

Comparable Salaries for the State of Alaska's Oil and Gas Revenue Auditor III and Corporate Income Tax Auditor III Positions

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Purpose

This report is intended to present salaries for positions in the private and government sectors which are comparable to the State's Oil and Gas Revenue Auditor III and Corporate Income Tax Auditor III Positions.

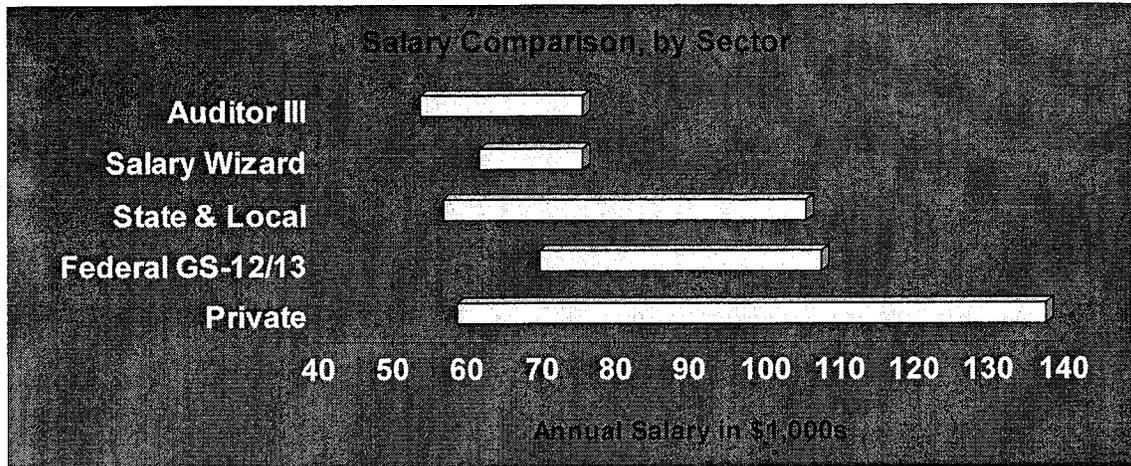
Findings

The pay range for the State's Auditor III positions is on the low end of the pay range for roughly similar jobs. The pay range for similar jobs is \$56,000 to \$120,000, while the pay range for Auditor III jobs is \$53,000 to \$75,000.

Comparable private jobs pay between \$60,000 and \$120,000 after adjusting for the cost of living differential. Comparable Federal jobs pay between \$93,000 and \$121,000, including the Federal COLA. The fact that the COLA is tax free means that those numbers understate the attractiveness of the Federal pay scale. Comparable state and local government jobs in the Lower 48 pay between \$56,000 and \$105,000, after adjusting for the cost of living differential. Internet salary wizards suggest a range between \$61,000 and \$75,000 for accountants in Anchorage.

Jobs which give comparable pay involve less responsibility and typically require less experience, while jobs which require comparable knowledge and responsibility offer higher pay, often require more training and experience, and often involve management or corporate officer responsibilities.

The chart below shows the pay ranges for the several categories of salary information. The starting pay for the Auditor III position is the lowest pay for any of the comparable positions found. The top pay for the Auditor III matches the upper end suggested by the internet salary wizards for simple accountants (title "Accountant III") in Anchorage. The Private and State & Local pay ranges start nearly 10% higher than our Auditor III pay range, and go far higher. The Federal pay range starts \$16,000 above the low end of the Auditor III range, which is \$8,000 above the high end, and tops out at \$107,000, more than 40% above the high end of the Auditor III pay range.



The Requirements of the State Auditor Positions

The positions Oil and Gas Revenue Auditor III and Corporate Income Tax Auditor III require people with significant skills and large knowledge sets. The auditors must be able to independently audit the tax returns of a company which is reporting income from operations of a number of business units in a number of countries, which potentially use different accounting systems and operate under different laws. Their work can significantly affect the State's revenues and is likely to result in legal appeals. The auditors may have to provide expert testimony to courts or the legislature, and provide tax consultation to government and private parties. This demands several years of appropriate experience, and appropriate credentials.

The minimum requirements for the positions are a Bachelor's degree in Accounting, Finance or Business with at least 18 semester hours in accounting and either successful completion of the Auditor II flexible training plan criteria or one year experience as an Auditor II. The total experience requirement is three years of applicable, professional experience. A CPA license may substitute for the education, but not for the experience.

The Nature of the Comparison

Since the purpose of this report is to determine an appropriate level of compensation for these auditor positions, it seems reasonable to look at the resources which a prospective applicant might consult to determine his target salary, and his other opportunities. These include "salary wizards" at various internet bulletin boards; private, state and federal job postings; and news articles which address the issue.

Private Sector Comparisons

State auditor jobs seem to involve an unusual level of complexity for non-management positions. Many private jobs whose description indicated a comparable level of complexity involved either managerial or corporate officer responsibilities. A further difficulty in finding salaries for comparable private sector positions is that most companies do not provide details about salary in their job postings, other than to boast of "competitive salaries and benefits."

Salaries for Outside jobs were adjusted using cost-of-living information found on the Internet. Even after adjusting for the higher-than-Anchorage cost of living in New York and California's Bay Area, comparable jobs in those places pay more than the Auditor III range. For example, a Senior Manager in Oakland, CA is being offered, after adjusting downward by 23%, a salary of \$77,000 to \$100,000. A Tax manager in Midtown New York is being offered, after adjusting downward by 12%, \$79,000 to \$97,000. The State of Alaska is offering its Auditor IIIs \$53,000 to \$75,000.

| Selected Private Sector Auditor/Accountant Salaries | | | | | |
|--|-----------------|-----------------------------|-------------------|---|---------------------------|
| Job Title | Location | Education | CPA? | Experience | Salary¹ |
| Audit/Tax professional ² | New Jersey | BS Accounting | Preferred | 2 to 10+ | \$60 - \$120 |
| Auditor ² | New Jersey | BS Accounting | No | 3 minimum | \$72 + |
| Auditor ² | New Jersey | BS Accounting | MBA/CPA preferred | 3 to 6 years audit experience | \$72 - \$96 |
| Tax Analyst ² | New Jersey | BS Accounting | No | 1 to 3 years private tax accounting | \$72 - \$78 |
| Audit Manager ² | New Jersey | BS Accounting | Required | 3+ years with CPA | \$90 - \$114 |
| Senior Tax Manager ³ | Paramus, NJ | BS Accounting, MS preferred | Required | 7+ years | \$137 |
| Tax Manager-Public ⁴ | Midtown NY | Not listed | Not listed | 7+ years, international experience preferred | \$79 - \$97 |
| Tax Manager-Public ⁵ | Oakland, CA | BS or higher | Not listed | 3+ years | Up to \$58 |
| Senior Manager ⁶ | Oakland, CA | Not listed | Required | 6+ years significant and progressive experience | \$77 - \$100 |
| 1 Salary in \$1,000s. | | | | | |
| 2 From Nauticus Group, http://www.nauticusgroup.com/career_jobs.html . Salaries have been multiplied by 1.2 to adjust for Alaska's higher cost of living. | | | | | |
| 3 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 272-9295903, retrieved 26 January 06. Salary multiplied by 1.1 to adjust for Alaska's higher cost of living. | | | | | |
| 4 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 294-9303325, retrieved 26 January 06. Salary multiplied by 0.88 to adjust for Alaska's cost of living. Note: Cost of living calculated using Queens, NY, NY. If the incumbent chose to live in New Jersey and commute, the multiplier would have been 1.1 to 1.2. | | | | | |
| 5 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 221-100612, retrieved 26 January 06. Salary multiplied by 0.77 to adjust for Alaska's cost of living. Note: Cost of living calculated using Oakland, Ca. If the incumbent chose to live in Castro Valley, CA, the multiplier would have been 0.80. | | | | | |
| 6 From Robert Half Associates, http://www.roberthalffinance.com , Job Order Number: 034-107191, retrieved 26 January 06. Salary multiplied by 0.77 to adjust for Alaska's cost of living. Note: Cost of living calculated using Oakland, Ca. If the incumbent chose to live in Castro Valley, CA, the multiplier would have been 0.80. | | | | | |

Federal Sector Comparisons

It is difficult to compare private sector positions to government positions, even when their responsibilities are apparently similar. It is also difficult to compare positions in the lower 48 with positions in Alaska, because of the very different amenities and living conditions. These difficulties don't apply to Federal positions in Alaska: they are in government service, they do very similar jobs, and they live in the same communities as the State workers. This makes them the ideal comparison for State employees.

The IRS has many jobs which seem roughly comparable to Alaska's Auditor IIIs, though none seem to require the familiarity with multiple jurisdictions which is required of our Auditor IIIs. All of the IRS's somewhat comparable positions are titled "Internal Revenue Agent," and the non-supervisory positions range from GS-05 to GS-11, with base salaries in the lower 48 ranging from \$25,000 to \$60,000. The IRS uses GS-13 level employees to perform comparable audits. The base pay of the GS-13 pay range is \$66,000 to \$86,000. The Selected Federal Auditor/Accountant Salaries table, below, shows two GS-13 positions which have levels of responsibility and knowledge requirements comparable to the Auditor III positions.

In Alaska, these positions would receive an additional (above the base pay) 25% cost of living allowance (COLA), which is tax free. The Federal Government apparently believes that they need to offer this COLA to attract and retain good employees in Alaska. Because this COLA is tax free, it is not straightforward to compare it to a state salary. For an employee in the 28% tax bracket, the 25 % tax free COLA is equivalent to a 34% taxable COLA, ignoring any possible change in tax bracket resulting from the increase. Therefore, the Federal salaries reported below are probably far more attractive than the numbers would imply.

The 2003 U.S. Office of Personnel Management (OPM) report¹ on COLA in Alaska shows that according to their method, in 2003, the cost of living in Anchorage, AK was 12.63% higher than in Washington, D.C. As a result, the published policy is to gradually reduce the Federal COLA to 18%. An 18% tax free Federal COLA would be roughly equivalent to a 25% taxable COLA for an employee in the 28% tax bracket, again ignoring any possible change in tax bracket resulting from the increase. Thus, the eventual Federal COLA will be roughly equivalent to a 25% higher salary for Alaskan workers.

Interestingly, the Internet salary calculator² shows that the cost of living in Anchorage, AK is 79% of that in Washington, D.C. The difference between the OPM COLA and the salary wizard number is that the Federal number assumes that the employees will live in Virginia or Maryland rather than in D.C. For example, the salary wizard shows that an

¹ 2003 Nonforeign Area Cost-of-Living Allowance Survey Report; Alaska and Washington D.C. Areas; Notice. Federal Register, Vol. 69, No. 49/Friday, March 12, 2004, pp. 12002-12048.

² See the "Methods" section, at the end of this report.

employee who lived in Fredricksburg, VA, would face a 12% higher cost of living in Anchorage.

In a 1999 study³ for the OPM, Joel Popkin and Company considered the methods used to compute the Federal COLA. Their conclusion was that the current method underestimates the actual cost of living differential between Washington, D.C. and Alaska. An example they give of this is that the amount of heating oil in the "consumption basket" is the amount appropriate for Washington, which drastically understates the importance of the difference in the amount spent on heating oil. The report also mentions non-price factors not included in the current methodology, such as the need for air travel, quality of schools and climate. Every refinement they propose would have the effect of increasing the COLA. It seems probable, therefore, that the proposed future Federal COLA of 18% may underestimate the actual additional pay necessary to compensate for the cost of living differential.

The Federal salary range for the GS-11 positions, the responsibilities of which are slightly less demanding than those of our Auditor IIIs, is \$65,000 to \$92,000 after adding the current, tax free COLA. The experience requirements are quite similar to those of the State's Auditor III positions, though the education requirements are slightly more exacting, requiring 30 rather than 18 semester hours of accounting. The Federal salary range for the GS-13 positions, comparable to our Auditor III positions, is \$83,000 to \$107,000, after adding the current, tax free COLA. Our Auditor IIIs receive \$53,000 to \$75,000.

³ Non-Foreign Area Cost-of-Living Allowances: Final Report: A summary of SHWG Research Tasks. Joel Popkin and Company, 1999, retrieved from <http://www.opm.gov/oca/cola/research.asp>, 19 January 2006.

Three representative positions are reported below.

| Selected Federal Auditor/Accountant Salaries | | | | | |
|---|-----------------|---|-----------------------------------|---|---------------------------|
| Job Title | Location | Education | CPA? | Experience | Salary¹ |
| Internal Revenue Agent, Bank Secrecy Act Examiner, GS-5 to GS-09 ² | Central U.S. | BS Accounting, 30 credits accounting minimum | May substitute CPA for education. | Experience may substitute for up to 2 years of college. | \$31 - \$63 |
| Internal Revenue Agent, Bank Secrecy Act Examiner, GS-11 ³ | Central U.S. | BS Accounting, 30 credits accounting minimum | May substitute CPA for education. | 3 years of PH.D. studies or 1+ years of experience at next lower level ⁴ . | \$58 - \$75 |
| Internal Revenue Agent, GS-11 ³ | Central U.S. | BS Accounting, 30 credits accounting | May substitute CPA for education. | 3 years of PH.D. studies or 1+ years of experience at next lower level ⁴ . | \$58 - \$75 |
| Internal Revenue Agent, GS-13 ⁵ | Hypothetical | Unknown BS Accounting, 30 credits accounting. | May substitute CPA for education. | 1 year+ specialized experience ⁶ . | \$83 - \$107 |
| Forensic Auditor, GS-12/13 ⁷ | Atlanta, GA | BS Accounting or related, with 24 credits accounting. | May substitute for degree. | 1 year+ specialized experience ⁶ . | \$69 - \$107 |
| 1 Salary in \$1,000s. Outside salaries have been multiplied by 1.25, the amount of the federal COLA for employees in Alaska. | | | | | |
| 2 This position has responsibilities comparable to the State's Auditor I or II. Federal job descriptions retrieved from http://www.usajobs.opm.gov/ , 10 January 06 | | | | | |
| 3 This position has responsibilities somewhat less than those of the State's Auditor III. Although the requirements are broadly similar, the GS-11 Agent does not take the lead in independently auditing multi-national companies. Federal job descriptions retrieved from http://www.usajobs.opm.gov/ , 10 January 06 | | | | | |
| 4 The next lower level for the GS-11 positions is GS-09, which requires two years of progressively responsible experience (GS-05/07), for a total of 3 years. | | | | | |
| 5 This position has responsibilities directly comparable to the State's Auditor III. Information retrieved from http://jobs.irs.gov/opp_acc_iraSr.html on 27 January 2006. | | | | | |
| 6 The next lower level for the GS-13 is GS-12, which requires four years of progressively responsible experience (GS-05/07/09/11), for a total of 5 years. | | | | | |

Salary Wizard Results

Potential applicants for State jobs are likely to use one of the salary wizards available on the Internet to evaluate salary offers. I have therefore consulted several of these to determine what our potential applicants might see.

Yahoo!'s hotjobs site has a salary wizard which reports that an Accountant III in Anchorage should expect a median salary of \$67,000, with two-thirds of them receiving between \$61,000 and \$75,000. The State of Alaska's Auditor IIIs currently earn a salary range of \$53,000 to \$75,000.

Kforce Professional Staffing's salary wizard reports essentially the same numbers for an Accountant III in Anchorage.

Business Finance Magazine's salary wizard reports that median compensation for a Senior Accountant with 3+ years of experience in the Western U.S. (including Alaska) will be \$55,000. If that median salary is multiplied by 1.25, as an applicant might choose to do to allow for Alaska's higher costs, he would expect a median salary of \$69,000 in Alaska. The State of Alaska's Auditor IIIs currently earn a salary range of \$53,000 to \$75,000.

The Creative Financial Staffing salary wizard reports that accountants working in Alaska's Rail Belt earn an average salary of \$49,000. However, the average accountant's job is less demanding and less responsible than the average Auditor III's job. An accountant will typically be working with, at most, the Federal Income Tax code and the Alaska Corporate Income Tax code, while the State's Auditor IIIs must work with the Federal code, and with the income tax codes of Alaska and an arbitrary number of other states and foreign countries.

State and Local Sector Comparisons

Several state and local government jobs outside Alaska show a wide range of requirements and salaries. The lowest-paying is an Auditor 3 in Louisiana, which seems to be a less demanding, less complicated position than Alaska's Auditor III positions. The highest paying is a Revenue Tax Specialist in Alabama, which requires incumbents to have an MS in Tax Accounting, or an MS in Tax Laws, and to spend 20% of their work time in continuing education. The salary range for positions whose responsibilities are comparable to Auditor III is \$56,000 to \$105,000, after adjusting to Alaska's cost of living. The State of Alaska's Auditor IIIs currently earn a salary range of \$53,000 to \$75,000. Salaries for Outside jobs were adjusted using cost-of-living information found on the Internet.

| Selected State and Local Sector Auditor/Accountant Salaries | | | | | |
|--|-----------------|------------------|----------------|-------------------|---------------------------|
| Job Title | Location | Education | CPA? | Experience | Salary¹ |
| Internal Auditor ² | Oregon | BS Accounting | In progress | None | Up to \$86 |
| Auditor 3 ³ | Louisiana | BS Accounting | No | 2+ | \$46 + |
| Foreign Audit Specialist ⁴ | Alabama | BS Accounting | No | 1+ | \$56 - \$86 |
| Revenue Tax Specialist ⁴ | Alabama | MS Accounting | No | None | \$69 - \$105 |
| 1 Salary in \$1,000s. Salaries adjusted for cost of living differential. | | | | | |
| 2 Found at http://www.jobsinthemoney.com/pb/guest/viewjob.cfm?JobsID=229473 . Salary multiplied by 1.38 to adjust for cost of living. | | | | | |
| 3 Found at http://www.civilservice.louisiana.gov/Examining/JobFliers/PrintableFliers/accounting.doc Salary multiplied by 1.45 to adjust for cost of living. The responsibilities of this position are comparable to Alaska's Auditor I or Auditor II. | | | | | |
| 4 From State of Alabama Personnel Department. Salary multiplied by 1.41 to adjust for cost of living. | | | | | |

Relevant News Articles

The U.S. Department of Labor's Occupational Outlook Handbook reports that employment for accountants will grow faster than average well into the next decade.

The Wall Street Journal, in 2004, listed Forensic Accountants as one of ten bright spots in the employment picture.⁴ Also in 2004, the Wall Street Journal reported that the Sarbanes-Oxley act had greatly increased the demand for experienced accountants.⁵ The Houston Chronicle reported in 2004 that PricewaterhouseCoopers had to "import" accountants from Canada to meet the demand.⁶ In 2005, the Wall Street Journal reported that accounting firms are scrambling to find experienced CPAs, as demand for accountants outstrips supply.⁷ The Epoch Times reported in 2005 that a shortage of accountants in the U.S. is sharply driving up salaries.⁸

Methods

To adjust Outside salaries to Alaska's cost of living, I used a salary calculator on the Internet, typical of the resource which a job candidate might use to make such comparisons. The calculator was found at

⁴ Wall Street Journal Article, "Ten Bright Spots in a Jobless Recovery," retrieved from <http://college.wsj.com/careerpaths/findcareerpath/20040330-neuborne.html> on 13 January 2006.

⁵ Wall Street Journal Article, "Tougher Regulations Create New Accounting Opportunities," retrieved from <http://www.careerjournal.com/salaryhiring/industries/accounting/20041201-buss.html> on 13 January 2006.

⁶ Houston Chronicle, 11 December 2004, "Accountants Can't Keep Up With Numbers," retrieved from <http://www.chron.com/disp/story.mpl/business/2942660.html> on 13 January 2006.

⁷ Wall Street Journal Article, "Accounting Firms Scramble to Find Experienced CPAs," retrieved from <http://www.careerjournal.com/salaryhiring/industries/accounting/20050322-mcgee.html> on 13 January 2006.

⁸ The Epoch Times, 18 July 2005, "U.S. Accountant Shortage Drives Salaries up Sharply," retrieved from <http://english.epochtimes.com/news/5-7-18/30411.html> on 13 January 2006.

<http://www.jobsinthemoney.com/common/salarytables.cfm?link=http://www.homefair.com/calc/salcalc.html>.

This report considers only base pay, since useful information on bonuses and fringe benefits seems to be unobtainable.

Private industry positions often add bonuses to base pay, and those bonuses are often a substantial fraction of the total compensation. Therefore, a comparison based only on base pay might understate the attractiveness of private sector salaries.

Most large private employers have benefit packages which are nearly as complete as the State of Alaska's. They typically include medical benefits and contribution matching for 401k plans, but may not include dental and vision coverage, and may require that the employee pay a higher portion of the cost. A comparison which excludes benefits might overstate the attractiveness of private sector jobs.

Federal positions have a benefit package roughly comparable to the State of Alaska's. Federal pay presented here includes a 25% tax free COLA, which is worth significantly more than a 25% taxable COLA, as discussed above in the section on Federal positions.