



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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March 7, 1973

Captain W. D. Morrow, FC  
Headquarters United States Army  
Support Command, Hawaii (PROV)  
APO San Francisco 96558  
Through Finance and Accounting Officer  
Office of the Comptroller of the Army

Dear Captain Morrow:

DL 604192

We refer to your letter of October 27, 1972, reference HCCR-F-PC, forwarded to this Office from the Office of the Comptroller of the Army under letter of December 19, 1972, reference DACA-LIS-FC, concerning computation of cost-of-living allowances (COLA) for civilian employees of the Department of the Army in Hawaii. You have requested our determination of the proper method to be used in computing the hourly rates of basic pay and cost-of-living allowances as the result of a question raised by Mr. Roland D. Libby, an Army civilian employee stationed in Hawaii.

The file submitted indicates that due to a reduction in force Mr. Libby was reduced from a GS-13 position and placed into a GS-12 position. He was declared ineligible for salary retention since the rate of compensation in his GS-12 position (GS-12, step 10, \$20,627 per annum) was higher than that of his previous position (GS-13, step 4, \$20,612 per annum). In addition to his basic pay, Mr. Libby is also entitled, under the provisions of section 5941 of title 5, United States Code, and chapter 591 of the Federal Personnel Manual concerning allowances payable in nonforeign areas, to a cost-of-living allowance of 15 percent of his basic pay. This allowance, calculated on annual base pay, amounted to \$3,091.00 per annum in his grade 13 position and amounts to \$3,094.05 per annum in his present position. However, Mr. Libby contends that the method in use by the Finance and Accounting Office (FAO) to calculate the hourly rate of the cost-of-living allowance, and thus derive the biweekly rate, is not in accordance with Comptroller General instructions and results in his being underpaid the allowance to which he is entitled.

You state that based on a memorandum issued by this Office, B-50870, November 17, 1958, the following method is used to calculate hourly and biweekly rates of pay and allowances:

"(1) The annual basic rate of pay is divided by 2080 to derive an hourly rate of basic pay.

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B-177694

"(2) The aggregate gross pay (basic pay plus cost-of-living allowance) is divided by 2080 to derive the hourly rate of aggregate gross pay.

"(3) The hourly rate of basic pay is then subtracted from the hourly rate of aggregate gross pay to determine the hourly rate of the cost-of-living allowance.

"(4) The hourly rates are multiplied by 80 to determine the biweekly rates."

It is Mr. Libby's belief that the formula used to derive the hourly rates of basic pay and aggregate gross pay, i.e., dividing by 2080, should also be used to compute the hourly rate of COLA and that, in fact, this is the method required under B-50870, supra. He notes that the method used by FAO has resulted in his hourly and biweekly COLA decreasing despite the fact that his annual COLA increased commensurate with his salary increase.

The method currently being used by your office to compute the hourly rates of basic pay is in accordance with the method proscribed by statute in 5 U.S.C. 5504. That section, though, addresses itself only to the computation of basic pay and there are no specific statutory guidelines for use in computing the hourly rates of the cost-of-living allowance authorized under 5 U.S.C. 5941. Our memorandum B-50870, supra, in referring to the method of computing hourly rates of base pay by dividing by 2080, further instructed payroll units that the same method was to be applied "in the computation of aggregate compensation payments to officers and employees assigned to posts of duty outside the United States who are authorized by law to be paid additional compensation based upon a percentage of their basic compensation rates." (Emphasis supplied.)

It would appear that the method currently being used by FAO, dividing the aggregate gross pay by 2080 to arrive at a figure from which the hourly rate of COLA is derived, is consistent with a reasonable interpretation of the instructions contained in B 50870. Therefore, since the FAO method has apparently been used consistently to determine the hourly COLA rate and the difference between the hourly rate derived using that method and the rate which could be derived using other methods is relatively insignificant, we see no legal objection to the use of such method or to payments made thereunder. We recognize that

B-177694

this method of computation does eliminate one step of division and a second step in the treatment of fractions. However, there are other methods of computing the hourly rate of the cost-of-living allowance. One of such methods used by many agencies is as follows: If Mr. Libby's annual rate of cost-of-living allowance be divided by 2080 the result would be an hourly rate of \$1.487+. That rate would then be increased to \$1.49 applying the rule of fractions as contained in 5 U.S.C. 5504 with respect to basic compensation, that is, counting one-half and over as a full cent and dropping any fraction of a cent less than one-half. The former rule of counting all fractions of a cent as a whole cent to which Mr. Libby refers has not been in effect since 1964. See section 103(c) of Public Law 88-426, approved August 14, 1964. The \$1.49 hourly rate is one cent higher than that resulting from your method of computation. We note that under your method of computation Mr. Libby when he was in grade GS-13, step 4, received the benefit of a fractional increase to one cent and was paid the gross amount of \$23,712 for 2080 hours. This amounted to \$8.20 in excess of the annual basic rate (\$20,612) plus 15 percent thereof for COLA (\$3,091.80) or \$23,703.80. Thus, it may be seen that in some cases the fraction rule results in a slight benefit to the employee whereas in another the benefit would be in favor of the United States.

Sincerely yours,

Paul G. Danblin

For the Comptroller General  
of the United States