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Personnel Manual  
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Material Transmitted:

HHS Instruction 430-7, Performance Appraisal System

Material Superseded:

None

Background:

August 23, 1995, the Office of Personnel Management (OPM) issued a final rule deregulating performance management and incentive awards. On November 3, 1995, OW approved the attached Department-wide Performance Appraisal System established as a result of these regulations.

OPDIVs may elect to remain under the previous Department-wide Performance Management Plan, dated April 26, 1993. In this case none of the flexibilities granted by the new regulations may be used, and performance management is governed by the April 1993 plan and related issuances concerning performance-based awards.

Under the new System, the heads of OPDIVS (including the Public Health Service agencies, the Program Support Center, and the Inspector General) are delegated the authority to establish and approve performance appraisal programs in compliance with the August 23, 1995, regulations. Such programs must be established and approved as required by this instruction before the flexibilities granted by these regulations can be used.

This issuance is effective immediately. However, changes in conditions of employment for bargaining unit employees must be implemented consistent with labor relations responsibilities in 5 U.S.C. Chapter 71 and provisions of negotiated agreements.

Filing Instructions:

Post receipt of this transmittal to the HHS Check List of Transmittals and file in sequential order after the check list.

John J. Callahan  
Assistant Secretary for  
Management and Budget

INSTRUCTION 430-7

MS (PERS): HRFC-001

## **DEPARTMENT OF HEALTH AND HUMAN SERVICES**

### **PERSONNEL INSTRUCTION 430-7**

### **PERFORMANCE APPRAISAL SYSTEM**

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## **PART ONE - GENERAL**

### **I. ORGANIZATION AND COVERAGE**

Part One of this document maintains general information and requirements of the Department's Performance Appraisal System. This system covers General Schedule employees (including GM employees covered by Public Law 103-89, The Performance Management and Recognition System Termination Act of 1993), prevailing rate employees, and senior-level and scientific and professional employees paid under 5 U.S.C. 5376.

The Department's Performance Management Plan, dated April 26, 1993, and existing issuances governing performance awards constitute the Department-wide performance management program. These existing requirements remain in effect for covered employees until an official listed in Part Two, Section III A, certifies that a new performance appraisal program has been established under this system.

Part Two of this document contains information and requirements regarding establishment of performance appraisal programs under this system.

### **II. AUTHORITIES**

- Performance Appraisal 5 U.S.C. Chapter 43 and 5 CFR, Part 430.
- Agency Awards and Recognition 5 U.S.C. Chapter 45 and 5 CFR, Part 451, Subpart A.
- Within-Grade Increases 5 U.S.C. 5335 and 5304 and 5 CFR, Part 531, Subpart D
- Quality Step Increases 5 U.S.C. 5336 and 5 CFR, Part 531, Subpart E.
- Reduction-in-Force 5 U.S.C. 3502 and 5 CFR 351.504
- Records of Employee Performance 5 U.S.C. 552a, 5 CFR 293.404 and 293.405
- Unacceptable Performance 5 CFR, Part 432.104

### **III. STATEMENT OF PURPOSE**

Performance management in the Department of Health and Human Services is aimed at improving individual, team and organizational effectiveness in accomplishing the Department's mission and goals. The programs established under the Performance Appraisal System provide a mechanism for clarifying and communicating organizational goals and expected outcomes, identifying individual and/or team accountability, providing formal feedback and documenting individual and team performance. It is one component of the on-going process of performance management which also includes frequent informal feedback, recognition and rewards, coaching, -g and skill development and appropriate corrective actions.

### **IV. RECORDS OF EMPLOYEE PERFORMANCE**

#### **A. Maintenance of Records**

The Employee Performance File (EPF) system established for non-SES employees must contain the following records for the period indicated:

<u>Record</u>	<u>Retention Period</u>
1. Annual Rating of record issued under a performance appraisal program within this system.	4 years
After the final appraisal is issued, any form which identifies job elements, the standards for those elements, and/or work objectives, along with any changes thereto, including appraisal information on those elements, and/or work objectives if recorded.	4 years

#### **B. Transfer of Records**

When the Official Personnel Folder (OPF) of a non-SES employee is sent to another servicing personnel office within the Department another Federal agency or to the National Personnel Records Center, the EPF shall accompany the OPF and include all performance ratings of record that are 4 years old or less, including the performance plan on which the most recent rating of record was based, and the summary rating prepared when the employee changed positions. Prior to its transfer, the EPF will be) purged of all

performance ratings and performance plans that are more than 4 years old, and other performance-related records.

## **PART TWO -- PERFORMANCE APPRAISAL PROGRAMS**

### **I. DEFINITIONS**

Acceptable level of competence means fully successful performance by an employee of the duties and responsibilities of his or her assigned position that warrants advancement of the employee's rate of basic pay to the next higher step of the grade or the next higher rate within the grade of his or her position subject to the requirements of 5 CFR 531.404.

Additional performance element is a dimension or aspect of individual, team, or organizational performance that is not a critical or non-critical element. Such elements are not used in assigning a summary level but, like critical and non-critical elements, are useful for purposes such as communicating performance expectations and serving as the basis for granting awards. Such elements may include, but are not limited to, objectives, goals, program plans, work plans, and other means of expressing expected performance. Use of additional elements is not required under this system.

Appraisal means the process under which performance is reviewed and evaluated.

Appraisal period means the established period of time for which performance will be reviewed and a rating of record prepared.

Appraisal program means the specific procedures and requirements established by a component of the Department under the policies and parameters set by the Department's Performance Appraisal System.

Appraisal system means the framework of Department-wide policies and parameters for the administration of performance appraisal programs established under subchapter I of chapter 43 of Title 5, U.S.C. and 5 C.F.R Part 430, Subpart B.

Critical element means a work assignment or responsibility of such importance that unacceptable performance on the element would result in a determination that an employee's overall performance is unacceptable. A critical element may ONLY address individual performance.

Non-critical element means a dimension or aspect of individual, ~ or organizational performance, exclusive of a critical element that is used in assigning a summary level. Such elements may include, but are not limited to, objectives, goals, program plans, work plans, and other means of expressing expected performance. Use of non-critical elements is not required under this system.

Performance appraisal (see Appraisal)

Performance appraisal system (see Appraisal system).

Performance plan means all of the written, or otherwise recorded performance elements that set forth expected performance. A plan must include all critical and non-critical elements and their performance standards.

Performance rating means the written, or otherwise recorded, appraisal of performance compared to the performance standard(s) for each critical and non-critical element on which there has been an opportunity to perform for the minimum period. A performance rating may include the assignment of a summary level.

Performance standard means the management-approved expression of the performance threshold(s), requirement(s), or expectation(s) for an element that must be met to be appraised at a particular level of performance. A performance standard may include, but is not limited to, factors such as quality, quantity, timeliness, and manner of performance.

Progress review means communicating with the employee about performance compared to the performance standards of critical and non-critical elements. A progress review is not in itself a rating.

Rating of record means the performance rating prepared at the end of an appraisal period for performance over the entire period and the assignment of a summary level [as specified in 5 C.F.R. 430.208 (d)]. This constitutes the official rating of record.

Reviewing official means the higher level management official who reviews and approves an "Unacceptable" rating of record. Such review is mandatory.

## **II. PERFORMANCE APPRAISAL SYSTEM REQUIREMENTS**

### **A. Appraisal Period**

1. The official appraisal period set under this system may be no less than one (1) and no more than two (2) years.
2. The minimum appraisal period that must be completed before a performance rating is prepared under this system may be no less than 60 and no more than 120 days.

B. Individual Performance Plans

1. Each individual performance plan must contain at least one, and may contain more critical elements that relate to individual performance. Only elements related to individual performance may be designated as critical.
2. Individual performance plans may contain one or more non-critical and/or additional performance elements. Non-critical and additional elements may relate to performance at the individual, team and/or organizational level(s).
3. Preferably at the beginning of the appraisal period but normally no later than 30 days afterwards, a written or otherwise recorded final performance plan will be given to each employee.

C. Performance Standards

1. There must be at least two distinctly different levels for rating performance on each critical and non-critical element.
2. For a critical element the lowest level must be designated "Unacceptable" and one other must be designated "Fully Successful" or equivalent.
3. A written performance standard must be established at the "Fully Successful" level for all critical elements and may be established at other levels.
4. For non-critical elements a written performance standard shall be established at whatever levels are appropriate. Use of non-critical elements is optional.
5. It is permissible to establish different numbers of levels for different elements within a individual performance plan.
6. There must be a method to derive the summary levels from the element ratings.

D. Summary Levels

1. Summary levels may be derived through scoring ratings on the job elements or through some other procedures defined in the performance appraisal program, which relate the summary levels to the element ratings.



2. Each appraisal program must provide for at least M. and not more than five summary levels. The levels must include an "Unacceptable" level (Level 1) and a "Fully Successful" or equivalent level (Level 3). Terms equivalent to "Fully Successful" and "Outstanding" are permissible, but the term "Outstanding" may only be used to describe a Level 5 summary rating. The permissible combinations of summary levels are shown in the chart below.

PATTERN	SUMMARY LEVEL				
	1	2	3	4	5
A	X		X		
B	X		X		X
C	X		X	X	
D	X	X	X		
E	X		X	X	X
F	X	X	X		X
G	X	X	X	X	
H	X	X	X	X	X

3. The summary level designators (Level 1 through Level 5) shall be used to provide consistency in describing ratings of record and in referencing other related regulations (including, but not limited to, 5CFR531.504).

A. Rating of Record

1. A rating of record of "Unacceptable" (Level 1) shall be reviewed and approved by a higher level management official.
2. The rating of record or performance rating for a disabled veteran shall not be lowered because the veteran has been absent from work to seek medical treatment as provided in Executive Order 5396.
3. When a rating of record cannot be prepared at the time specific the appraisal period shall be extended. Once the conditions necessary to complete a rating of record have been met a rating of record shall be prepared as soon as practicable.
4. The performance appraisal program shall specify procedures and/or requirements for developing a rating of record under other special circumstances including, but not limited to, transfers and performance on detail.

B. Performance Problem

1. Performance appraisal program shall provide for assistance to raise the performance of any employee whose performance in one or more critical elements is deemed less than "Fully Successful" at any time during the appraisal

period. Such assistance may include but is not limited to, formal training, on-the-job training, counseling, and closer supervision. Supervisors are to provide assistance as soon as possible after a performance deficiency is identified.

2. An employee must be advised of the negative impact a below the "Fully Successful" level rating will have on the granting of a within-grade increase.
3. Performance appraisal programs must establish procedures and requirements to be met before taking action to remove or reduce in grade an employee whose performance in one or more critical elements is determined to be "Unacceptable" at any time during or at the end of an appraisal period. These procedures must be in compliance with 5 CFR Part 432.
4. If an employee's performance is determined to be at the acceptable performance level or better upon completion of an opportunity period under 5 CFR Part 432 and remains so for any remainder of the appraisal period he/she must be given a rating for the appraisal period reflecting the acceptable (or better, if appropriate) level of performance.
5. Opportunity periods under 5 CFR Part 432 should be so timed that they do not overlap appraisal periods. But if the opportunity period does continue into the next appraisal period:
  - a. The appraisal period may be extended to the end of the opportunity period as long as the performance appraisal program establishes the requirements for doing so.
  - b. Unless the appraisal period is extend the employee must be given a rating of record of "Unacceptable" for the appraisal year in which the opportunity period started.
  - c. The current performance plan including the standards that must be reached in order to be retained, must be extended to the conclusion of the opportunity period Except as the result of an extension as noted in subparagraph a above, a rating should not be prepared at the end of the opportunity period.
6. There is no Department-wide requirement for the opportunity periods referred to above to be of a uniform length. They should be allowed to vary depending on such circumstances as the nature of the job, the number of critical elements involved, the type of assistance planned, etc.

### **III. AUTHORITY TO ESTABLISH PERFORMANCE APPRAISAL PROGRAMS**

#### **A. Delegations**

1. The authority to establish and approve performance appraisal programs and to, carry out all performance management functions is delegated to the officials specified below for the areas indicated. The areas include personnel in or under a regional office.

<u>To Whom Delegated</u>	<u>Area of Authority</u>
Assistant Secretary of Aging	Administration of Aging
Assistant Secretary for Children and Families	Administration for Children and Families
Administrator, Health Care Financing Administration	Health Care Financing Administration
Inspector General	Office of the Inspector General
Administrator, Substance Abuse & Mental Health Administration	Substance Abuse and Mental Health Services Administration
Director, Centers for Disease Control and Prevention	Centers for Disease Control
Commissioner of Food and Drugs	Food and Drug Administration
Administrator, Health Resources and Services Administration	Health and Resources Services Administration
Director, National Institutes of Health	National Institutes of Health
Director, Indian Health Service	Indian Health Service
Director, Agency for Toxic Substances and Disease Registry	Agency for Toxic Substances and Disease Registry

Director, Program Support Center

Program Support Center

Assistant Secretary for Management and  
Budget

Office of the Secretary

2. The authority to establish may be redelegated. Such redelegation must be in writing.
3. The authority to approve may be redelegated one level below the officials named in Section A. 1 above. Such redelegations must be in writing.
4. As each program is established, the official(s) delegated authority to approve programs must notify the Secretary or his/her designee in writing. The notification must notify that the program meets the requirements of this performance appraisal system and all applicable laws and regulations. If the approving official is not the official listed in Section A. 1. above, a copy of the redelegation of approval authority must accompany the certification. This certification must be submitted before a performance appraisal program can be effective. Subsequent certifications must be made whenever a performance appraisal program under this system is significantly modified.

A. Performance Appraisal Program Requirements.

1. Any employee not covered by an approved and certified performance appraisal program established under this system remains under the department-wide program (as described in the Department of Health and Human Services Performance Management Plan, dated April 26, 1993).
2. All employees covered under this system must be covered by a performance appraisal program. No employee may be covered by more than one performance appraisal program.
3. More than one performance appraisal program may be established within each area of authority to meet the differing appraisal requirements of various occupation, geographic, or other groups.
4. For each performance appraisal program established, there must be a written document including procedures and requirements for planning, monitoring, and rating performance in compliance with the requirements of 5 CFR Part 430.

5. Each performance appraisal program shall specify:
  - (a) the employees covered by the program
  - (b) the effective date of the program
  - (c) that administrative procedures or performance-based actions begun under a prior appraisal program continue to be governed by the policies and procedures of the program that was in effect at the time the action was initiated
  - (d) an official appraisal period for which a performance plan shall be prepared during which performance shall be monitored, and for which a rating of record shall be prepared
  - (e) the special circumstances, including but not limited to transfers and performance on details, when performance ratings other than ratings of record may be prepared
  - (f) the minimum appraisal period established before any performance rating can be prepared
  - (g) how many and which performance levels may be used to appraise critical and non-critical elements
  - (h) the pattern and method for assigning summary levels
  - (i) the minimum requirements for conduct of one or more progress reviews during an appraisal period and
  - (j) the requirements for assisting employees whose performance is less than "Fully Successful," for taking action based on unacceptable performance, "including the designation of the management level(s) to approve a rating of "Unacceptable," and for handling ratings of record when the Opportunity period overlaps appraisal periods.

B. Employee Participation and Communication

1. Employees and their exclusive representatives shall be involved in development and implementation of performance appraisal programs. `

2. Each performance appraisal program shall provide for communicating the requirements of the program to supervisors and employees.
3. Employees shall participate in the establishment of performance plans under this system and shall be provided with a written or otherwise recorded performance plan at the beginning of each appraisal period.

C. Awards and Recognition

1. An award program designed to recognize deserving employees must be part of a component's performance management program. Existing Incentive Awards Programs may be used. However, any direct linkages between awards and the performance appraisal itself (e.g., between ratings and awards) must be delineated in the performance appraisal program.
2. If a performance appraisal program does not allow for a summary rating of "Outstanding," and the component wishes to grant Quality Step Increases (QSI's) for sustained superior performance, the award program must include criteria and procedures for determining when a QSI may be granted.

**IV. PROGRAM EVALUATION**

1. The Assistant Secretary for Management and Budget (ASMB) has responsibility for the ongoing review of the operation of performance management (including performance awards, superior accomplishment awards, within-grade increases and quality step increases) throughout the Department and to implement improvements as needed. Each organization of the Department has a responsibility for monitoring and evaluating its own performance management process (including performance awards, superior accomplishment awards, within-grade increases and quality step increases) within the framework of the Department requirements and implementing instructions, and to implement improvements as needed.
2. The ASMB schedules and conducts assessments of personnel programs and their operation including the area of performance management. A variety of assessment procedures are used. They include employed supervisory

questionnaires, statistical indicators, on-site assessments, special studies, and self-assessments.