



AUG 10 2005

MEMORANDUM TO HUMAN RESOURCE CENTER/OFFICE DIRECTORS

FROM: Robert Hosenfeld
Deputy Assistant Secretary for Human Resources

SUBJECT: Departmental Policy on Category Rating

Attached is HHS Personnel Instruction 337, which establishes a Department-wide policy for using Category Rating when appropriate. Category rating is a process of evaluating qualified candidates by considering the quality of their experience, education and training and placing them into pre-defined "quality categories" rather than assigning individual numerical scores. The flexibility of the category rating system is that it affords the selecting official a wider choice of selectable candidates than previously allowed under the "rule of three." In category rating, a selecting official may choose any of the candidates in the highest quality category as long as a veteran in that category is not passed over for a non-veteran. There is absolute veteran's preference within each category. Requirements of the Career Transition Assistance Program (CTAP) and Interagency Career Transition Assistance Program (ICTAP) continue to apply. This policy also establishes documentation and record-keeping procedures. This policy is effective upon issuance.

If you have questions, please call Nancy Bagley at 202-690-8071 or e-mail her at Nancy.Bagley@hhs.gov.

A handwritten signature in black ink, appearing to read "Rob Hosenfeld", is written over the typed name and title.

Robert Hosenfeld
Deputy Assistant Secretary for Human Resources

Attachment

FINAL
Effective August 2005

HHS Instruction
Personnel Manual
HHS Transmittal

HHS PERSONNEL INSTRUCTION 337
Category Rating and Selection Procedures

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337-00 Purpose

The purpose of this Instruction is to state the Department's policies concerning use of Category Rating.

337-10 Background/Authority

On June 13, 2003, the Office of Personnel Management (OPM) issued interim regulations implementing several human resource flexibilities enacted in the Homeland Security Act (HSA) of 2002 (P.L. 107-296). One of the flexibilities authorizes federal agencies to use an alternative rating and selection procedure in the hiring process. Section 1312 of the HSA provides that "OPM in exercising its authority under section 3304, or an agency with delegated examining authority under section 1104(a) (2), may establish a **category rating** system for evaluating candidates for positions in the competitive service based on merit and consistent with regulations prescribed by OPM, rather than assigning individual numerical ratings." Category rating is synonymous with alternative rating as described in 5 U.S.C. § 3319. The regulations, which are not final, add Subpart C to 5 CFR § 337; however, OPM expects to codify the HR flexibilities at 5 U.S.C. § 3319 within one year of their issuance.

337-20 References

- 5 CFR 337
- P.L. 107-296, Homeland Security Act, Title XIII, Sec. 3319
- Delegated Examining Operations Handbook, Chapter 3, Section B
- Delegated Examining Operations Handbook, Chapter 5, Section B
- Category-Based Rating and Selection Handbook –OPM Workshop 11/24/03

337-30 Summary of Category Rating

Category rating is a process of evaluating qualified candidates by considering the quality of their experience, education and training and placing them into pre-defined “quality categories” rather than assigning individual numerical scores. Quality categories (e.g. “Best Qualified,” “Well Qualified,” and “Qualified”) are groupings of candidates with similar levels of job-related knowledge, skills, abilities and competencies. As in traditional rating and ranking, criteria for evaluating candidates are identified through the job analysis process. Critical tasks or major duties are identified for the position and subject matter experts, in consultation with the human resource (HR) specialist, establish job-related task examples for use in evaluating applicants. These task samples are then translated into questions and responses that are used by an automated rating system (QuickHire) to self-evaluate applicants, or into category level definitions used in manual rating procedures.

When using an automated (QuickHire) system to evaluate applicants, the Selecting Official and the HR Specialist work together to determine which questions/responses are “key” or essential to the performance of the job’s duties. Task examples include questions regarding applicants’ experience, education, and other job-related criteria that demonstrate knowledge, skills, abilities and competencies for the critical tasks of the job.

When using manual rating procedures, the Selecting Official and the HR Specialist work together to develop category level definitions that include relevant task examples. Task examples include questions regarding applicants’ experience, education, and other job-related criteria that demonstrate knowledge, skills, abilities and competencies for the critical tasks of the job. (See OPM Delegated Examining Handbook for procedures. http://www.opm.gov/deu/Handbook_2003/DEOH-Section-19.asp#Heading2198)

The flexibility of the category rating system is that it affords the selecting official a wider choice of selectable candidates than previously allowed under the “rule of three.” In category rating, a selecting official may choose **any** of the candidates in the highest quality category **as long as a veteran in that category is not passed over for a non-veteran.**

337-40 Summary of OPM Requirements

- Two or more “quality categories” are defined through a job analysis (i.e. the systematic process of determining the KSAs/competencies directly related to performance on the job) conducted in accordance with the *Uniform Guidelines on Employee Selection Procedures*.
- Each category must have a clear definition that distinguishes it from the other categories.
- After determining that a candidate meets minimum qualifications, candidates are placed in one of the pre-defined categories.
- The “rule of three” does not apply—candidates that are placed within the **highest** quality category are referred for selection. If there are fewer than three candidates in the highest category, the highest and second highest categories **may** be merged.
- There is absolute veteran’s preference within each category. Qualified preference eligibles are listed ahead of non-preference eligibles within each category grouping. In certain instances, veterans with a compensable service-connected disability of at least 10% (i.e. CPS and CP) **must** be placed in the **highest** category.
- Requirements of the Career Transition Assistance Program (CTAP) and Interagency Career Transition Assistance Program (ICTAP) continue to apply.
- Agencies must establish documentation and record-keeping procedures for reconstruction purposes.
- Agencies must submit an Agency report to Congress on use of their category rating and selection procedures each year for the first three years following the program’s establishment.

337-50 HHS Use of Category Rating

The category rating system may not be the most appropriate rating method for every recruitment situation. For example, category rating may **not** be used for filling positions covered by the Luevano Consent Decree (see Appendix A for an abbreviated list of common Luevano-covered positions in the Department; a full listing of Luevano – covered positions is available at Appendix D of the OPM Delegated Examining Operations Handbook.) Given the position and potential applicant pool, the selecting official and HR specialist must consider if category rating is the most beneficial method to fill a vacant position. Other federal agencies’ experience suggests that the **category rating procedure is most effective when the selecting official desires a large number of candidates and/or there are multiple positions to be filled.**

337-60 Quality Category Definitions

Two automated methods, and one manual method are currently authorized for the rating of candidates and their assignment to quality categories. The first automated procedure is referred to as the “key item” method and the second automated rating approach is identified as the “score based” method. The manual method follows the A-C-E rating approach identified in the OPM Delegated Examining Handbook. These procedures are

described below. Any of these three approaches may be used by the HR Specialist to evaluate candidates under the HHS category rating procedures. Other methods may be used, once approved by Office of Human Resources (OHR), Assistant Secretary for Administration and Management, Office of the Secretary.

A. Key Item Category Rating Method

When the vacancy has closed for receipt of applications and supplemental documents, the HR Specialist will use QH data mining process to determine the percentage of key responses applicants have indicated that they possess, as outlined below:

Best Qualified Category -- Applicants who have responded that they possess at least 75% of the key responses.

Well Qualified -- Applicants who have responded that they possess at least 50%, but less than 75% of the key responses.

Qualified -- Applicants who are minimally qualified and have responded that they possess less than 50% of the key responses.

Not Qualified – Applicants who are not minimally qualified.

B. Score Based Category Rating Method

When the vacancy has closed for receipt of applications and supplemental documents, the HR Specialist will separate candidates into quality groups based on their QH score (that *is not* augmented¹ with additional points for veterans preference – however, veterans do have selection preference – see below). QH scores are a reflection of the quality and appropriateness of the candidate’s training, education and experience relative to the vacancy being filled. Higher scores reflect an overall better fit between the competencies that the candidate possesses and the requirements of the specific vacancy. Quality groups are defined by the score ranges below²:

- Best Qualified Category -- Applicants who have a QH score between 95 and 100.
- Well Qualified -- Applicants who have a QH score between 85 and 94.99.
- Qualified -- Applicants who have a QH score between 70 and 84.99.

¹ Note that the QH system must be configured to not automatically add veterans’ preference points.

² Note that other scores, higher or lower, than 95 may be used to identify the Best Qualified Category, if supported through proper documentation and identified prior to the position being announced. Recommend keeping the Well Qualified lower range cutoff at 85.

C. Manual Category Rating Method

The HR Specialist and Selecting Official work together to develop an A-C-E type crediting plan (see OPM Delegated Examining Handbook, Chapter 5, Section B). When the vacancy has closed for receipt of applications and supplemental documents, the HR Specialist will separate candidates into quality groups based on their meeting one of the three identified benchmark descriptions. The benchmarks are a reflection of the quality and appropriateness of the candidate's training, education and experience relative to the vacancy being filled. They also include any Quality Ranking Factors identified by the Selecting Official as being preferred and relevant to the vacancy. The Best Qualified benchmark reflects an overall ideal fit between the competencies that the candidate possesses and the requirements of the specific vacancy. Quality groups are defined in the vacancy announcements by tying in key concepts from the benchmarks to the Quality Category. For example:

- Best Qualified Category -- Applicants who have experience that is almost identical to those performed in the position, including any Quality Ranking Factors identified.
- Well Qualified -- Applicants who have experience that is very similar to those performed in the position.
- Qualified -- Applicants who meet minimum qualification requirements, but do not show experience or skill beyond that.

337-70 Referral and Selection of Candidates

- Selections are made from the *highest quality category* for which there are applicants, on the basis of merit, without regard to race, color, religion, gender, sexual orientation, national origin, physical disability, age or political affiliation.
- **For professional and scientific positions** (e.g. positions requiring specific education and/or degree) at GS-9 or higher, preference eligibles who qualify and have a compensable service-connected disability of 10% or more (i.e. CPS and CP) are placed at the top of the **appropriate category grouping for which they qualify (Best Qualified, Well Qualified or Qualified)**.
- **For positions other than professional and scientific at the GS-9 level or higher**, preference eligibles who have a compensable service-connected disability of 10% or more are placed at the top of the **Best Qualified category**, with all other Superior quality veterans preference eligibles.
- Selecting officials **may not** pass over a veteran to select a non-veteran unless a written objection (i.e. documentation of the reason why the veteran should not be hired) is submitted to and sustained by the designated official. Objections should rarely occur. Veterans preference eligibles cannot be passed over to appoint lower-

ranked non-veterans preference eligibles unless there is a sustained objection based on qualifications, suitability or other reasons considered to be disqualifying under 5 U.S.C. 3318 and 5 CFR 332.406 (as described in the OPM Delegated Examining Guide). Should there be an objection to a veterans preference eligible having a 30% or greater service-connected disability (CPS), then the reasons for the objection must be put in writing and presented to the applicant. The applicant then has 15 days from the date the letter is sent to rebut the objection. Only OPM may adjudicate any such objection to a CPS eligible.

- Any veteran in the group under consideration may be selected regardless of the type of preference they are entitled to. Compensably Disabled veterans do not have any greater selection privileges than Tentative Preference veterans.
- **If there are fewer than three candidates** in the Best Qualified category, the two highest categories (“Best Qualified” and “Well Qualified”) **may be merged** into one category. When merging categories, a new category is created and all preference eligibles from the Well Qualified group (in addition to those already grouped in the Best Qualified category) “float” to the top of this new category. The HR specialist must explain the merge option carefully to the selecting official. Merging is **not** mandatory and can **only** be exercised when there are **fewer than three candidates in the Superior category**.
- Under category rating, eligibles are listed in the following order:
 1. Agency Reemployment Priority List (RPL) eligibles;
 2. Interagency Career Transition Assistance Program (ICTAP) and Career Transition Assistance Program (CTAP) eligibles;
 3. Eligibles who were entitled to, but not given, due consideration;
 4. Eligibles in the highest quality category (including CP and CPS veterans);
 5. Eligibles in other quality categories, as needed.
- Candidates in the highest quality category (i.e. “Best Qualified”) are referred to the selecting official. Candidates are referred in alphabetical order and preference eligibles are listed ahead of non-preference eligibles.
- If there are CTAP / ICTAP candidates and CP / CPS candidates, then selection can be made equally from either class of candidates.

337-80 Security

All documentation developed in the Category Rating Process is considered confidential (i.e., examples of quality category indicators, benchmark / task examples) and must not be disclosed in the vacancy announcement or otherwise made available to candidates or others without a need to know. In addition, all documentation must be kept in a secured environment (e.g. locked file cabinet or safe.) Violations can result in the cancellation of the vacancy announcement.

337-90 Reporting and Record Keeping Requirements

According to OPM regulations, agencies are required to submit an annual report to Congress on the use of the category rating and selection procedures in each of the three years following the program's establishment. Specifically, the Department is required to report the following information to OPM:

- The number of employees hired under the system;
- The impact the system has had on the hiring of veterans and minorities, including those who are American Indian or Alaska Natives, Asian, Hispanic, Black or African American and native Hawaiian or other Pacific Islanders;
- The way in which managers were trained in the administration of the system.

The record keeping requirements of the Delegated Examining Operations Handbook, Appendix C also apply to records related to the Department's Category Rating Procedure.

RNO data will be collected via a report generated through either the automated system (Quick Hire), or for manual cases, through the use of an authorized RNO data collection form included as part of the application package and submitted with other application materials.

337-100 Program Review and Evaluation

The following information must be provided to OHR within 60 days of the selection of a candidate using category rating (see Appendix B for required reporting format):

- Title, grade and occupational series of the position;
- Total number of applications received;
- Number of preference eligibles and minority candidates that applied for the position;
- Number of qualified candidates by quality category;
- Number of selections made;
- Number of preference eligibles and minority candidates selected;
- Number of preference eligibles and minority candidates who actually entered on duty;
- "Certificate of Eligibles Survey" from the selecting official regarding level of satisfaction with the process.

**Appendix A:
Common Luevano-Covered Positions at the Department of Health & Human
Services (GS-5 and GS-7)**

POSITION TITLES	SERIES
Administrative Officer	0341
Arts and Information, General	1001
Budget Analysis	0560
Business and Industry, General	1101
Contracting Series *	1102
Economics *	0110
Education and Training, General *	1701
Financial Administration and Programs	0501
General Supply	2001
Health Insurance Administration	0107
Human Resources Management	0201
Information Technology Specialist (Trainee)	2210
Inspection, Investigation, and Compliance (Gen)	1801
Intelligence	0132
Inventory Management	2010
Investigator, Criminal	1811
Investigator, General	1810
Miscellaneous Administration and Program	0301
Paralegal Specialist	0950
Program Management and Program Analysis	0343
Psychology *	0180
Public Affairs	1035
Public Health Program Specialist	0685
Public Health Quarantine Inspection	1864
Safety and Occupational Health Management	0018
Security Administration	0080
Social Science	0101
Technical Writing and Editing	1083
Technical Information Services	1412
Telecommunications	0391
Transportation Specialist	2101
Writing and Editing	1082

* Position requires specific educational requirements