compensation in January 2006 (slightly higher than the average for Band IIA employees that year), he or she would have received a \$1,000 increase in base pay, raising the employee’s annual pay to \$111,000 in January 2006.<sup>25</sup> In comparison, the annual pay of a non-GAO federal employee in Washington, D.C., making \$110,000 per year in 2005 would have increased to \$113,784 in January 2006 as a result of the 3.44% government-wide pay increase at that time — \$2,784 per year more than the GAO employee.

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<sup>23</sup> (...continued)

using factors that the GAO Human Capital Reform Act requires the Comptroller to consider, including the need to protect the purchasing power of officers and employees of the Office. Between 2006 and 2007, the rate of increase was about 3%.

<sup>24</sup> U.S. Government Accountability Office, *Pay Administration in the Analyst-Performance-Based Compensation System*, Order 2540.3.

<sup>25</sup> GAO informed CRS that the average performance-based pay increase in January 2006 was about \$1,000.



**Table 1. Projected Changes in Annual Pay for GAO (Band IIA) and Non-GAO Employees Earning \$110,000 in 2005**

Year	Band IIA Pay Cap	GAO Employee Annual Pay	Non-GAO Employee Annual Pay	Non-GAO Employee's Pay Advantage
2005	N/A	\$110,000	\$110,000	\$0
2006	\$101,600	\$111,000	\$113,784	\$2,784
2007	\$104,700	\$113,000	\$116,788	\$3,788
2008	\$107,841	\$114,500	\$120,291	\$5,791
2009	\$111,076	\$116,000	\$123,900	\$7,900
2010	\$114,408	\$117,500	\$127,617	\$10,117

Note: Changes in the Band IIA pay cap between 2006 and 2007 were slightly more than 3%, so the table assumes a 3% increase in subsequent years. GAO employees at this salary level received 50% of their performance-based compensation in the form of base pay in 2006, and will receive 100% as base pay in 2007. The table assumes 75% in subsequent years, on a constant base of \$2,000. The increase in non-GAO employees' annual pay was 3.44% in 2006, and 2.64% in 2007— an average of about a 3% increase. The table assumes a 3% increase in subsequent years.

That same sequence of events would continue in the next several years. For example, although the Band IIA pay cap in 2007 increased to \$104,700, the employee's salary of \$113,000 (\$111,000 plus a \$2,000 increase through performance-based compensation, because the Comptroller General has decided to allow 100% of the performance-based compensation to count towards base pay in 2007) still exceeds that cap, making the employee ineligible for the 2.4% annual pay increase at GAO in 2007. Meanwhile, the non-GAO employee in Washington received a 2.64% annual pay increase, raising his or her annual salary to \$116,788 — \$3,788 more than the GAO employee. Assuming a continuation of this general trend, by 2010, the GAO employee's salary would be about \$10,117 less than the non-GAO employee's salary (\$117,500 versus \$127,617). Cumulatively, from 2006 through 2010, the GAO employee's annual pay under this scenario would be \$30,380 less than the non-GAO employee's.

This difference in annual pay would have implications for the employees' pensions when they retire. Assuming both employees are in the Civil Service Retirement System, retire at the end of 2010, and both have 30 years of federal service, the GAO employee's "high three" salary (the average of his or her last three years) would be \$116,000, yielding an estimated annual pension of \$65,250.<sup>26</sup> In comparison, the non-GAO employee's high three annual salary would be \$123,954, yielding an estimated annual pension of \$69,724 — \$4,474 per year more than the GAO employee's. Assuming that the two employees draw their pensions for 20 years, the cumulative pension difference (not including cost of living increases that will likely be provided during this period) would be \$89,480. This difference, when added to the \$30,380 cumulative difference in salary described above, would yield a total salary and pension differential over the full 25-year period of \$119,860.

<sup>26</sup> Civil Service Retirement System employees with 30 years of service receive pensions equal to 56.25% of their high three average salary.

Please note, however, that these estimates are based on various assumptions (e.g., the amount of the non-GAO pay increase, the rate of increase in the Band IIA pay cap, and the amount of performance-based compensation earned and the percentage of that compensation that is allowed to be counted as base pay). Therefore, the actual amount of future increases or pay differentials may vary considerably from these estimates. Also, the estimates do not include any performance-based pay that GAO employees may receive that is not counted as part of their base pay. On the other hand, the non-GAO employees' pay projections also do not include any bonuses, or any within-grade or quality step increases, that they may have received, the latter of which would increase the employees' base pay used in calculating retirement benefits.

## Whether GAO Employees Were Overpaid

The last issue that CRS was asked to address was whether certain GAO employees were, in fact, overpaid at the time of the Watson Wyatt pay study or the January 2006 pay adjustment. Last March when I testified on this issue, I said that CRS did not have sufficient information about the Watson Wyatt study to be able to offer such observations. For example, it was unclear how GAO occupations were analyzed and described; how GAO determined the relevant competitive market (i.e., the other organizations with which GAO competes for talent); and how GAO occupations were matched to occupations in the competitive market. Since March, we have obtained additional information on these issues from GAO and elsewhere, some of which is discussed below. However, because of the complexity of the GAO pay system and the Watson Wyatt study, and the fact that we have only begun to review many of the documents that were recently provided, we can still offer no definitive conclusions regarding whether certain GAO employees were, in fact, overpaid at the time of the study.

**Description of GAO Occupations.** A common starting point for the comparison of an organization's jobs to the competitive market is the development of accurate descriptions of the benchmark jobs.<sup>27</sup> One way to obtain that information is by talking to current job incumbents to ascertain what knowledge, skills, and abilities are required in the occupations; what the job processes entail; and the level of responsibility involved in the work. However, Watson Wyatt did not interview current job incumbents in the development of the GAO position descriptions. Instead, Watson Wyatt relied primarily on discussions with senior GAO management to develop the descriptions of the various jobs and job levels that were used in matching GAO jobs to those outside of GAO.<sup>28</sup> The descriptions of the GAO positions were reportedly very short (generally four to seven sentences), and focused on general descriptions of work activities and responsibilities.

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<sup>27</sup> In some organizations, this information would already be available in the position descriptions for the targeted occupations. However, GAO said it does not have position descriptions for its occupations. Instead, it has "band role definitions" for all analysts and related staff. All employees within a band, regardless of occupation, are assigned to the same "benchmark" that describes the range of duties and responsibilities associated with that band level, but those benchmarks have no references to required experience or education. Therefore, GAO said, these band role definitions could not be used in the Watson Wyatt study to determine comparable positions.

<sup>28</sup> In addition to about 30 senior GAO managers, this process also involved three members of the GAO Employee Advisory Council.

In response to questions from CRS, GAO said it did not ask current job incumbents to be involved in describing their jobs because “there were not significant differences by individual employees that needed to be identified and/or clarified.”<sup>29</sup> Also, GAO said the managers interviewed by Watson Wyatt “have extensive years of GAO experience and many have worked at all levels of the organization.”<sup>30</sup> Obtaining information from management officials on an organization’s jobs can be a legitimate method of deriving job descriptions to be used in a market-based pay study. However, it is unclear how many of these GAO senior managers had actually worked in the targeted positions (e.g., not just analysts but attorneys, economists, and information technology specialists); or if so, how recent their job experiences had been (particularly at the lower band levels).

**Determination of GAO Competitor Organizations.** GAO said that it relied on these same senior managers to identify the external organizations with which it competes for talent. Although GAO does exit interviews with staff when they leave the organization, GAO said it does not systematically collect information on their subsequent employment.<sup>31</sup> Watson Wyatt reportedly interviewed the managers to compile a list of “illustrative competitors” based on their knowledge of organizations to which GAO loses employees and from which GAO attracts employees. GAO said these management officials were able to identify competitor organizations or types of organizations (e.g., not-for-profit or for-profit) based on exit interviews that some of them conduct with staff, and on their own personal recruitment efforts.

However, it is unclear how important this process of identifying competitor organizations was to the overall market pay process. As GAO’s General Counsel told the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia in a March 30, 2007, letter, the Watson Wyatt pay study was not conducted by comparing GAO to specific outside organizations. Instead, using information from the job descriptions provided primarily by GAO senior management, Watson Wyatt linked those jobs to off-the-shelf market pay studies that contained information on jobs that were believed to be similar to the GAO occupations. GAO said that it does not compete directly with all of the organizations that contributed to the market pay studies that Watson Wyatt used, but all of the jobs whose pay information that was used in the study were considered comparable to GAO occupations. One pay expert who examined the Watson Wyatt data for the subcommittee said it is virtually impossible to determine which particular companies contributed data that were ultimately used in the GAO pay study.

**Identification of Comparable Occupations.** Section 3(a) of the GAO Human Capital Reform Act of 2004 requires the Comptroller General to “consider” several factors in determining GAO employees’ annual pay adjustments, including “the pay rates for the same levels of work for officers and employees of the Office and non-Federal employees in each local pay area.” The act does not indicate how “the same levels of work” are to be

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<sup>29</sup> GAO response to CRS questions, May 10, 2007.

<sup>30</sup> Ibid.

<sup>31</sup> As recently as early April 2007, GAO said that the Watson Wyatt salary data were drawn from “employers that we typically compete with for talent.” (Letter from David M. Walker, Comptroller General of the United States, to Daniel P. Mulhollan, Director, CRS, April 3, 2007.) Later, though, GAO said it “did not have systematic data on the specific organizations with which we directly compete.” (GAO response to CRS questions, May 10, 2007.)

determined between GAO and non-GAO employees. However, the House report on the act states that, in considering factors related to economic data, “the data will be specifically related to positions at GAO.”<sup>32</sup>

GAO told CRS that brief descriptions of the GAO occupations and levels for which they were requesting salary ranges were reviewed by members of GAO’s senior management as well as the GAO Executive Committee before their inclusion in the contract solicitation. After the contract was awarded and after obtaining additional information about the targeted positions from GAO senior management, Watson Wyatt reportedly used its professional judgment to select position descriptions from surveys that it believed were comparable to the GAO positions. The descriptions of the jobs in these studies, like those of the GAO benchmark occupations, were reportedly very brief. To make the comparisons, Watson Wyatt reportedly used a “whole job” method rather than comparing specific competencies or job evaluation point scores. Then, Watson Wyatt met with the same group of GAO senior managers mentioned previously to determine the validity of the matches between the GAO jobs and the descriptions of the jobs in other organizations. Ultimately, the job matches were approved by the GAO Executive Committee.

GAO said that the salary surveys used by Watson Wyatt contained positions that were and were not comparable to GAO occupations, but (as noted previously) only salary data associated with positions matched to GAO benchmark jobs were used in determining salary ranges. All other salary data in those surveys (i.e., from positions deemed not comparable to the GAO jobs) were reportedly excluded from the Watson Wyatt study.

**Role of Watson Wyatt in Splitting of Band II.** In late 2005, GAO announced that Band II would be split into two separate bands — Band IIA (roughly equivalent to GS-13) and Band IIB (GS-14). As a result of this split and the assignment of about two-thirds of Band II employees into Band IIA, more than 200 GAO employees were considered “overpaid” and therefore ineligible for the annual pay increase in January 2006. The Comptroller General told GAO employees in February 2007 that he did not want to restructure Band II, but that the GAO Human Capital Reform Act required him to do so.<sup>33</sup> He was quoted as having made similar comments in a March 2007 *Federal Times* article.<sup>34</sup> However, in a letter to the Chairman of the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, he agreed with the Chairman’s assessment that “the Act did not require me to undertake a market-based compensation study,” and that he had done so because he believed such a study would be “the best and most effective means to ensure that GAO’s pay practices were competitive so that the agency could attract and retain top talent.”<sup>35</sup>

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<sup>32</sup> U.S. Congress, House Committee on Government Reform, *GAO Human Capital Reform Act of 2003*, report to accompany H.R. 2751, 108<sup>th</sup> Cong., 1<sup>st</sup> sess., H.Rept. 108-380 (Washington: GPO, 2003), p. 9.

<sup>33</sup> CG Town Hall Forum, Feb. 27, 2007.

<sup>34</sup> M.Z. Hemingway, “Comptroller general pans CRS study of GAO pay,” *Federal Times*, Mar. 12, 2007, in which he was quoted as saying that the law “forced him” to adjust the way GAO employees were paid, taking into account the labor market and other factors.

<sup>35</sup> Letter from Comptroller General David M. Walker to the Honorable Danny K. Davis, Chairman, (continued...)

On several occasions in recent years, GAO and others have indicated that the Watson Wyatt data led to the decision to split Band II into Band IIA and Band IIB.<sup>36</sup> However, GAO recently told CRS that it instructed Watson Wyatt to collect salary information for the analyst and other occupations at two levels equivalent to Band II — at the “senior” level (equivalent to what became Band IIA) and at the “lead” level (equivalent to what became Band IIB). “Therefore,” GAO said, “it is not accurate to say that the Watson Wyatt data revealed a need to restructure positions at Band II, but rather that the survey descriptors reflecting leadership and supervisory responsibilities had a higher market median and supported GAO’s decision to restructure the band into two pay levels.”<sup>37</sup> When asked whether Watson Wyatt would have provided data at three levels within Band II if instructed to do so, GAO said that, to the extent that relevant data existed, “Watson Wyatt would have endeavored to collect salary data for the number of positions and levels [that GAO] requested.”<sup>38</sup>

**Validity of the Pay Data.** Another way to assess the validity of the Watson Wyatt market-based pay study is to examine the actual market salary data used in that study. In early 2006, the Comptroller General resisted requests from GAO employees to see the data, asserting that they were not experts on market-based compensation and that doing so would take the employees away from the agency’s mission.<sup>39</sup> GAO also said it could not provide CRS with the details of the Watson Wyatt study because the information was “proprietary.”<sup>40</sup>

On March 30, 2007, though, in response to a congressional request, GAO provided the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia with some — but not all — of the market pay data that Watson Wyatt used in the pay study that it conducted for GAO from July through November 2004. GAO said it had “not been able to locate” four 2004 studies from Mercer Human Resource Consulting, one study from Cordom Associates, and information that GAO itself gathered (“Custom Data”). GAO later produced the missing data, and we understand that GAO has recently made the Watson Wyatt pay data available for review by its own employees. However, some of the information provided to the subcommittee appeared to be missing, limited, or contradictory.<sup>41</sup>

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<sup>35</sup> (...continued)

Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, Mar. 21, 2007.

<sup>36</sup> For example, in an October 2005 document provided to GAO employees (“Band II Restructuring: Frequently Asked Questions”), GAO said “The Watson Wyatt study, when comparing GAO’s roles, responsibilities and pay to the related market found two distinct roles within our existing Band II level and the related market study validated that these two roles should have different pay ranges.” See also Stephen Barr, “GAO Pay Restructuring Already Having an Impact,” *Washington Post*, Feb. 26, 2006, p. C-2, which said “GAO restructured its pay based on a study of its competitors in the labor market.”

<sup>37</sup> GAO response to CRS questions, May 10, 2007.

<sup>38</sup> Ibid.

<sup>39</sup> Mollie Ziegler, “GAO’s ‘professional skeptics’ want to see salary data,” *Federal Times*, Mar. 20, 2006.

<sup>40</sup> M.Z. Hemingway, “Comptroller general pans CRS study of GAO pay,” *Federal Times*, Mar. 12, 2007.

<sup>41</sup> For example, in the GAO “Custom Data,” GAO provided only blank information collection forms for the attorney and financial auditor positions at the Congressional Budget Office. Three other  
(continued...)

Also, although Watson Wyatt and GAO gathered salary data on positions in for profit, not-for-profit, general industry, and federal government organizations, the information on federal government pay rates were ultimately dropped from the study. It is unclear why the federal pay data were eliminated, given that about 35% of the non-retirement separations from GAO in recent years has been transfers to other federal agencies.

The House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia has engaged the services of human resource management experts from academia and elsewhere to review the Watson Wyatt pay data and comment on their quality, and one of those experts is testifying at today's hearing. Therefore, CRS will defer to these experts for this portion of the analysis.

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Mr. Chairmen, that concludes my prepared statement. I would be happy to answer any questions that you or other Members of the Subcommittee might have.

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<sup>41</sup> (...continued)

forms were also blank and did not indicate which organization had been contacted. For the supervisory economist position at CBO, the average salary was lower than the salary range minimum. Also, it appeared that GAO contacted only one private sector law firm.