

SES PERFORMANCE MANAGEMENT SYSTEM

1. GENERAL INFORMATION AND RESPONSIBILITIES

A. Purpose

This framework establishes the Department of Commerce's (DOC) Performance Management System (PMS) for Senior Executive Service (SES) employees.

B. Scope

This system covers all SES employees in the DOC, with the exception of the U.S. Patent and Trademark Office. The Department has one umbrella SES performance management system. The Office of the Inspector General (OIG) manages and evaluates its own operational program.

C. Policy

The DOC SES PMS is established to hold senior executives accountable for their individual and organizational performance in order to drive organizational excellence and results, including improving the overall efficiency of the DOC. DOC recognizes the importance of aligning its strategic planning, budget and performance integration, performance appraisal, pay, and other award programs into the management of its human resources to promote efficient and effective attainment of its mission, program objectives, and strategic goals and initiatives. DOC's SES PMS provides a documented record of management expectations and an individual's achievement of, or contribution to meeting those expectations. DOC expects to achieve excellence in senior executive performance by:

- (1) Linking performance management with the results-oriented goals of the Government Performance and Results Act of 1993 and other strategic planning initiatives;
- (2) Setting and communicating individual and organizational goals and expectations;
- (3) Systematically appraising senior executive performance using measures that balance organizational results with

customer, employee, or other perspectives;

- (4) Using performance results as a basis for pay, awards, development, retention, removal and other personnel decisions.
- (5) Identifying individual accountability for accomplishing DOC goals and objectives, and;
- (6) Providing an annual assessment of agency performance overall and for each of its major program and functional areas.
- (7) Continually improving performance management process by reviewing the system and the results of its application, and making refinements as necessary on no less than an annual basis.

D. Authorities

The SES PMS is established in accordance with the following authorities:

- (1) Performance Appraisal - Chapter 43 of title 5, United States Code (U.S.C.), subchapter II (Performance Appraisal in the Senior Executive Service); 5 Code of Federal Regulations (CFR), Part 430, Subpart D;
- (2) National Defense Authorization Act (Public Law 108-136); and
- (3) Records of Employee Performance - 5 CFR Part 293, Subpart D.

E. Major Responsibilities

The following are the responsibilities of key officials in the DOC's SES rating process.

- (1) The Secretary of Commerce¹ develops and communicates the DOC's strategic plan, and as the DOC "appointing authority"

¹ The responsibilities listed for the Secretary of Commerce do not apply to employees of the DOC Office of the Inspector General. The Inspector General Act of 1978, as amended, 5 U.S.C. App.

for SES matters:

- (a) Approves individual annual summary ratings at the end of the appraisal period, after the Appointing Authorities' recommendations are considered by the Departmental Executive Resources Board (DERB) and the recommendations of the Department's Senior Assessment Official. This is the official rating;
 - (b) Makes final decisions on bonuses and base salary adjustment for DOC executives;
 - (c) Nominates DOC executives for Presidential Rank Awards;
 - (d) Approves all monetary awards and performance-based pay for the SES; and
 - (e) Approves all aspects of the SES program.
- (2) The Deputy Secretary:
- (a) Chairs the Secretary's DERB;
 - (b) Chairs the Secretary's Departmental Performance Review Board (DPRB);
 - (c) As the Senior Assessment Official (SAO), as designated by the Secretary, pursuant to 5 CFR 430.404 (5), provides rigorous oversight of the appraisal process; conducts an annual assessment of the Department's performance; issues guidelines for performance evaluation; certified that the results of the appraisal process make meaningful distinctions; and assures that pay adjustments and levels of pay accurately reflect and recognize performance and/or contribution to the Department's performance; and
 - (d) Manages the SES appraisal process, including the issuance of the Secretary's guidance and direction on Performance expectations at the beginning of the appraisal process and throughout the appraisal cycle, as required.

- (1) The Chief Financial Officer and Assistant Secretary for Administration, who also serves as the Department's Chief Human Capital Officer (CHCO), and Vice Chair of the DERB, coordinates for the Secretary all aspects of the SES appraisal process. This role is carried out in coordination with the Secretary and applicable DOC Secretarial Officers and Operational Unit Heads, and includes the following responsibilities:
 - (a) Coordinating with key DOC officials who have responsibility for strategic and performance planning to ensure that the appraisal process aligns with strategic planning initiatives as required by law;
 - (b) Developing and implementing training on SES-related issues, including training for Performance Review Boards' (PRB) and Executive Resource Boards' (ERB) members on their roles and responsibilities, as required;
 - (c) Establishing PRBs at the beginning of the appraisal year to monitor individual and organizational performance and ensuring that the PRB membership is published in the Federal Register as required by 5 USC 4314;
 - (d) Providing support and oversight, for and on behalf of the Secretary, regarding the appraisal process and the workings of the PRBs and DERB;
 - (e) Conducting an annual assessment of the SES program on behalf of the Secretary; and
 - (f) Appointing members to the Secretary's DERB, DPRB, and the Chairperson of the DPRB.
- (4) Rating Officials (executives' supervisors) are responsible for:
 - (a) Developing performance plans in consultation with senior executives and communicating performance elements and requirements to executives within 30 days of the beginning of the appraisal period (Note: Although the senior executive being rated should actively participate in setting goals and identifying elements, the

rating official's decision will prevail in any disagreement on elements or performance standards.);

- (b) Ensuring that standards reflect the goals and objectives identified in the DOC and agency strategic planning initiatives, and are supported by work plans at the agency or bureau level;
 - (c) Conducting at least one progress review with the executive, by July 1. The supervisor, however, may conduct as many progress reviews as determined necessary. This review may be used to improve communications, to provide guidance, or to provide assistance to improve performance if below fully successful. The progress review may also provide an opportunity to modify optional elements and standards;
 - (d) Ensuring that performance appraisals and documentation for recommended awards and performance-based salary adjustments are completed, reviewed by a higher level official, if required, and submitted the servicing human resources office by the required DOC due dates;
 - (e) Ensuring that the executive is aware that he/she may respond to the initial rating, in writing, and that his/her comments become a part of the appraisal package submitted to the PRB.
- (5) Chairpersons of the PRBs are responsible for a variety of activities. Annual guidelines regarding the PRB and the role of the chairperson will be issued to supplement information contained in individual PRB Charters.
- (6) The Inspector General² is responsible for:
- (a) Appointing SES members to serve on the OIG PRB;
 - (b) Approving performance agreements for all career

² The Inspector General has separate authorities under the Inspector General Act of 1978, as amended, 5 U.S.C. App

executives in the OIG;

- (c) Approving Special Act or Service awards for all career executives in the OIG;
- (d) Approving ratings, bonuses, and base salary adjustments for all career executives in the OIG; and
- (e) Reporting final ratings, pay and bonus information to the SAO for inclusion in required reports to OPM.

2. PERFORMANCE MANAGEMENT PRINCIPLES

The DOC has adopted the following set of principles to guide performance Management within the SES:

- A. The DOC and its component bureaus create the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship. The SES PMS provides the leadership framework necessary to achieve this mission.
- B. The DOC leaders and managers create a climate for excellence by communicating their vision, values, and expectations clearly and by:
 - (1) Creating an environment in which every employee may excel, regardless of race, color, religion, sex, age, national origin, disability, sexual preference, or parental status, and which is free of sexual harassment;
 - (2) Creating an environment for continual learning;
 - (3) Working in partnership with employees to ensure they reach their full potential;
 - (4) Recognizing and rewarding excellence with financial incentives and non-financial incentives, such as increased flexibility to do jobs, more meaningful work, and achieving a sense of accomplishment;
 - (5) Taking timely action to both reward and correct performance appropriately, and ensuring that excellence is the standard for all;

- (6) Holding individuals personally responsible for being results-oriented, performance-based, and customer-focused;
- (7) Holding executives responsible for aligning subordinate performance plans with organizational goals and for rigorously appraising employee performance and ensuring that employees were appraised realistically against clear, measurable standards of performance and within established timeframes;
- (8) Holding executives responsible for balancing organizational results with the perspectives of distinct groups, including customers and employees; and
- (9) Recognizing that leaders, managers, and employees have a mutual obligation to provide value and excellence. This requires each individual to be continually challenged to perform his/her best. Taking action to improve the performance of each individual is imperative to achieving DOC's mission.

3. COVERAGE

- A. All SES members are subject to the SES PMS without regard to type of appointment (career, noncareer, or limited) or the type of position (general or career reserved) occupied.
- B. All SES members (career, noncareer, and limited) are eligible for base salary increases (if no adjustment has been made within a 12-month period). On an exception basis, a waiver request to the 12-month rule can be approved by the Secretary, or designee, if it is determined that an additional increase is warranted.
- C. Performance Awards and Presidential Rank Awards. Only SES members holding career appointments are eligible for performance awards (bonuses) and Presidential Rank Awards.

4. PERFORMANCE APPRAISAL PERIOD

- A. The DOCs performance appraisal period begins annually October 1 and ends the following September 30, unless advanced or delayed by the appropriate authority. By law, rating officials of executives must communicate performance elements and requirements (standards) to executives at or before the beginning of each rating period. Written

- B. The minimum performance appraisal period is 90 days. Every senior executive who occupies a covered position must be under performance standards for a minimum of 90 days during the appraisal cycle in order to receive an annual performance appraisal. When a senior executive transfers jobs within and outside the DOC, after completing the minimum appraisal period, the supervisor must appraise the executive's performance, in writing, before the executive leaves. Similarly, any departing supervisor of a senior executive must appraise subordinate executives' performance or provide an interim narrative rating prior to separation from DOC.
- C. The senior executive's rating official may end the appraisal period any time after the minimum appraisal period is completed, if there is adequate basis on which to appraise and rate the senior executive's performance.
- D. There is no minimum period that the rating official needs to be in place before doing a rating as long as he/she was in place on the last day of the rating period.
- E. A career appointee's performance may not be appraised or rated within 120 days after the beginning of a new Presidential administration.
- F. If a senior executive fails to complete the established minimum appraisal period because of reassignment, change in rating official, or other reasons, the issue should be discussed with the DOC's Office of Executive Resources (OER) on a case-by-case basis.
- G. When a senior executive is detailed for more than 90 days, the gaining agency must set performance goals and requirements, and appraise the executive's overall performance, in writing, which is factored into the overall summary rating.

5. DETAILS AND JOB CHANGES

- A. Position Changes Within the Department. When the senior executive occupies two or more positions in the DOC during the appraisal cycle (in which the executive served under written elements and performance requirements for the minimum appraisal period), an interim narrative must be prepared. This interim narrative rating, along with the

Performance Agreement upon which it was based, must be forwarded to the new rating official for inclusion in the rating of record due at the end of the appraisal cycle. The weight given to this interim narrative should generally be proportionate to the amount of the appraisal period covered by it. When such an interim narrative is used to develop a rating of record, both the interim narrative and the Performance Agreements upon which it is based must be attached to the material furnished to the PRB. The PRB, however, recommends one final annual summary rating.

- B. Temporary Assignments Within the Department. If the senior executive is detailed within DOC, and if the assignment is expected to last the minimum appraisal period or longer, written critical elements and performance requirements are to be provided to the senior executive, and a narrative assessment prepared based on the performance during the assignment. The narrative assessment will be considered in the overall assessment of the senior executive's performance at appraisal time.
- C. Temporary Assignments Outside the Department. If the senior executive has been detailed or temporarily assigned outside the DOC, a reasonable effort must be made to obtain a narrative assessment from the organization to which the senior executive was detailed. The narrative assessment will be considered in the overall assessment of the senior executive's performance at appraisal time.
- D. Transfers From Other Agencies. If the senior executive transfers from another agency into the DOC during the appraisal cycle, any rating(s) which are forwarded from the losing agency (and which encompass periods of time included in the DOC's appraisal cycle) must be considered in deriving the rating of record. Weight given to any such rating should be proportionate to the amount of time covered during the appraisal cycle.
- E. Transfers To Other Agencies. If a senior executive transfers to a new agency at any time during the appraisal period, a summary (interim) narrative must be prepared by the senior executive's rating official and provided to the gaining agency.

6. PERFORMANCE AGREEMENTS

The Senior Executive Performance Agreement describes the individual and organizational expectations for the appraisal period and sets the

requirements against which performance will be evaluated. Supervisors must develop performance plans in consultation with senior executives and communicate them within 30 days of the beginning of the appraisal period. Performance plans must:

(1) describe elements (all of which are critical); (2) describe performance requirements; and (3) link with strategic planning initiatives based on DOC and agency strategic plans, annual performance plans, organizational work plans, and any other related initiatives.

- A. Each senior executive must have a written Performance Agreement which describes the individual and organizational expectations for the appraisal period and sets the requirements against which performance will be evaluated. The DOC will issue annual guidance on the SES performance work plans and procedures to ensure that plans appropriately reflect strategic initiatives, to address training requirements, and to communicate procedural changes, as appropriate. Performance Agreements should be supplemented by agency or office level work plans to clearly identify expected priorities and results.
- B. The Performance Agreement is the written aggregation of an executive's critical elements and performance requirements.
- C. Rating officials should develop Performance Agreements in consultation with senior executives and communicate, in writing, the plans within 30 days after the beginning of the rating period or their employment in a covered position.
- D. Elements must reflect both individual and organizational performance. They can be either capsulized aspects of the most important duties and responsibilities associated with the SES position or specific projects or tasks which can be logically inferred from the duties and responsibilities cited in the senior executive's position description. Accomplishment of organizational objectives must be included in Performance Agreements by incorporating objectives, goals, program plans, work plans, or by other similar means that account for program results. DOC prescribes two mandatory elements for all SES executives, which account for 40 percent of an executive's total performance agreement, and a separate mandatory element for bureau Chief Financial Officers (CFO) and Chief Information Officers (CIO) which accounts for 25 percent of a bureau CFO's and CIO's total plan. The bureaus have the option to add up to three bureau-specific elements.

- E. Elements for each senior executive must be consistent with the goals and performance expectations in the DOCs strategic planning initiatives.
- F. Final authority for establishing the elements and requirements rests with the rating official, even if the executive doesn't agree with the plan contents. The Performance Agreement can be modified, as appropriate, at any time during the appraisal period, to reflect changing priorities or shifts in workload.

7. **ESTABLISHING PERFORMANCE ELEMENTS AND REQUIREMENTS**

The Performance Agreement consists of performance elements and associated performance requirements, formerly commonly referred to as standards. The DOC prescribes two mandatory elements, and there may be up to three bureau-specific optional elements.

- A. Performance Elements: A performance element is a key component of a position consisting of one or more duties and responsibilities, which contribute toward accomplishing organizational goals and objectives.
 - (1) Mandatory Elements. All senior executives must be rated on the following mandatory elements which represent 40 percent of the overall Performance Agreement:
 - (a) Leadership/Management (25 percent). This element is the primary tool for assessing the individual's exercise of executive competencies.
 - (b) Customer/Client Service Responsiveness (15 percent). This element highlights accomplishments in collaborating with external and internal customers.
 - (2) Discretionary Elements. Rating Officials may add up to three bureau-specific critical elements which represent 60 percent of the overall Performance Agreement. These elements align with the Departmental and bureau mission and incorporate the mandatory CFO or CIO element as applicable.
 - (3) If an element is so important that unsatisfactory performance would make the executive's overall job performance unsatisfactory, then that element is considered "critical." Because all DOC SES elements are critical, an "Unsatisfactory" rating in any one of

them would result in overall Unsatisfactory performance rating in the position. Collectively, critical elements should cover the major duties and responsibilities of the position.

A. Performance requirements:

- (1) At the end of the rating period, each element will be rated at one of five levels. The Department's performance requirement definitions for the five levels listed below are provided as Appendix B of Form CD-518 and agree with the Standard for Senior Executive Excellence.

Outstanding (5) Meets or exceeds requirements written at this level.

Commendable (4) Meets requirements written at this level.

Fully Successful (3) Meets requirements written at this level.

Minimally Acceptable (2) Meets requirements written at this level.

Unsatisfactory (1) Meets (or falls below) requirements written at this level.

- (2) A performance requirement or standard is a statement of the expectations or requirements established by management for a performance element at a particular rating level. These requirements are the standards against which the senior executive's performance will be appraised. Standards may be based on outcomes and/or work behaviors, as appropriate to the element. It is important that a standard describe performance that is:

- (a) Observable - can be witnessed;
- (b) Measurable - can be assessed at different levels; and
- (c) Achievable - can be accomplished within the timeframe specified.

- (3) At a minimum, the standard for the "Fully Successful" level is described in writing in the SES Performance Agreement. Like critical elements, performance requirements must be consistent with the goals and performance expectations in the DOCs

strategic planning initiatives. The absence of a written performance requirement at a given level does not preclude the assignment of a rating at that level.

8. **Standard of Senior Executive Excellence**

Each element contributes to the executive's overall performance and is designated as a critical element. The first element, leadership/Management is the primary tool for assessing the individual's exercise of executive competencies. The results of the executive's efforts. The second element, Customer/Client Service Responsiveness highlights accomplishments in collaborating with external and internal customers. In addition, each bureau has been given the flexibility to determine up to three bureau specific critical elements in alignment with the bureau mission.

The following performance requirement definitions are designed to provide a uniform reference point for the assessment of executive performance across an organization. The applicability of each element itself will vary from one executive to another, based on the actual scope of the executive's position. Raters should take this variability into account at the end of the rating period. Similarly, the elements are predicated on the development of bureau work plans and performance agreements for each executive in alignment with the Department's Strategic Plan.

Performance requirement definitions for the levels are:

Outstanding: This level exemplifies rare, high performance in fostering an organizational climate that sustains excellence and results. It should be thought of as the "exception." The Senior Executive's performance has made a positive and significant impact on organizational results in alignment with the mission of Commerce. All critical element activities are not only achieved, but completed in an exemplary manner. The Senior Executive has exerted a major positive influence on the organization through innovative and effective management practices, procedures and program implementation, building partnerships and coalitions, being responsive to internal and external customers, and leveraging scarce resources, which has contributed substantially to mission accomplishment.

Commendable: The Senior Executive demonstrates consistently high performance. Performance has exceeded expectations at the Fully Successful level in accomplishing critical element activities and sustained results that support the mission.

Fully Successful: The Senior Executive's performance meets expectations. The Senior Executive demonstrates sound performance. All critical element activities have at least been satisfactorily completed. The Senior Executive has contributed positively to organizational goals and achieved meaningful results.

Minimally Acceptable: The Senior Executive does not consistently meet performance expectations. This level of performance, while demonstrating some positive contributions to the organization, shows notable deficiencies. It is below the level expected for the position and requires corrective action. The quality, quantity, or timeliness of the Senior Executive's work is less than Fully Successful, jeopardizing attainment of the element's objective.

Unsatisfactory: The Senior Executive does not meet performance expectations on critical elements. Job performance produces unacceptable work products. Minimum requirements of the critical elements are not met. Performance deficiencies detract from mission goals and objectives.

9. REVIEW OF PERFORMANCE AGREEMENTS

- A. The Secretarial Officer or Head of the Operating Unit is encouraged to review Performance Agreements to ensure appropriate levels of quality and difficulty of performance requirements.
- B. The executive, the rating official, and the reviewing official, must sign the Performance Agreement. The employee's signature acknowledges that he/she has had an opportunity to provide input into the development of the plan; that it was discussed; and that the employee received a copy of the plan. It does not necessarily signify agreement. It also certifies that the employee understands how his/her individual performance is linked to the organization's mission and goals.

10. PROGRESS REVIEWS

- A. Rating officials must monitor each senior executive's performance during the appraisal period and provide ongoing, timely, and honest feedback to the senior executive on progress in accomplishing the performance elements and requirements described in the performance plan to sustain and reinforce expected performance.

- B. A progress review shall be held for each SES member at least once during the appraisal period, before July 1. At a minimum, senior executives must be informed about how well he/she is performing by comparing his/her performance with the elements and performance requirements established for his/her position.
- C. The rating official must provide advice and assistance to senior executives on how to improve their performance.
- D. If either the rating official or the executive believes that modifications to previously established elements or performance requirements are warranted because of unforeseen shifts in workload or changes in priorities, he/she must be prepared to discuss possible alternatives. If the rating official believes that performance in one or more of the established elements is lacking, he/she should discuss possible corrective actions as well as the ramifications of unimproved performance. The progress review should not be viewed solely as a discussion of performance weaknesses or deficiencies, but should also serve as a forum for encouraging employees whose performance is Fully Successful to strive for even greater achievement.
- E. If modifications in either elements or requirements are warranted, they must be discussed and recorded during the progress review process. At the end of the review session, both the rating official and the executive should share a common understanding of where the employee stands in relationship to his/her Performance Agreement, what is expected of the senior executive through the remainder of the rating period, and what actions, if any, will be initiated as a result of performance to date. The executive and the rating official each sign and keep a copy of the Performance Agreement or progress reviews, acknowledging that the progress review was conducted.

11. APPRAISING PERFORMANCE

- A. Annual Appraisals. Senior executives must be appraised annually. Rating officials must appraise each senior executive's performance and assign an initial summary rating at the end of the appraisal period. If a senior executive has received an interim summary performance narrative for service in another covered position within the DOC or another agency during the appraisal period, then that summary narrative(s) must be considered in determining the executive's annual summary rating.

- (1) Senior executives must be appraised on the performance of critical elements in the Performance Agreement using the established summary performance levels.
- (2) Appraisals of senior executives must be based on both individual and organizational performance, taking into account such factors as:
 - (a) Results achieved in accordance with the goals of the Government Performance and Results Act of 1993 and other strategic planning initiatives;
 - (b) Customer satisfaction;
 - (c) Employee perspectives;
 - (d) Compliance with the merit system principles set forth under section 2301 of title 5, U.S.C.; and
 - (e) Effectiveness, productivity, and performance quality of the employees for whom the senior executive is responsible.
- (3) With regard to number 2 (e) above, bureaus must institute a process for ensuring the senior executive's rating (as well as subordinate employees' performance expectations and ratings for those with supervisory responsibilities) appropriately reflect performance measures and any other relevant factors;

B. Methodology for Deriving Summary Ratings. The following approach will be followed to obtain a summary rating. The rating officials must prepare and discuss an initial written rating of performance with each senior executive they supervise. This rating must be based on an assessment of the senior executive's performance against the requirements set at the beginning of the rating period (or as modified and documented in the Performance Agreement during a progress review) and must include a written rating for each individual performance element based on the following:

Outstanding (5) Meets or exceeds requirements written at this level.

Commendable (4) Meets requirements written at this level.

Fully Successful (3) Meets requirements written at this level.

Minimally Acceptable (2) Meets requirements written at this level.

Unsatisfactory (1) Meets (or falls below) requirements written at this level.

- (1) If an individual's performance falls between two rating levels, e.g., Commendable (4) and Outstanding (5), the rating official may give a 4.5 element rating. No other incremental assignment is permissible other than .5.
- (2) Each element must be rated using the five-level element rating scale shown above. All ratings of elements must be supported by a narrative justification. If an element is rated as Fully Successful, the rating official need only document that 1) the Fully Successful requirements were met, and 2) the rating was discussed with the senior executive.
- (3) To obtain the overall summary rating, each element must be rated using the five-level element rating scale (Outstanding = 5, Commendable = 4, Fully Successful = 3, Minimally Acceptable = 2, and Unsatisfactory = 1). Then, each individual element rating is multiplied by the weight assigned to that element. The summary rating points assigned to the individual elements are then totaled to determine an overall summary rating based on the following scale:

Outstanding 470 - 500

Commendable 380 - 469

Fully Successful 290 - 379

*Minimally Acceptable 200 - 289

*Unsatisfactory - A summary rating of Unsatisfactory must be assigned to any senior executive who is given an Unsatisfactory rating on one or more elements.

* Under DOC policy, a covered senior executive who fails to meet at least the Fully Successful level requirements in one (or more) element(s) must **not** be given a Fully Successful or above rating, regardless of the point total.

12. PROCESS FOR RATING PERFORMANCE

- A. Initial Summary Rating. The rating official must develop an initial summary rating of the senior executive's performance, in writing, and share that rating with the senior executive. The senior executive may respond in writing. Any response shall be made to the rating official within 5 calendar days after the executive receives the initial rating. A rating official may change the initial rating after considering the response received from the executive.
- B. Higher Level Review. If, after considering the senior executive's response, the rating official does not change the senior executive's rating per 5 CFR 430.308(b), the senior executive may ask for a higher level official to review the initial summary rating before the initial rating is given to the PRB. Any such request must be made within 5 calendar days after receipt of the rating official's determination. The senior executive is entitled to one higher level review. The senior executive may request this higher level review by contacting the servicing Human Resources Manager within 5 calendar days after the rating has been received. The Human Resources Manager will appoint a higher level review official within the bureau. The reviewer should be an individual who was not involved in the initial rating process.

If there is no higher level official between the senior executive and the Appointing Authority, the Human Resources Manager will forward the request to the Department's Office of Human Resources Management (OHRM). The Department's Director for Human Resources Management will appoint a member from the DPRB for the review. The higher level review official will consider the initial rating and narrative assessment, if any, and the written response, if any, made by the senior executive. The higher level review official will not consider any written comments by the senior executive to the initial rating which were not provided to the rating official within 5 calendar days from receipt of the rating. The higher level review official cannot change the rating official's initial summary rating, but may recommend a different rating to the rating official, PRB, and the Appointing Authority. Copies of the higher level review official's findings and recommendations must be given to the senior executive at the same time it is given to the rating official and the PRB.

- C. PRB Review. The initial summary rating, the senior executive's response to the initial rating, if any, and the higher level review official's recommendations must be given to the PRB. The PRB must review the

rating, the response, if any, from the senior executive and the higher level review official's recommendation, and make recommendations to the Appointing Authority. A PRB has the authority to make any inquiry it deems necessary. However, there is no right for the senior executive to make a presentation to the PRB or provide any written comments to the PRB not previously provided to the rating official and the higher level review official.

- D. Annual Summary Rating. The Appointing Authority recommends the annual summary rating of the senior executive's performance, in writing, after considering any PRB recommendations. Departmental approval of the recommendation is required before the rating can be finalized. This is the official rating.
- E. Extending the Rating Period. When a rating official cannot prepare an annual summary rating at the end of the appraisal period because the senior executive has not completed the minimum appraisal period or for other reasons, the agency may extend the executive's appraisal period. Any such extension must be coordinated with the Departmental Office of Human Resources Management before it is done.

13. INTERIM SUMMARY RATINGS

- A. When a senior executive has served in a covered position for 90 days or more in an appraisal period and changes to another covered position within the Department, an interim rating must be completed by the executive's supervisor, and signed by the Appointing Authority. Interim ratings must also be completed when a senior executive completes a detail within the Department of 90 days or more in a covered position. In such cases, the rating must be based on the elements and standards established for the position the senior executive is leaving. Copies of the interim rating must be given to the senior executive, the gaining supervisor, and the servicing human resources management office of the gaining organization. Interim ratings are not reviewed by the PRB, but copies should be furnished to the PRB when it reviews annual ratings of record. Rating officials must consider interim ratings in determining final ratings of record.
- B. When a senior executive transfers from the Department to another Federal agency after serving in a covered position in the Department for more than 90 days, the senior executive's supervisor and the Appointing Authority must complete an interim rating. The interim

- C. When the supervisor of an SES employee vacates his/her position before the end of the rating cycle, the supervisor must prepare an interim narrative rating for each employee he/she supervises and provide a copy to the employee and the Appointing Authority. The interim rating must be considered by the new Rating Official when he/she prepares the final ratings of record.

14. USING PERFORMANCE RESULTS

- A. Rating officials will use the results of performance appraisals and ratings as basis for making recommendations for adjusting pay, granting awards, and other personnel decisions. Performance information will also be a factor in assessing a senior executive's continuing development needs.
- B. An annual summary rating of at least Fully Successful for a career executive will provide the basis for an executive's retention in SES and will establish the executive's eligibility for consideration for performance awards and performance-based pay adjustments. Executives on Limited Term or Limited Emergency appointments and noncareer executives are not eligible for bonuses, but are eligible for performance-based salary adjustments.
- C. An executive may be removed from the SES for performance reasons, subject to the provisions of 5 CFR Part 359, Subparts D and E.
 - (1) An executive who receives an Unsatisfactory annual summary rating must be reassigned or transferred within the SES or removed from the SES;
 - (2) An executive who receives two Unsatisfactory annual summary ratings in any 5-year period must be removed from the SES; and
 - (3) An executive who receives less than a Fully Successful annual summary rating twice in any 3-year period must be removed from the SES.
- D. Executives with a final rating of Minimally Satisfactory or Unsatisfactory may have their base salary decreased. SES performance-related downward pay adjustments are limited to no more than 10 percent of

base pay and will be made at the discretion of the Appointing Authority, with prior consultation with the Director for OHRM, and approval of the DERB, and the Senior Assessment Official.

15. RIGHTS OF THE EXECUTIVE

Per 5 CFR 430.308(f), a senior executive may not appeal the final rating, and the rating is not grievable. An executive, however, may request a higher level review as detailed in Section 12B.

16. GUIDELINES FOR PERFORMANCE REVIEW BOARDS (PRBs) and the DEPARTMENTAL PERFORMANCE REVIEW BOARD (DPRB)

A. These guidelines should be supplemented by specific operating unit requirements defined in individual PRB charters or the DPRB Charter. PRBs must be diligent in the review process to ensure meaningful distinctions based on relative performance, thereby strengthening the link between performance and pay. PRBs must also look at the linkage to strategic goals, alignment and performance distinctions in executives' subordinate ratings. PRBs and the DPRB must review initial performance appraisals and ratings and make recommendations to Appointing Authorities for:

- Final performance ratings;
- SES performance-based bonuses;
- SES performance-based pay adjustments; and
- Presidential Rank Awards

PRBs make recommendations to their respective Appointing Authorities on the performance and performance awards of its senior executives. The DPRB reviews only those senior executives who report directly to Appointing Authorities and those requesting a Higher Level Review.

B. DPRB Review Panels

- (1) Members of the DPRB will be notified regarding the establishment of separate DPRB panels and specific meeting

dates.

- (2) Each panel will consist of three DPRB members.
- (3) Materials for each DPRB panel will be provided to panel members before the scheduled meeting.
- (4) DPRB members will not be eligible to serve on a panel reviewing their own appraisals, that of their supervisors or subordinates or those for whom they have already provided input.
- (5) After completing their reviews, DPRB panels will make written recommendations for the Appointing Authority's approval for each executive's performance rating, bonus and pay adjustment.

C. DPRB Procedures

- (1) Performance appraisals for DPRB review must include proposed ratings and performance-based pay adjustment and bonus recommendations.
- (2) DPRB panel members will indicate if they concur based on the documentation submitted.
- (3) The DPRB panel will not initiate recommendations of its own.
- (4) In cases where no explicit recommendations are made, the DPRB will interpret the actions of the supervisor as follows:
 - Bonus: Lack of a recommendation or mention of a performance-based bonus by the supervisor is considered as an implicit recommendation that no bonus be awarded.
 - Pay Adjustment: Lack of a recommendation or mention of a performance-based pay adjustment by the supervisor is considered an implicit recommendation that no pay adjustment be made.

17. CRITERIA FOR REVIEW OF PERFORMANCE APPRAISALS AND RATINGS

- A. Performance appraisals, initial summary ratings, senior executives' written responses, if any, and recommended performance-based pay adjustments and bonuses are to be reviewed and compared to criteria identified in PRB

charters. Office of Personnel Management criteria:

- Alignment - Performance expectations are linked to or derived from the agency's mission, strategic goals, program/policy objectives and/or annual performance plan.
- Consultation - Performance expectations are based on senior employees' involvement and input and were communicated to the employee at the beginning of the appraisal period and appropriate times thereafter.
- Results - Performance expectations for senior employees apply to their respective areas of responsibility; reflect expected agency or organizational performance; clearly describe performance that is measurable, demonstrable, or observable; and focus on tangible outputs, outcomes, milestones, or other deliverables.
- Balance - Performance expectations for senior employees include appropriate measures or indicators of results; customer/stakeholder feedback; quality, quantity, timeliness, and cost effectiveness as applicable; and competencies or behaviors that contribute to and are necessary to distinguish outstanding performance.
- Assessment and Guidelines - The agency head, or designee, provides assessments of performance of the agency overall, as well as each of its major program and functional areas, such as GPRA goals and other program performance measures and indicators, and evaluation guidelines issued and based, in part, upon those assessments provided to senior employees, senior employee rating and reviewing officials and PRB members. Assessments and guidelines are to be provided at the conclusion of the appraisal period but before ratings are recommended.
- Oversight - Rigorous oversight of the appraisal process is provided by the agency head, or designee who certifies that: 1) the senior employee appraisal process makes meaningful distinctions based on relative performance; 2) results of the process take into account, as appropriate, the agency's assessment of its performance against program performance measures; and 3) pay adjustments, cash awards, and levels of pay accurately reflect and recognize both individual and organizational performance.
- Accountability - The senior employee's rating (as well as subordinate employee's performance expectations and ratings for those with supervisory responsibilities) appropriately reflect the employee's performance measures, and any other relevant factors.
- Performance Differentiation - 1) the appraisal system includes a rating

level that reflects outstanding performance and provides for clear differentiation of outstanding performance, as defined in the regulations; and 2) the appraisal process results in meaningful distinctions in relative performance based on senior employees' actual performance against rigorous performance expectations. "Relative performance" in this context does not require ranking senior employees against each other. Indeed, such ranking is prohibited for the purpose of determining performance ratings. Rather it is defined as the performance of a senior employee with respect to the performance of other senior employees, including their contribution to agency performance, where appropriate, as determined by the application of a certified appraisal system.

- Pay Differentiation - Individual pay rates and pay adjustments, as well as overall distribution, reflect meaningful distinctions among executives based on their relative contribution to agency performance. Agencies must ensure transparency in the process for making decisions. The highest performing senior employees should receive the largest pay adjustments and or highest pay (including both basic pay and performance awards), particularly above the rate for level III of the Executive Schedule.

B. Other Factors

- Balanced measures - Refers to an approach to performance measurement that balances organizational results with the perspectives of other distinct groups, such as customers, stakeholders, and employees. The Balanced measure approach includes: 1) the Employee perspective which focuses attention on the performance of the key internal processes that drive the organization. This perspective directs attention to the basis of all future successes – the organization's people and infrastructure; 2) the Customer perspective which considers the organization's performance through the eyes of a customer, so that the organization retains a careful focus on customer needs and satisfaction; and 3) the Business perspective which considers *outcomes*, or social/political impacts which define the role of the agency/department within the government and American society, and the *business process* needed for organization efficiency and effectiveness.

C. Operating Unit PRB Procedures

(1) Membership

- (a) Each Operating Unit PRB must have three or more members, one of which must come from outside the bureau, who are appointed by the Appointing Authority or his/her designee acting on behalf of the bureau. Bureaus are encouraged to include women, minorities

and persons of disability on their PRBs.

- (b) PRB members must be appointed in a way that assures consistency and objectivity in SES performance appraisal.
- (c) When appraising a career appointee's performance or recommending a career appointee for a performance award, more than one-half of the PRBs members must be SES career appointees.
- (d) Bureaus must publish notice of PRB appointments in the Federal Register within 30 days after the appointment has been approved. No member may serve until this is done.

(2) Functions

- (a) Each PRB must review and evaluate the initial summary rating, the senior executive's response, and the higher level review official's recommendations on the initial summary rating, and conduct any further review needed to make its recommendations.
- (b) The PRB must make a written recommendation to the Appointing Authority about each senior executive's annual summary rating and any performance-based bonus/pay adjustment. When the PRB does not concur with the initial rating given to a senior executive, or the record shows that the employee or reviewing official is in disagreement with the rating official's action, the PRB shall conduct such further review as it finds necessary.
- (c) A PRB member must not participate in a senior executive's performance review or discussions or recommendations on that review when:
 - The review pertains to that PRB member;
 - The PRB member is the rating official of the senior executive whose performance appraisal is being reviewed;

- The PRB member is the direct subordinate of the senior executive whose performance appraisal is being reviewed; or
 - The PRB member was the designated higher level review official of the senior executive whose performance is being reviewed.
- (d) There is no right to a hearing before the PRB for executives requesting a higher level review, nor may the executive provide any additional information not initially provided to the rating official.
- (e) The DPRB provides higher level review of individuals reporting directly to the Appointing Authority.
- (f) Each PRB must have a chairperson who is a DOC employee who will oversee the activities of the Board and assure that the PRB carries out functions contained in its charter in accordance with OPM and Departmental requirements.
- (g) Each PRB must have its organization's personnel representative serve as Executive Secretary to provide personnel guidance and administrative support to the PRB.

D. Recommendations to Appointing Authorities (PRBs only)

- (1) Written recommendations regarding senior executive's ratings must be made to the Appointing Authority. When the PRB does not concur with the initial appraisal and rating or when there is a record of disagreement with the rating by the employee or the reviewing official, the PRB's recommendation must include a justification.
- (2) All bonus recommendations must comply with the requirements and deadlines established by the Department.
- (3) Only career executives are eligible to receive SES bonuses. The PRB must make recommendations to the Appointing Authority on which senior executives should receive bonuses and on the amounts of these bonuses. Consideration for

bonuses should be based only on the performance agreement and rating for the current appraisal period.

E. Restrictions

- (1) Although additional restrictions may be listed in PRB charters or the DPRB Charter, at a minimum, a PRB or DPRB member shall not participate in a performance appraisal review when he/she is:
 - One of the senior executives being reviewed;
 - The rate of the senior executive whose performance is being reviewed;
 - The designated higher level reviewer of the senior executive whose performance is being reviewed.
- (2) In order to participate in PRB or DPRB deliberations, each Federal PRB or DPRB member must have at least a Fully Successfully or higher rating.
- (3) Each PRB must have at least one member who is not under the jurisdiction of the Appointing Authority.

18. TRAINING AND EVALUATION

- A. Servicing Human Resources Offices must provide appropriate information and training to rating officials and senior executives on performance management, including planning and appraising performance.
- B. Information on changes in the operation of the SES PMS are conveyed to DOC management and affected senior executives through the DOCs OHRM issuances.
- C. OHRM assesses the effectiveness of the SES PMS through an ongoing evaluation program. DOC organizations are evaluated on their technical compliance with law, the OPM performance management regulations, and DOC policy. Evaluations focus on the adequacy of performance plans and ratings as related to the bureau's accomplishments as reflected in the DOCs strategic plan and bureau organizational assessments provided by the Senior Assessment Official.

- D. The Senior Assessment Official on behalf of the Secretary is responsible for evaluating data and feedback from the Office of Budget, and Office of Management and Organization on bureau organizational accomplishments relative to strategic objectives. The SAO will advise other key officials of any needed changes or corrective actions associated with the SES PMS. The Secretary, or his/her designee, will conduct an annual assessment of the bureau systems to ensure that the performance appraisal process is an effective tool for the DOC, and that the DOCs SES PMS meets all OPM regulatory requirements.

19. RECORD KEEPING

- A. Employee Performance Folders (EPFs). EPFs must be established for each senior executive, retained as separate files, and maintained by the rating official. EPFs must contain the following:

- (1) The senior executive's performance agreements;
- (2) Documentation of progress review(s);
- (3) Summary appraisals and ratings;
- (4) Written comments on ratings, if any;
- (5) The higher level review official's written recommendations, if any.
- (6) PRB/DPRB recommendations;
- (7) Nominations for performance-based pay adjustments and bonuses, and rank awards, and
- (8) Decisions by the DERB.

- A. All performance related records contained in the EPF must be retained for 5 years.

- B. When a senior executive transfers to another operating unit within the DOC or to another federal agency, EPF records must be transferred with the senior executive.

- C. Disclosure of information contained in EPFs may be made only as permitted by the Privacy Act.

