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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

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on
"Implementation of the New Pay System at the Government Accountability Office"

Mr. Chairman and Members of the Subcommittee:

I am here today to discuss certain issues related to the implementation of the new pay system at the Government Accountability Office (GAO). My testimony is based on work conducted last fall in response to a request to CRS from the current Chairman's office. Specifically, the Chairman asked (1) whether the Comptroller General indicated 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 left 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

The first question that the Chairman asked CRS to address was whether the Comptroller General indicated during the deliberations on the GAO Human Capital Reform Act that GAO employees who perform at or above a "fully satisfactory" or "meets expectations" level on all relevant ratings dimensions would receive annual adjustments to their base pay. The record indicates that the Comptroller General, on several occasions, did address this issue 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."[1] 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."[2] 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., the Consumer Price Index) and address differences in compensation ranges by localities."[3]

- 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

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[1] 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].

[2] Ibid., p. 17.

[3] Ibid., pp. 28-29.

hyperinflation or serious budgetary constraints."[4] 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."[5]

- 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 30th 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."[6]

- 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 receive at least a cost of living adjustment."[7] 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

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

[5] Ibid.

[6] 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].

[7] U.S. Congress, House Committee on Government Reform, *GAO Human Capital Reform Act of 2003*, report to accompany H.R. 2751, 108th Cong., 1st 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].

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."[8] 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."[9] 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.[10]

- 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."[11]

- 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 adjustment designed to protect their purchasing power."[12] 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

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[8] 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].

[9] Ibid., p. 60.

[10] 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].

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

[12] U.S. Congress, Senate Committee on Governmental Affairs, *GAO Human Capital Reform Act of 2003*, report to accompany S. 1522, 108th Cong., 1st sess., S.Rept. 108-216 (Washington: GP0, 2003), p. 9, available at
[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_reports&docid=f:sr216.108.pdf].

expectations or higher) both across the board and performance-based annual pay adjustments."[13] Using almost identical language, a GAO official testifying after passage 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."[14] 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 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."[15] 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."[16]

Also, documents currently on GAO's website 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 purchasing power of employees who are performing acceptably."[17] 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."[18]

Some GAO Employees Received No Annual Pay Increase

The second question that the Subcommittee Chairman asked CRS 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. GAO noted in its

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[13] 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."

[14] 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.

[15] Stephen Barr, "Other Agencies May Learn From GAO's Pay, Classification Review," *Washington Post*, May 13, 2004, p. B2.

[16] Stephen Barr, "GAO Radically Restructures Pay to Reflect Market Rates, Performance," *Washington Post*, Nov. 7, 2005, p. B2.

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

[18] 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].

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).[19] 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."[20] 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).

For employees at the Band IIB and Band III levels, GAO established additional criteria to qualify for an annual increase. 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), 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.[21]

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.

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[19] "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. See U.S. Government Accountability Office, *Band II Restructuring* (GAO Order 2900.3), Nov. 4, 2005.

[20] Document provided to CRS by House Committee on Government Reform staff, p. 2.

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

Financial Implications of Receiving No Annual Pay Adjustment

The third issue that the Chairman asked CRS 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.[22]

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).[23]

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 most frequently 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.[24] 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

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[22] GAO notified CRS that both the maximum rate of the bands and the speed bumps will be increased 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%.

[23] U.S. Government Accountability Office, *Pay Administration in the Analyst-Performance-Based Compensation System*, Order 2540.3.

[24] GAO informed CRS that the average performance based pay increase in January 2006 was about $1,000.

the 3.44% government-wide pay increase at that time — $2,784 per year more than the GAO employee.

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.[25] 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

[25] Civil Service Retirement System employees with 30 years of service receive pensions equal to 56.25% of their high three average salary.

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.

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 question that the Chairman asked CRS to address is whether the Watson Wyatt market based pay study indicated that GAO employees were overpaid. To answer this question, one must have an understanding of how the study was conducted, and how that information was used by GAO. The most detailed information that CRS has obtained on the study is a Watson Wyatt document dated November 8, 2004, entitled "Executive Committee Briefing: Final Market-Based Compensation Ranges."[26] The document is a series of PowerPoint slides that show "market based compensation ranges" and "impact analyses" by geographic region and career stream. The data indicate that hundreds of GAO employees were being paid above the expected pay ranges for their positions, and above the maximum salaries for their bands.

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 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."[27]

The Watson Wyatt document that CRS reviewed does not describe in any detail how the pay comparability study was conducted. In particular, the document does not indicate what specific companies were compared to GAO, or what specific occupations in those companies were compared to GAO analysts. Under a "Methodology" bullet on one slide, the text reads "Assigned benchmark jobs to ranges based on market data and location." The document does not describe how the "market data" were gathered for the study, including

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[26] U.S. Government Accountability Office, *Executive Committee Briefing: Final Market-Based Compensation Ranges*, Nov. 8, 2004. Provided to CRS by House Committee on Government Reform Staff by electronic mail, Oct. 2, 2006.

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

which companies, governmental units, or other organizations were included, or which occupations in those organizations were used in the study and how they were matched to the GAO occupations. The second page of the Watson Wyatt document states that "Design objectives and methodology are described in our October 29, 2004 report." CRS asked GAO to provide a copy of this October 29, 2004, report last fall, but GAO declined to do so, characterizing it as "deliberative in nature."

Last fall, GAO described the pay study to CRS as follows:

> As a first step, Watson Wyatt met with career stream focal points within the organization to develop an understanding of the mission, job requirements and levels of responsibility. This process also entailed discussions with focal points to identify employers and labor markets to which GAO lost employees and from which GAO was likely to recruit employees. The next step in the process involved identifying benchmark or job matches in various published salary survey data. In addition, GAO collected some custom salary data from organizations that didn't participate in published salary surveys. Each of these surveys included salary data from numerous organizations. The contractors made recommendations of appropriate matches to be reviewed by the career stream focal points, including employees. The Executive Committee approved the final matches based on these recommendations.[28]

GAO said the "career stream focal points" included members of the Employee Advisory Council, and said the GAO/outside organization job matches were done using "a whole job comparison process rather than a point-factor or competency matching" process. GAO also said that the number of jobs used to determine each of the salary ranges for each of the jobs "varied depending on the career stream and job level," but did not provide any additional details. In response to a question asking which outside occupations were used to determine the competitiveness of GAO analysts' salaries, GAO said they were compared to multiple positions in published compensation surveys (e.g., "Consultant and Principle Consultant, Social Policy Research Analyst, Operations Research Analyst, Intermediate Professional, Research Associate and Fellow"). GAO did not provide additional details or identify by name outside organizations used in the study, but did say that the salary surveys included data "from organizations in the public and private sector, not for profit entities as well as the federal government."

Under Section 11 of the GAO Human Capital Reform Act, the Comptroller General is to include in each annual report to Congress "a detailed description of the methodologies applied under section 3 of this Act and the manner in which such methodologies were applied to determine the appropriate pay adjustments for officers and employees of the Office." The December 2006 report on the act's initial implementation, however, did not describe the Watson Wyatt pay study in detail, or how determinations were made that certain employees should not receive an annual pay increase.[29]

Apparently, GAO did not adopt the pay information exactly as provided by Watson Wyatt. For example, the slides from a "Special CG Chat" on November 3, 2005, indicate

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[28] Information provided to CRS in writing in response to questions, November 2006.

[29] U.S. Government Accountability Office, *2006 Report on GAO's Use of Provisions in the GAO Personnel Flexibilities Act of 2000 and the GAO Human Capital Reform Act of 2004*, GAO-07-289SP(Dec. 2006), available at [http://www.gao.gov/new.items/d07289sp.pdf].

that Watson Wyatt recommended minimum salaries for each of the bands that were lower than what GAO ultimately adopted.[30] Specifically, in the Washington, D.C. area:

- Watson Wyatt recommended a minimum salary of $45,000 for Band I, but GAO elected to use $46,200;
- Watson Wyatt recommended a minimum salary of $60,000 for Band IIA, but GAO elected to use $69,800;
- Watson Wyatt recommended a minimum salary of $75,000 for Band IIB, but GAO elected to use $82,100; and
- Watson Wyatt recommended a minimum salary of $92,500 for Band III, but GAO elected to use $104,000.

Last fall, GAO informed CRS that these changes were designed to reduce the amount of overlap between the bands.

In summary, the documents that CRS reviewed and the other information obtained from GAO and elsewhere did not describe in any detail how the "market data" were gathered for the Watson Wyatt study. It is unclear how GAO occupations were analyzed and described; how Watson Wyatt and GAO ensured that the economic data used to determine market rates for GAO positions were valid and, in the words of the House report, "specifically related to positions at GAO"; and the methodology used by Watson Wyatt to calculate the salary minimums, maximums, and competitive rates. Without this type of detailed information, CRS cannot offer observations regarding whether GAO employees were "overpaid" at the time of the Watson Wyatt study or the January 2006 pay adjustment.

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Mr. Chairman, 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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[30] U.S. Government Accountability Office, *Band II Restructuring & 2006 Pay Adjustments*, Nov. 3, 2005, provided to CRS by House Government Reform Committee staff.