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November 16, 2012

Mr. Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

As you know, caps on senior executive compensation for Federal contractors are set in 10 USC 2324 (e)(1)(P) for Defense and 41 USC 4304(e)(1)(P) for civilian agencies. In the last fiscal year, that cap is nearly $770,000—almost double the level of compensation paid to the President of the United States and up from $433,000 in 2004 when the law went into effect.

Under the law, the Office of Federal Procurement Policy (OFPP) determines maximum executive compensation. This process is based on a weighted-analysis of executive compensation at publicly traded companies with annual sales over $50 million. The approach has seen executive compensation for government contracts grow by over 20% since 2008 while many working Americans have experienced wage stagnation and unacceptable levels of unemployment.

Despite the elaborate accounting associated with contract competitions, billing from awardees and post-performance audits, there are few reliable estimates of what this level of executive compensation costs the taxpayer. However, at least one analysis done at the Department of the Army on the impacts of cutting executive compensation found that billions would be saved in that one Department. Multiply that by the hundreds of billions in contract spending by Defense and civilian agencies, and it is possible that we are looking at potential savings of tens of billions per year in taxpayer money.

I request your assistance in developing a robust estimate of tax-payer funded executive compensation contained in government contracts. I ask that your office review executive compensation costs for contractors with the Departments of Energy, Commerce, Transportation, and Homeland Security as well as the National Aeronautics and Space Administration, the National Science Foundation, and the Environmental Protection Agency.

Congress and the Administration are struggling to find savings in every program of the Federal government. There has been an ever increasing reliance on private contractors to carry out government programs and support government missions. Therefore, we should have better information on the expenses associated with government contracts to evaluate whether there are significant savings that can be realized through an adjustment to the policies governing the government's payment of contractor's executive compensation.

Sincerely,

Paul Tonko
Ranking Minority Member
Subcommittee on Investigations and Oversight