

DFAS – 1426.3-R



**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**DEFENSE FINANCE  
AND  
ACCOUNTING SERVICE (DFAS)  
PERFORMANCE MANAGEMENT PLAN**

**DEPUTY DIRECTOR FOR HUMAN RESOURCES**

## FOREWORD

This regulations sets forth the policies and procedures for Defense Finance and Accounting Service (DFAS) regarding the Performance Management System (PMS) and the Performance Management Recognition System (PMRS) and cancels DFAS Regulation 400, Chapter 430, Performance Management Plan. It provides guidance and information to assist managers, human resources professionals and employees in interpreting and applying the provisions of law and Office of Personnel Management regulations which relate to performance management in the Federal service.

This regulation may not be supplemented and recommended changes must be forwarded through appropriate channels to the Deputy Director for Human Resources, DFAS-HQ/H.

/signed 3-12-93/  
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Distribution: A

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- a. 5 U.S.C. Chapter 43, “Performance Rating”
- b. 5 U.S.C. Chapter 54, “Performance Management and Recognition System”
- c. 5 U.S.C 5403, “General Pay Increases”
- d. 5 U.S.C. 5404, “Merit Increases”
- e. 5 U.S.C. 5405, “Pay Administration”
- f. 5 U.S.C. 5596, “Back Pay Due to Unjustified Personnel Action”
- g. 5 U.S.C. 4302, “Establishment of Performance Appraisals Systems”
- h. 5 U.S.C. 5305, “Special Pay Authority”
- i. 5 U.S.C. 7103, “Labor Management Relations; Definitions and Application”
- j. 5 U.S.C. 5303, “Annual Adjustments to Pay Schedules”
- k. 5 U.S.C 1214, “Investigations of Prohibited Personnel Practices”
- l. 5 U.S.C. 1204, “Powers and Functions of the Merit Systems Protection Board”
- m. 5 U.S. C. 7532, “Adverse Actions; Suspensions and Removals”
- n. 5 U.S.C 5335, “Periodic Step Increases”
- o. 5 U.S.C 4312, “Senior Executive Service Performance Appraisal Systems”
- p. 5 U.S.C. 7106, “Labor Management Relations; Management Rights”
- q. 10 U.S.C. 2301, “Procurement Generally, Declaration of Policy”
- r. 32 U.S.C. 709, “National Guard; Service, Supply, and Procurement; Caretakers and Clerks”
- s. 5 CFR 752, “Adverse Actions”
- t. 5 CFR 293, “Personnel Records”
- u. 5 CFR 351, “Reduction In Force”
- v. 5 CFR 540, “Performance Management and Recognition System”

- w. 5 CFR 319, “Employment in Senior-Level and Scientific and Professional Positions”
- x. 5 CFR 315, “Career and Career Conditional Employment”
- y. 5 CFR 430, “Performance Management”
- z. 5 CFR 540, “Performance Management and Recognition System”
- aa. 5 CFR 432, “Performance Based Reduction in Grade and Removal Actions”
- bb. 5 CFR 530, “Pay Rates and Systems”
- cc. 5 CFR 531, “Pay Under the General Schedule”
- dd. 5 CFR 536, “Grade and Pay Retention”
- ee. FPM Supplement 296-33, “Guide to Processing Personnel Actions”
- ff. FPM Chapter 430, “Performance Management”
- gg. FPM Chapter 315, Subchapter 8, “Purpose of Probationary Period”
- hh. FPM Chapter 315, Subchapter 9, “Probation on Initial Appointment to a Supervisory or Managerial Position”
- ii. FPM Supplement 532-1, “Introduction to Pay Under the General Schedule”
- jj. DFAS 1402.1-R, “Merit Promotion and Internal Placement”, February 1992
- kk. DFAS 1426.2-R, “Administration Grievance Procedure”, February 1992

## DEFINITIONS

1. Approval official. For performance plans, the individual specified by the Center Director or the Headquarters Principal Deputy Director; and for ratings of record, the individual in the organization responsible for managing the performance awards budget or their designee.
2. Basic pay. The rate of pay fixed by law or administrative action for the grade held by an employee before any deduction and exclusive of additional pay of any kind.
3. Critical element. A major component of a job, which consists of one or more duties and responsibilities that contribute to accomplishing organizational goals and objectives, that is of such importance that unacceptable performance in the element would result in unacceptable performance in the position.
4. Days. Calendar days.
5. Element rating. The rating used to describe the appraisal of each critical and noncritical element of an employee's performance plan, i.e., Exceeded, Met, Not Met, or Not Rated.
6. Employees. All civilian employees of the Defense Finance and Accounting Service (DFAS).
7. General pay increase. That portion of the pay adjustment under 5 U.S.C. 5304 (or for special salary rate employees, any adjustment under 5 U.S.C. 5303) granted to PMRS employees based on performance.
8. Noncritical element. A major component of a job that does not meet the definition of a critical element, but is important enough to warrant appraisal and assignment of an element rating.
9. Merit increase. An amount of pay granted to a PMRS employee, equal to one-ninth of the difference between the maximum rate of the same grade in the GS or special rate range and the minimum rate of the GS or special rate range.
10. Opportunity to demonstrate acceptable performance. A reasonable chance for the employee whose performance has been determined to be unacceptable in one or more critical elements to demonstrate acceptable performance in the critical element(s) at issue.
11. Pay adjustment period. The period beginning on the first day of the employee's first pay period that starts on or after the first day of the month in which an adjustment would take effect by law. The pay adjustment period ends at the close of the day preceding the beginning of the following pay adjustment period.
12. Performance. An employee's accomplishment of assigned duties and responsibilities as specified in the critical and noncritical elements of the employee's performance plan.



13. Performance appraisal. The act or process of reviewing and evaluating the performance of an employee against the described performance standards for critical and noncritical elements.
14. Performance rating. The written record of an employee's performance compared with their performance plan.
15. Performance plan. The written record of an employee's critical and noncritical elements and performance standards.
16. Performance Management and Recognition System (PMRS). A system prescribed by 5 U.S.C. Chapter 54 that covers performance appraisal, pay increases, performance awards, and cash awards for any official in a supervisory or management position within grades GS-13 through GS-15. Also referred to in this regulation as GM employees.
17. Performance Management System (PMS). For the purposes of this instruction, "PMS" refers to the performance management system covering employees who are not covered by the PMRS and who are not members of the Senior Executive Service.
18. Performance standards. A statement of the expectations or requirements established by management for each critical and noncritical element at the rating level "Met". A performance standard may include, but is not limited to factors such as quality (how much), quantity (how much), timeliness (when), and manner of performance (how).
19. Process review. A review of the employee's progress toward achieving performance standards (not in itself a rating).
20. Rating officials. The individuals who prepare and approve employee performance plans and ratings.
21. Rating period. The period of time, normally 1 year but not less than 90 days under the approved performance plan, for which an employee's performance will be reviewed and a performance rating assigned.
22. Rating of record. The summary rating required at the time specified in this regulation or at such other times as this regulation specified for special circumstances.
23. Rating supervisor. Normally, the employee's immediate supervisor, military or civilian, who prepares the employee's written performance plan and rating.
24. Reasonable time. The amount of time sufficient to show whether the employee can meet minimum performance standards. It will vary with the position and is dependent on such factors as the complexity and frequency of duties.
25. Reduction in grade. The involuntary assignment of an employee to a position at a lower classification or grade level.

26. Removal. The involuntary separation of an employee from employment.

27. Reviewer. One or more individuals in or outside the employee's supervisory chain, able to determine performance expectations and results.

28. Summary rating. The written record of the appraisal of each critical and noncritical element and the assignment of one of five ratings to describe overall performance, i.e., Exceptional, Highly Successful, Fully Successful, Minimally Acceptable, or Unacceptable.

## ABBREVIATIONS AND/OR ACRONYMS

ALOC	Acceptable level of Competence
CFR	Code of Federal Regulations
DFAS	Defense Finance and Accounting Service
EEO	Equal Employment Opportunity
FPM	Federal Personnel Manual
GM	General Merit
GS	General Schedule
HRD	Human Resources Director
MSPB	Merit Systems Protection Board
NGP	Negotiated Grievance Procedure
OPF	Official Personnel Folder
OPM	Office of Personnel Management
PIP	Performance Improvement Plan
PMP	Performance Management Plan
PMRS	Performance Management and Recognition System
PMS	Performance Management System
QSI	Quality Step Increase
RIF	Reduction in Force
U.S.C.	United States Code

## **CHAPTER 1**

### **GENERAL**

#### **A. PURPOSE.**

1. This regulation sets forth the performance management policies and procedures to implement the Performance Management System (PMS) and the Performance Management and Recognition System (PMRS) for the Defense Finance and Accounting Service (DFAS) Performance Management Plan. This plan has been approved by the Office of Personnel Management (see appendix C-1), and consists of the following components:

- a. Performance management systems required under 5 U.S.C. 4302 (PMS) and 4302a (PMRS) and 5 CFR 430, subparts B and D.
- b. A performance management system required under 5 U.S.C. 4312 and CFR 430, subpart C, for the Senior Executive Service.
- c. Other PMRS plans required under 5 CFR 540.
- d. A within-grade increase plan required under 5 CFR 531, subpart D.

2. Instructions are included for supervisors to prepare, process, and use the performance management forms and to link performance management to other personnel decisions. This chapter also provides procedures to be followed by employees who are dissatisfied with their ratings of record.

#### **B. OBJECTIVES.** Performance management is designed to:

1. Link individual and organizational goals.
2. Involve managers, supervisors, and employees in the performance management process.
3. Ensure that employees are:
  - a. Informed in writing of critical and noncritical elements and performance standards at the beginning of each rating period and whenever there are changes in elements or standards.
  - b. Motivated and given the opportunity to perform to their full potential.
  - c. Held accountable for meeting performance standards.
  - d. Provide feedback on performance of their duties and responsibilities compared with performance standards and on ways to improve performance.
  - e. Assigned accurate element ratings and summary rating levels based on performance during the rating period.

4. Provide DFAS management with the means for systematic assessment of results achieved by individual employees to:
  - a. Use as a basis for planning and assigning work.
  - b. Make decisions on compensation, training, awards, reassignments, promotions, reductions-in-grade, retention, reduction-in-force, and removal of employees.
  - c. Assist employees in improving performance.
5. Render supervisory personnel accountable for the effectiveness and productivity of the employees for whom they are responsible.
6. Provide a sound and continuing basis for effective supervisor-employee relationships.

**C. APPLICABILITY.** This regulation applies to any management official, as defined in 5 USC 7103(a)(10) and (11), in a supervisory or management position within grades GS-13, GS-14, or GS-15 and covered by 5 CFR 540. It also applies to all other civilian employees paid from appropriated funds in both the competitive and excepted service but not:

1. Presidential Appointees.
2. Members of the Senior Executive Service.
3. National Guard technicians employed under 32 U.S.C. 709.
4. Foreign National Employees.
5. Employees occupying the following excepted service positions that are excluded by 5 CFR 430:
  - a. Positions for which employment is not reasonably expected to exceed 90 days in a consecutive 12-month period.
  - b. Positions filled by Non-career Executive Assignments under 5 CFR 319.

**D. RESPONSIBILITIES.**

1. The Director, Principle Deputy Directors, and Center directors will:
  - a. Ensure fair and consistent application of this regulation in compliance with governing laws, rules, and regulations.
  - b. Develop and communicate organizational objectives and priorities to assist supervisors and managers in preparing employee performance plans.
  - c. Ensure employees are informed of their annual rating periods and who their rating officials are by position.
  - d. Ensure supervisors and employees receive appropriate performance management training and orientation.

- e. Establish procedures to determine performance ratings are completed in a timely manner.
- f. Provide procedures to mandate equitable application of the performance management process.
- g. Establish one or more performance standards review boards(s).

2. Approving officials will:

- a. Resolve disagreements concerning the content of performance plans, that may arise between supervisors and reviewing officials.
- b. Examine and approve performance ratings in a timely manner, ensuring accuracy and conformance with this regulation.
- c. Ensure that performance ratings are considered in personnel management decisions and related actions.

3. Reviewers will:

- a. Ensure that performance plans and ratings are processed by subordinate supervisors in compliance with time constraints.
- b. Evaluate employee performance plans and ratings prepared by subordinate supervisors to ensure consistency and equity throughout and across organizations.
- c. Affirm that Individual Development plans are reasonable, attainable, and related to organizational goals and objectives and career progression.
- d. Insist on proper justification when a summary rating of Exceptional or Highly Successful is assigned, or when an element rating of “Not Met” or “Not Rated” is assigned.
- e. Review and approve performance plans and ratings prepared by subordinate supervisors, giving consideration to any employee comments.

4. Rating supervisors will:

- a. Communicate organizational goals, objectives and priorities to employees.
- b. Ensure participation of GM employees in the development and revision of performance plans.
- c. Encourage non-GM employees to participate in performance plan development and revision.
- d. Discuss performance plans with employees and provide them a written copy within 30 days of the beginning of each rating period and when revised during the rating period.
- e. Evaluate accomplishments against performance plans, and counsel employees on progress as well as areas that need improvement particularly when performance falls below Fully Successful.

f. Meet performance rating suspenses.

g. Use performance management as a basis for pay determinations and to train, reward, reassign, promote, reduced in grade, retain, or remove employees from Federal service, or to recommend same.

5. Employees will:

a. Assist in the development of performance plans.

b. Perform duties in accordance with performance plans.

c. Propose changes to performance plans when necessary during the rating period to supervisors.

d. Identify work problems and attempt to resolve them.

e. Attend programmed training to meet current or future job performance needs.

6. Center Directors of Human Resources will:

a. Provide advice and assistance to supervisors and managers in carrying out their performance management responsibilities.

b. Ensure supervisors and manager receive adequate performance management training opportunities, technical advice, notification of annual performance ratings, and assistance on delinquent performance ratings.

c. Maintain record copies of performance ratings and supporting documents (see chapter 5).

d. Evaluate performance management effectiveness and provide feedback to supervisors and managers.

e. Ensure that supervisors are informed of the requirement to determine whether or not an employee is performing at an acceptable level of competence (ALOC).

f. Ensure that advance notification of employees who are due to receive a within-grade increase is sent to supervisors approximately 90 days before the completion of the waiting period.

g. Provide orientation to all new employees about the DFAS Performance Management Plan.

#### **E. PERFORMANCE STANDARDS REVIEW BOARDS.**

1. One or more Performance Standards Review Boards will be established to review performance plans and ratings and to make recommendations to the Director.

2. Each Performance Standards Review Board will consist of at least six members chosen by the convening official or designee. One-half must be GM employees in the competitive service. The chair of each board will be chosen by the Center Director and the Director, DFAS or designee for their respective boards.

3. The scope of responsibility for each board is determined by the convening official and contained in the operating procedures of the boards. The operating procedures will include matters such as selection and review of performance standards, follow-up actions, reporting requirements, frequency of meetings, record-keeping, and administrative support. As a minimum, each board will:

a. Review a representative sample of GM employee Civilian Performance Plans (DFAS Form 430-1) for quality and difficulty of performance standards.

b. Analyze the ratings for GM employees to ensure the equitable application of performance standards.

c. Evaluate the feasibility of organizational awards for GM employees.

d. Provide technical assistance on any performance management demonstration projects involving GM employees.

e. Carry out other duties assigned by the convening official or designee.

4. The chairperson of each board shall report to the convening official or designee.

5. Boards will have no authority to approve or modify Civilian Performance Plans prepared for individual GM employees. Likewise, boards can review ratings, but can not recommend or dictate any distribution of GM employee performance ratings. Such reviews may be conducted after ratings of record have been prepared and communicated.

#### **F. ORIENTATION AND TRAINING.**

1. Managers and supervisors will ensure program success, including employee understanding. It is essential that new supervisors are trained initially and updated as needed, in the following areas to ensure program success:

a. Performance management objectives, policies, and procedures.

b. Methods to identify critical and noncritical elements and to establish related performance standards, linking individual performance to organizational goals and objectives.

c. Techniques of performance management, including performance review and assistance to employees for improving performance.

d. Linkages between performance management and other personnel decisions.

e. Carry out reviewing and approving official responsibilities and to hold subordinate supervisors accountable for their performance management duties.

2. Orientations will be provided to all new employees. Managers must be trained to carry out reviewing and approving official responsibilities and to hold subordinate supervisors accountable for their performance management duties. Orientation and training will be supplemented periodically by such means as supervisory and employee newsletters.



**G. PROGRAM EVALUATION.** Evaluation of performance management effectiveness, with feedback to management is continuous. Internal evaluation by Center Human Resources staff; Headquarters, DFAS personnel management surveys; and findings of performance standards review boards will be used to identify problems or weaknesses and to determine actions to improve performance management effectiveness.

## CHAPTER 2

### **PERFORMANCE PLANNING**

#### **A. EMPLOYEE PERFORMANCE PLANS**

1. A performance plan will be prepared for each employee detailed or assigned permanently or temporarily to a position for 90 days or more. Performance plans will be recorded on DFAS Form 430-1 (Civilian Performance Plan), communicated to the employee in writing at the beginning of each rating period (normally within 30 days), and reviewed periodically by the supervisor and employee. Performance plans will be updated as required and will be the basis for performance during the rating period. When an employee is detailed or temporarily assigned to a position for 90 days or longer outside DFAS, rating officials will make arrangements with the outside organization for preparation of DFAS Form 430-1.

2. Performance standards for the accomplishment of organizational objectives must be included in performance plans by incorporating objectives, goals, program plans, work plans, or other similar means that account for work results.

3. When new supervisors are assigned, they will review and discuss performance plans with subordinate employees as soon as possible but no later than 30 days after arrival. Similarly, supervisors will review and discuss performance plans with new employees within 30 days of their assignment. Review and discussion will be documented by means of the supervisor and employee signatures in part III of DFAS Form 430-1.

4. Performance plans must be reviewed and approved by a higher level official in the organization than the rating supervisor at the beginning of each rating period and when plans are changed during the rating period. When the Center Director or a Headquarters Deputy Director is the rating supervisor, higher level review/approval is not required.

5. When there is disagreement between the supervisor and the reviewing official over the content of a performance plan, they should meet and discuss their differences of opinion. If the differences cannot be resolved in this manner, the approving official may direct the supervisor to make the changes that the reviewing official deems necessary.

**B. EMPLOYEE PARTICIPATION.** Performance plans will be established and updated with employee participation. Although employees are to take part in this process, final decisions will be made by rating officials. Employee participation may be accomplished by means including, but not limited to, the following:

1. Discussion and development of performance plans together with the supervisor.

2. Providing the supervisor with a draft performance plan.

3. Commenting on draft performance plan prepared by supervisor.

4. Preparing the performance plan as part of a group of employees occupying similar positions, with supervisor's approval.

### **C. IDENTIFICATION OF CRITICAL AND NONCRITICAL ELEMENTS.**

1. Critical and noncritical elements are identified through an analysis of duties and responsibilities (i.e., an analysis of what the job requires) and their linkage to the mission, functions, and goals and objectives of the organization. Ordinarily, a position will have from three to six elements. Every performance plan will have at least two critical elements and one noncritical element.

2. Critical and noncritical elements will be consistent with the duties and responsibilities assigned to the employee and the position. Supervisors must ensure that position descriptions are kept current. Other sources that may help identify critical and noncritical elements are mission or function statements, program budget and planning documents, organizational goals and objectives, and previously developed performance standards.

3. Collateral duties, such as equal employment opportunity counseling, are not an integral part of the position. Since they do not meet the criteria for an element, collateral duties will usually not be included in performance plans. Supervisors must be aware, however, that the impact of assigned collateral duties on established performance standards may require revision of employee performance plans.

### **D. ESTABLISHMENT OF PERFORMANCE STANDARDS.**

1. A performance standard describe acceptable performance at the element rating “Met” will be established for each critical and noncritical element. A performance standard for a critical or noncritical element is a measurable statement, or statements describing management’s expectations for work outputs. When there are multiple statements, management’s expectations for each statement (individually and collectively) and the consequences for failure to meet these expectations should be made clear. Performance below the identified acceptable level for one or more of the multiple statements in a specific element may result in remedial corrective action. A standard is expressed as a range of performance to obtain expected results and should include qualifying information, such a resources available. Often, multiple statements are used to describe measurable factors of performance. Together, these statements, which should be objective and reasonable in number, make up one performance standard for an element for which only one element rating is assigned.

2. Performance standards should be consistent with the duties and responsibilities of the position. Standards of conduct will not be included in performance standards, e.g., tardiness, absenteeism, and insubordination. Similarly, personal traits are not an appropriate basis for performance appraisal unless the are clearly job related and capable of being documented and measured, e.g., interpersonal relationships, resourcefulness, and dependability. What can be measured is the manner in which a job is performed, for example, developing and maintaining

good working relationships with representatives of other organizations. Conduct problems normally will be corrected through disciplinary procedures contained in DFAS 1426.1-R rather than by the performance management process.

3. A well-defined performance standard will describe management’s expectations for acceptable performance of a critical or noncritical element. It will provide a reliable yardstick to measure individual accomplishments. The standard, therefore, must be meaningful, challenging, attainable, and within the employee’s control. It must be set at a level that is high enough to meet the needs of the position and to motivate the employee toward excellence yet attainable by a competent employee. An exception is pass/fail standards (also called absolute standards) that cannot be exceeded. These standards should be avoided unless

required by regulation or the employee's position (e.g., performance failure could result in death, injury, breach of security, or significant monetary loss).

- e. Performance standards require periodic review for needed changes. Factors such as a change in the level of responsibilities or a change in program priorities could trigger a change of performance standards to maintain their accuracy.

#### **E. SPECIAL REQUIREMENTS FOR PERFORMANCE PLANS AND RATINGS.**

1. Furthering equal employment opportunity (EEO) and affirmative action is an important DFAS goal and a significant aspect of supervisory and managerial positions. To achieve this goal, EEO will be a critical element in all supervisory positions. Also, EEO will be a critical element in management official positions where program management actions directly affect EEO. Center Directors, Headquarters deputy directors, and the Director, DFAS, shall provide for appropriate involvement of the EEO officer in determining which supervisors and managers will have EEO as a critical element, in preparing model standards for the EEO critical element, and in advising the rating officials on evaluation of performance. Performance standards for EEO will be stated in visible, positive terms and will indicate the action desired. In developing performance standards, the rating supervisor should use specific criteria, such as the following:

- a. Recruitment, promotion, training, and incentive award actions.
  - b. Program support as demonstrated by planned actions within the work force and the community, through standards that build a harmonious environment free of discrimination and through standards that reinforce EEO policy.
  - c. EEO performance standards imposed by higher level supervisors and managers, and other standards that lead to fair and equal treatment of people.
2. Supervisory and managerial positions involve directing people and administering programs. As such, additional measures are available for use in evaluation performance in these positions. To the extent that a position has the following responsibilities, performance standards will be established to provide for appraisal of the following:
- a. Organizational accomplishments as well as individual performance.
  - b. Improvement in efficiency, productivity, and quality of work or service, including any significant reduction in paperwork.
  - c. Personnel management, internal control, position management, audit resolution, safety, prevention of fraud, waste, abuse and mismanagement, and protection of whistleblower rights.
  - d. Cost efficiency and timeliness of performance (e.g., efforts to increase competition and achieve cost savings in contracting).
  - e. Ability of contracting officers to increase contract awards to small business concerns, historically black colleges and universities, and minority institutions (10 USC 2301).

f. Other indications of the effectiveness, productivity, and quality of performance of employee supervised.

f. To ensure the proper handling and protection of classified information, performance plans for employees whose duties entail access to classified information will provide for appraisal of the following.

a. Timely notification of actions, behavior, or conditions that would constitute a reportable matter under agency security regulations.

b. Discharge of security responsibilities.

4. Rating officials shall consult other staff officials who may have special knowledge of performance during the rating period (e.g., Center Director of Human Resource, position management officer, safety officer, EEO officer). Staff officials, however, will not be rating officials for employees other than those under their personal supervision.

#### **F. VARIATIONS IN CRITICAL AND NONCRITICAL ELEMENTS AND PERFORMANCE STANDARDS.**

1. There may be variations in critical and noncritical elements and related performance standards for like or similar jobs within organizations because of differences in the mission, the character or technology of the work, varying emphasis on elements, and distribution of work among individual employees. Variations should reflect real differences in assigned duties for like or similar jobs.

2. Variations in job requirements for some wage grade and lower graded clerical positions and in jobs common to a specific organization are often negligible. DFAS managers are encouraged to identify these jobs and develop generic performance standards for them. Such initiatives, tailored to certain occupations or groups of occupations that are suitable for DFAS-wide application, and plans to develop and test new approaches to the development of performance standards should be submitted through supervisory channels to Headquarters DFAS, Human Resources Deputate for coordination.

## **CHAPTER 3**

### **PERFORMANCE MANAGEMENT PROCESS**

#### **A. PROGRESS REVIEWS.**

1. Performance management is a continuing process during which supervisors judge the work of individual employees compared with performance standards for the critical and noncritical elements of the position. An employee will be evaluated only by comparing actual performance with the individual's performance plan for the current rating period. The employee must have at least 90 days (the minimum rating period) between receipt of the performance plan and the end of the rating period in order to be rated under established performance standards.

2. Supervisors should periodically review overall performance and keep employees informed of their progress toward meeting performance standards. Performance review discussions should be held as often as needed to provide supervisors with data to assess work progress and to help employees improve their performance. At a minimum, supervisors will hold progress reviews at the midpoint of employees' rating periods. Periodic counseling sessions with employees will ensure timely identification of their strengths and weaknesses and help to avoid unexpected performance ratings at the end of the rating period.

3. When a supervisor identifies performance that fails to meet the performance standard for a critical or noncritical element, the supervisor will inform the employee of performance deficiencies. Timely counseling sessions should be held to identify corrective actions and assist the employee to improve performance. If an employee's job performance appears to be affected by a personal problem, the supervisor should seek advice and assistance from the Human Resource Directorate. When an employee indicates a performance problem is due to an outside influence such as drug or alcohol abuse, management must offer rehabilitation assistance to the employee.

4. Rating supervisors will discuss changes to performance plans with employees when changes occur, ensuring appropriate review and approval (see Chapter 2 paragraph A.4.). Changes will be developed with employee participation in the same manner as initial development of performance plans. Changes in mission, organization, technology, or program emphasis; revisions to position descriptions; or changes to performance standards that were too high or too low may require revised performance plans. Any such substantive changes must be introduced far enough (at least 90 days) before the end of the rating period to give employees an opportunity to be rated under the revised performance standards.

#### **B. EMPLOYEE PERFORMANCE RATINGS.**

1. After the rating period ends, the rating supervisor will prepare a DFAS Form 430-2 (Civilian Performance Rating). The supervisor will consider performance during the entire rating period. Thus, consideration will be given to performance compared with the employee's current performance plan and performance under other plans, e.g., special ratings and summary ratings transferred with employees from other positions. Due consideration will be given to such factors as length of time covered by any other ratings received during the rating period, similarity between elements and performance standards, and explanations of employee strengths and/or weaknesses.

2. Performance ratings will be reviewed and approved by officials at a higher level in the organization than the rating supervisor, prior to communicating the rating to the employee. When the Center Director or a

Headquarters Deputy Director is the rating supervisor, higher level review/approval is not required. When there is disagreement between the rating supervisor and the reviewing or approving official, they shall try to resolve it between themselves through discussion. If they cannot resolve the matter, the reviewing official shall arrange a meeting between the approving official, the reviewing official, and the rating supervisor. The rating supervisor shall summarize the disagreement to the approving official. After giving complete and impartial consideration to both sides, the approving official will decide the matter and communicate the decision to both parties, and require the rating supervisor to make changes that the approving official deems necessary. The decision of the approving official is final, without recourse to other parties.

3. The rating of record will not be communicated to employees before approval of the performance rating per paragraph B.2. above. This does not preclude discussion of performance between a supervisor and an employee before determination of a rating of record. All employees will sign and date performance ratings after approval and signature by the approving official. If an employee refuses to sign and date a performance rating, the employee's supervisor will note the employee's refusal in item 16 of DFAS Form 430-2, enter the date, and distribute the rating.

4. If a rating supervisor fails to complete a performance rating when due (see Table 3-1), the Center Human Resources Directorate will conduct a follow-up and bring it to the attention of the rating officials involved, who will complete the rating once the minimum 90 days rating period has been met. If the rating is still delinquent at the end of 30 days, the issue will be raised to the next higher level of supervision for action.

5. When a rating official is not able to participate in the preparation of a performance rating, e.g., extended illness, death, reassignment, or resignation, it will be done by the new or next level supervisor by the due date.

### **C. WRITTEN RATINGS.**

1. Types of ratings. There are two types of written ratings: annual and special. Tables 3-1 and 3-2 explain rating periods, rating requirements, due dates, rating period extensions, and other information for each type of rating.

2. Temporary promotions and details. Performance on temporary promotions and details for 90 days or more within or outside DFAS will be documented by a special rating (see Table 3-2). An employee temporarily promoted occupies the position to which promoted, not the former position. Therefore, if the employee's rating period ends while on a temporary promotion of at least 90 days in duration, an annual rating will be prepared by the supervisor of the position to which the employee is temporarily promoted. Conversely, an employee detailed to another position continues to officially occupy the position from which detailed. Special ratings for the employee's permanent position and any other positions occupied during the rating period must be considered when preparing the annual rating. Any special ratings that include performance plans will be attached to the annual rating.

### **D. CRITICAL AND NONCRITICAL ELEMENT RATINGS.**

When preparing performance ratings, the supervisor will assign one of four element ratings; Exceeded, Met, Not Met, or Not Rated, to each critical and noncritical element. Employees are entitled to the element rating that most accurately describes their performance compared with the performance standard for the element. The absence of a written standard level shall not preclude the assignment of a rating at that level if the supervisor can substantiate the employee's performance. The definitions of the five summary ratings in

Table 3-3 assure more weight is given to critical elements than noncritical elements. Not Rated will be used only when an employee has **not been given an** opportunity to demonstrate performance on an element, or the opportunity period is less than 90 days. Only elements that are rated will be considered in determining the summary rating.

#### **E. SUMMARY RATINGS.**

1. One of five summary ratings, based on assigned element ratings, will be used to describe the quality of overall job performance. Table 3-3 will be used to decide the appropriate summary rating.
2. In some cases, such as those described below, an accurate summary rating based on element ratings may not result. In such situations, Center Directors, or their authorized designee may deviate from the criteria for summary ratings in Table 3-3. Deviations must be fully justified in part II, item 8, of DFAS Form 430-2.
  - a. An employee's individual performance contribution to organizational achievements was such that although the employee was rated Exceeded on all elements except one critical element that was rated Met, an Exceptional rating was approved.
  - b. The overall level of performance of an employee who was rated Exceeded on all critical and noncritical elements only warranted a Highly Successful rather than an Exceptional rating.
  - c. Even though Table 3-3 indicated a Fully Successful performance rating based on element ratings, a supervisor assigned a Highly Successful rating after consideration of special ratings for performance in other positions during the rating period.
3. The performance appraisal and resulting rating of a disabled veteran may not be lowered because the veteran has been absent from work to seek medical treatment as provided in Executive Order 5396.
4. Ratings of record are effective on the date approved and remain in effect until replaced by another rating of record prescribed by this regulation. Normally, all annual ratings will be approved on the same date unless an early annual rating or an extension of the rating period is required.
5. Employees are entitled to the summary rating that most accurately describes their overall performance during that rating period. Only those employees whose performance exceeds normal expectations should be rated above Fully Successful. Preestablished or forced distribution of summary ratings is prohibited.
6. When a summary rating of Exceptional or Highly Successful is assigned, an explanation as to how the employee exceeded the standard for those elements in which the employee was rated "exceed" is required in part II, item 8, of DFAS Form 430-2. Elements rated "Not Met" or "Not Rated" also require an explanation. Supervisors are encouraged to explain the basis for all element ratings assigned.

#### **F. INABILITY TO RATE.**

1. When a performance rating for a PMS employee cannot be completed at the end of the rating period, the rating period will be extended and a rating prepared as of the end of the extended rating period (see Table 3-1). Some situations in which the rating period would be extended are:



- a. Elements and performance standards not provided to the employee.
- b. Employee is in an “opportunity to improve performance period.”
- c. Employee was attending long-term training.
- d. 90-day minimum rating period was not met.

2. When a performance rating for a PMRS employee cannot be completed at the end of the rating period, the rating period may be extended, for non-pay purposes, for the amount of time necessary to meet the minimum appraisal period at which time a rating of record shall be prepared. Chapter 6 contains more detailed information on unratable PMRS employees.

## **G. GRIEVANCES.**

Employees who are dissatisfied with their performance rating or other aspects of the performance management process may file a grievance under DFAS 1426.2-R, Administrative Grievance Procedure, or a negotiated grievance procedure, as appropriate. However, the identification of critical or noncritical elements or the establishment of performance standards is not subject to review under any grievance or appeal procedure, except when the employee alleges that the standards or elements are in violation of governing law, rule, or regulation.

**RATING PERIOD**

**RATING REQUIREMENTS**

**RATING PERIOD EXTENSIONS**

<p>a. The annual rating period will normally cover a 12 month period</p> <p>b. The regular annual rating period for GM employees is July 1 through June 30. Rating periods for non-GM employees will be May 1 through April 30.</p> <p>c. Rating periods may not be shortened or lengthened except for the reasons stated elsewhere in this table. Normally, an employee who remains in the same position and organization for an entire rating period will receive only one annual rating.</p>	<p>a. A rating of record will be prepared as of the end of the employee's scheduled rating period, including extensions.</p> <p>b. A rating of record will be prepared:</p> <ul style="list-style-type: none"><li>(1) As of the date the supervisor leaves if departure is less than 90 days before the end of the rating period;</li><li>(2) As of the date an employee moves to another DFAS position if departure is less than 90 days before the end of the rating period; and</li><li>(3) As of the date of termination of an employee serving under an overseas local hire appointment who is eligible to meet the criteria established in 5 CFR 315.608(a).</li></ul> <p>c. When an acceptable level of competence determination is due for employees described in (1) and (2) on the next page, a rating of record will be prepared as soon as the minimum rating period requirement is met (90 days).</p>	<p>a. Rating periods may be extended not to exceed 90 days unless special circumstances exist. Rating period extensions for GM employees are authorized by this paragraph for non-pay purposes. Rating periods for GM employees may not be extended beyond September 30 for pay purposes. Situations in which an extension is appropriated:</p> <ul style="list-style-type: none"><li>(1) To meet the 90 day minimum rating period (mandatory).</li><li>(2) To provide a new supervisor an opportunity to observe an employee's performance against current requirement when information concerning the employee's past performance during the rating period is not available.</li></ul>
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**Table 3-1  
Annual Rating**

**Table 3-1 Continued  
Annual Rating**

<u><b>RATING REQUIREMENTS</b></u>	<u><b>RATING PERIOD EXTENSIONS</b></u>
<p>(1) The employee has been reduced in grade because of unacceptable performance and has served in one position at the lower grade for at least 90 days under an approved performance plan for that position.</p> <p>(2) The employee does not have a rating of record in any position within 90 days before the end of the waiting period and has not had an opportunity to demonstrate acceptable performance because the employee has not been informed of the specific requirements for performance at an acceptable level of competence.</p>	<p>(3) If an employee has been notified of failure to meet the performance standards for one or more critical elements of the position and has been given an opportunity to improve performance, but has not completed the opportunity period at the time a rating would normally be due (mandatory).</p> <p>b. Rating periods will not be extended because a performance plan is revised less than 90 days before the end of the current rating period. In such cases, the original plan will be used for the current rating period and the revised plan will be used starting with the next rating period.</p>

**REMARKS:**

Ratings are due within 45 days following the end of the rating period, unless otherwise specified. When an employee has not served 90 days in a DFAS position but has been detailed outside of DFAS for at least 90 days, information from the outside organization will be used to prepare the rating. Special ratings and summary ratings transferred from other DoD and non-DoD Federal agencies will be considered in determining the annual rating and attached to the rating. A GM employee's transferred rating under b (Rating Requirements) will become the rating of record for pay purposes if the rating supervisor is unable to rate the employee within the 90 day minimum period.

**Table 3-2  
Special Rating**

<u>RATING PERIOD</u>	<u>RATING REQUIREMENTS</u>	<u>RATING PERIOD EXTENSIONS</u>
<p>a. The minimum special rating period is 90 days (within the annual rating period) under a performance plan.</p> <p>b. Rating periods for special appraisals end-</p> <p>(1) When an employee moves to another position more than 90 days before the end of the rating period.</p> <p>(2) At the end of the employee's annual rating period and/or the end of the temporary assignment, as appropriate.</p>	<p>a. A temporary assignment of 90 days or longer ends either within or outside DFAS.</p> <p>b. An employee who has been under a performance plan 90 days or longer moves from one position to another during the rating period or moves to a position in another agency.</p> <p>c. The supervisor of an employee who leaves during the rating period and the employee has not been rated in the position in the current rating period or, if previously rated, performance of one or more elements has changed since the last rating.</p> <p>d. An acceptable level of competence (ALOC) determination is not consistent with a GS employee's current rating of record. This special rating will become the employee's rating of record.</p>	<p>Not applicable.</p>

REMARKS: Performance Ratings are 30 days after the end of the special rating period. Performance plans for temporary assignments should be prepared no later than 30 days after the beginning of a temporary assignment expected to last 90 days or longer. When the detail is outside DFAS, rating officials must make a reasonable effort to arrange for and obtain performance information from the outside organizations. Rating officials will rate each element and assign a summary rating when preparing a special rating. Special ratings will be considered by the rating official when preparing the annual rating.

**Table 3-3  
Summary Ratings**

<b>LEVEL</b>	<b>CRITERIA</b>
EXCEPTIONAL	Exceeds performance standards for all critical and noncritical elements.
HIGHLY SUCCESSFUL	Exceeds performance standards for the majority of critical elements; and meets performance standards for all other critical and noncritical elements.
FULLY SUCCESSFUL	Meets performance standards for all critical and noncritical elements.
MINIMALLY ACCEPTABLE	Meets performance standards for all critical elements and fails to meet performance standards for one or more noncritical elements.
UNACCEPTABLE	Fails to meet performance standards for one or more critical elements.

## **CHAPTER 4**

### **PERFORMANCE MANAGEMENT LINKAGE**

**A. GENERAL.** Supervisors and managers will use performance ratings of subordinate employees as a basis for adjusting base pay and determining performance awards, training, rewarding, reassigning, promoting, reducing in grade, reductions in force, retaining, and removing employees.

**B. TRAINING.** Preparing an Individual Development Plan is an integral part of the performance management process. An exception may be made when the supervisor determines that a plan is not needed, for example, when an employee has achieved full performance or plans to vacate the position. Plans should include appropriate actions to assist employees in improving their performance. Supervisors should refer to the employee's most recent performance rating when recommending on and off-the-job training and self-development activities.

**C. WITHIN-GRADE INCREASE.**

1. A Federal Wage System employee will advance automatically to the next higher step if the employee's current rating of record is Fully Successful or better, and the employee is otherwise eligible for a within-grade increase (FPM Supp 532-1, paragraph S. 8-5).

2. To receive a within-grade increase, a General Schedule employee's rating of record must be Fully Successful or better (i.e., performance at an acceptable level of competence) for the employee's most recent completed rating period. When an acceptable level of competence determination is not consistent with the employee's most recent rating of record, a more current rating of record must be prepared (see Table 3-2, Special Ratings, and 5 CFR 531).

3. An acceptable level of competence determination will be made in accordance with 5 CFR 531.409. For the purpose of section 531.409(c) (1), "minimum period of time" established by the agency to demonstrate acceptable performance is 90 days. For the purpose of section 531.409(c) (2) and (d), "minimum appraisal period" is 90 days.

4. If an employee's rating of record is Fully Successful or better, the within-grade increase will be granted automatically unless the following applies:

a. The supervisor informs the Human Resources Directorate before completion of the waiting period, that an employee's performance has declined from Fully Successful or better to less than Fully Successful.

b. The within-grade increase meets the conditions for postponement as described in 5 CFR 531.409(c) (1) and (2).

c. If the within-grade increase decision is not consistent with the employee's most recent rating of record, a new rating of record will be prepared by the supervisor. If an acceptable level of competence has not been demonstrated, supervisors will do the following:

(1) Contact the Human Resources Directorate before completion of the waiting period and before issuance of a negative determination.

(2) Notify the employee, in writing, of the employee's right to request reconsideration of the determination and the name of the person to whom the request should be submitted.

5. When it is determined that an employee is not performing at an acceptable level of competence and is thus not awarded a within-grade increase, the employee will be afforded access to the procedures established under 5 U.S.C. 5335(c) and 5 CFR 531.410 for reconsideration and appeal of a negative determination.

6. After a within-grade increase has been withheld, the supervisor may, after 90 days, prepare a new rating of record and grant the within-grade increase if the employee has demonstrated sustained performance at an acceptable level of competence. However, the supervisor shall make a new acceptable level of competence determination after no more than 52 calendar weeks following the original eligibility date for the within-grade increase.

#### **D. PERFORMANCE AWARDS.**

1. General. A performance award is a monetary award given in recognition of high-level performance. A performance award given in recognition of an Exceptional performance rating should be accompanied by a DFAS Exceptional Performance Award Certificate.

a. Recommendations for performance awards will be made at the discretion of the supervisor. Employees should not be informed of an award recommendation until the award is approved and processed. Such an action may create a serious morale problem if the award is eventually not approved.

b. Nominations for performance awards will be included on the performance rating form (DFAS Form 430-2) and will be submitted in the time frames established for performance ratings (within 45 days after the end of the rating cycle).

c. Employees will not be nominated automatically for a performance award based on their rating. Performance awards should be used both to reward past performance and as an incentive to stimulate future high-level performance of the awardee and peers.

d. Organizational accomplishments, including the employee's overall contribution to mission accomplishment, should be a major consideration when recommending/approving performance awards for individual employees.

e. Nominations for a performance award will not be approved when:

(1) Prompted solely by the impending departure of a supervisor or an employee; or

(2) Prompted solely by the fact that the employee is currently at a pay rate subject to legal limitation (pay cap); or

(3) Employee has received a previous performance award based in whole or in part on the performance currently being recommended for recognition (except when a GM rating of record is extended).

f. Receipt of one or more awards for a suggestion, invention-scientific achievement or a special act or service during a period of high level performance does not prevent the receipt of a performance award unless the nomination for the performance award is based on the same accomplishment(s) for which the previous award(s) was granted.

g. Receipt of a performance award will be considered when employee is being considered for promotion.

## 2. Criteria.

a. Employees receiving Exceptional ratings should be considered for a performance award or, in the case of non-GM employees, a Quality Step Increase.

b. Employees rated Highly Successful and those rated Fully Successful, who exceed the minimum requirements with at least one critical element exceed, may also be considered for a performance award.

c. To be eligible for a performance award, a GM employee must be in the GM position on the last day of the rating period for which performance pay decision is being made.

d. The Center Director, or Deputy Directors will determine whether a GM employee ineligible for a rating of record for the current performance rating year will be given a performance award based on an extended rating.

3. Nominating procedures. The employee's supervisor is responsible for initiating the nomination. Documentation for this award will consist of an Exceptional, Highly Successful or Fully Successful rating of record for the most recent rating period which shows how the nominee exceeded the elements. Nominations and approval of cash awards will be made on the performance rating form (DFAS Form 430-2).

## 4. Approval Authority.

a. Center Directors should delegate approval authority for PMS performance awards to the level at which comparable authority lies for significant personnel management actions and effective control can be exercised. The approving official must be at least one level above the level of the nominating official. When the Center Director, Headquarters Deputy Director or Director, DFAS is the rating supervisor, higher review/approval of the award is not required (unless the dollar amount of the award exceeds the approving official's delegated approval authority).

b. The approving official for PMRS performance awards is the Center Director or the Headquarters Deputy Director.

## 5. Amount of Award.

a. The maximum performance award is 10% of employee's base pay.

b. Unusually exceptional employees may receive awards up to 20% if approved by the Director, DFAS. Clearly performance must surpass the normal requirements for the Exceptional rating and should be fully documented. For example, an unusually exceptional employee's contribution to mission accomplishment is identified, is documentable and clearly superior to others rated Exceptional.



c. Center Directors/Headquarters Deputy Directors will assure that GM employees rated Exceptional normally will receive larger dollar awards than GM employees, at the same grade level rated Highly Successful; and GM employees rated Highly Successful normally will receive larger dollar awards than GM employees rated Fully Successful. An employee promoted within 12 months prior to the end of the rating need not receive a larger dollar award than employees at the same grade level who have lower ratings.

d. Generally, within the same organizational element, non-GM employees with higher ratings should also receive larger dollar awards than employees at the same grade level who have lesser ratings.

e. If performance awards given to GM employees are computed as a percentage of the employees' base pay, the rate of basic pay on the last day of the appraisal period shall be used to calculate the award.

6. Budgeting for awards.

a. Directors are responsible for assuring a minimum of 1.15% of aggregate base payroll of GM employees and a maximum of 1.5% of aggregate base payroll of GM employees for a fiscal year funds are budgeted and paid for GM employee Performance awards.

b. As a minimum, at the beginning of each fiscal year each Deputy Director and Center Director shall prepare an estimate of the GM performance awards budget, including funding levels used. The estimate will be based on GM pay and consider the following factors:

- (1). Average number of GM employees during the previous year;
- (2). Aggregate rates of basic pay for these employees;
- (3). Significant changes in the number of employees expected in the fiscal year due to attrition, reorganization, expansion or reduction in forces;
- (4). Distribution of performance ratings in the organization; and
- (5). Amount of general increases and merit increases that will be paid to GM employees in the fiscal year.

c. Center Directors or Headquarters Deputy Directors should assure that records of performance awards and other awards are maintained so that awards programs can be evaluated locally and data for reports which may be required by Congress or OPM are available.

d. Center Directors or Headquarters Deputy Directors are responsible for assuring that adequate funds are budgeted for performance awards for non-GM employees. It is recommended that a minimum of .95% and a maximum of 1.5% aggregate base payroll of these employees be budgeted for these awards.

**E. QUALITY STEP INCREASES.**

1. A Quality Step Increase (QSI) consists of an additional within-grade pay increase and a Commendation Certificate given in recognition of exceptional performance. The QSI is only given to General Schedule (GS) employees.

a. Employees may not receive more than one QSI in any 52 week period.

b. QSI's may not be granted unless, at the time it becomes effective, the employee is expected to remain at least 60 days in the same organization in the same or similar position at the same grade level.

c. Employees may not receive a QSI if the employee has previously received a performance award based in whole or in part on the performance currently being recommended for recognition.

d. Employees should never be informed that they are under consideration for or have been nominated for a QSI. Such actions may create serious morale problems if the nomination(s) is not approved.

e. QSI's will not change the effective date of the employee's normal within-grade pay increase except where receipt of a QSI places an employee in the fourth or seventh step of a grade, the waiting period for a regular within-grade increase is extended by 52 weeks under the graduated waiting period schedule prescribed by section 5335(a), Title 5, United States Code.

2. Criteria. Employees with an Exceptional annual rating of record for the current rating period are eligible to receive the QSI.

3. Nominating Procedures. The employee's immediate supervisor is responsible for initiating the nomination and submitting it for approval. Documentation for the QSI will consist of an Exceptional rating of record for the current rating period. Nominations should be submitted on DFAS Form 100 within 30 days of approval of the rating of record. Final actions should be completed within 30 days after submission by the rating supervisor.

4. Approval Authority.

a. Headquarters and Center Directors should delegate approval authority to a level at which comparable authority lies for significant personnel management actions and effective control can be exercised.

b. Approving officials must be at least one level above the level of the nominating official. When the Center Director, Headquarters Deputy Director or Director, DFAS is the rating supervisor, higher level review/approval of the award is not required.

5. Notification. Center directors will review the number of QSIs given during the year. The Human Resources Directorate, HQ DFAS may periodically review the number of QSIs granted by DFAS centers and headquarters. At least annually, each DFAS Center will advise its employees of the numbers of QSI's granted at each grade level to the employees at that Center. This information can be included in an article on awards published in an appropriate local publication or by memorandum distributed to the work force. The DFAS Center will insure that a copy of this information is provided to the appropriate bargaining unit labor representative.

**F. PROMOTION.** Employee ratings of record will be used in the merit promotion process. Rating information used for promotion purposes should be relevant to the job for which the employee is being considered. An official notification of less than fully successful performance will preclude an employee from eligibility to compete for promotion or other competitive in-service placement. DFAS 1402.1-R indicates how and when performance ratings are to be used.

**G. PROBATIONARY OR TRIAL PERIODS.**

1. Employees will be observed during their probationary or trial periods to determine whether or not they have the qualities needed to perform assigned duties and responsibilities. An employee serving a probationary or trial period for competitive or excepted appointment must meet performance standards for all elements (critical and noncritical) and meet all other regulatory requirements to be recommended for retention (see FPM Chap 315, Subchapter 8). Failure to meet performance standards for one or more elements will be the basis for separation during the probationary period. An employee serving a probationary period for initial appointment to a supervisory/managerial position who does not meet performance standards for all elements (critical and noncritical) related to supervisory/managerial duties will be returned to a non-supervisory/non-managerial position (FPM Chap 315, subchapter 9).

2. Certification to retain or remove a probationary employee will be made at the end of the eight month of employment. This certification requirement, however, does not mean the employee cannot be removed from the position before or after the ninth month of the probationary period.

3. Normally, the length of a probationary period for an initial appointment to a supervisory or managerial position is one year. Time documented on official personnel actions showing service in previous Federal civilian supervisor/manager positions (except for details) may be counted. Completion of the probationary period will be documented in the employee's OPF in accordance with FPM Supp 296-33.

**H. REDUCTION IN FORCE.** Procedures for crediting annual performance ratings for reduction-in-force purposes will be in accordance with 5 CFR 351. Ratings of record prepared only for pay purposes to meet the requirements of 5 CFR 540.104 (a) and 5 CFR 531.404 (a) (see Table 3-1 and 3-2) will not be used for reduction-in-force purposes. No rating of record will be assigned for the sole purpose of affecting an employee's RIF retention standing.

**I. REASSIGNMENT, REDUCTION IN GRADE, OR REMOVAL FOR UNACCEPTABLE PERFORMANCE.**

1. General.

a. Any time during the appraisal cycle an employee's performance is determined to be below the Met level in one or more critical element(s), the supervisor must provide the employee with a performance improvement plan (PIP).

b. Removal from the position may include reassignment, reduction-in-grade in the same or to another position, removal from Federal Service, or any other alternative that is appropriate following continued unacceptable performance during or within one year from the onset of an opportunity to improve period.

2. Actions covered. This chapter covers removals and reductions-in-grade based solely on unacceptable performance. The exceptions are:

- a. Reduction of a supervisor or manager, who has not completed the probationary period, to the grade held immediately prior to the present assignment.
- b. Action against an employee in the competitive service who is serving a probationary or trial period under an initial appointment or has not completed 1 year of current continuous employment other than a temporary appointment limited to 1 year or less.
- c. Action against an employee in the excepted service who has not completed 1 year of current continuous employment in the same or similar position.
- d. Action initiated by the Special Counsel, Merit Systems Protection Board (MSPB) under the authority of 5 U.S.C. 1206.
- e. Action taken under 5 U.S.C. 7532 in the interest of national security.
- f. Action taken under a provision of a statute which excepts the action from Title 5 U.S.C.
- g. Reduction-in-force action.
- h. Voluntary action initiated by the employee.
- i. Adverse action for cause initiated under procedures defined in 5 CFR Part 752.
- j. Action which terminates a temporary promotion and returns the employee to the position from which the employee was temporarily promoted or to a different position in which the grade or pay is no lower than the position from which the employee was promoted.
- k. Involuntary retirement because of disability.
- l. Termination under the conditions of employment specified at the time of appointment.

### 3. Procedures.

a. Action may be initiated at any time to remove, reassign or reduce-in-grade an employee whose performance is unacceptable; however, the employee must first be provided a PIP which will include:

(1) Notification in writing of the standards of performance and types of improvements necessary to meet the standards.

(2) The critical element(s) where the performance deficiencies exist.

(3) Notification of an opportunity to demonstrate acceptable performance in the critical element(s) at issue and a reasonable period of time to achieve the required level of performance.

(4) Advised that unless performance in the elements for which the employee was afforded a PIP improves to an acceptable level and is sustained at the level for at least one year following the date of the notice of opportunity to improve, the employee may be reduced in grade or removed.

(5) Advised as to what assistance will be provided during the PIP. Such assistance may include formal training, on-the-job-training, coaching, counseling, and closer supervision.

b. If the employee's performance improves during the PIP to an acceptable level, the supervisor will inform the employee at the termination of the PIP of the determination of acceptable performance and of the requirement to maintain an acceptable level of performance. Employees who do not improve to an acceptable level during the PIP may be considered for a reassignment, change to a lower grade or removal. If a change to a lower grade or removal is to be proposed, the employee is entitled to:

(1) Thirty days advance written notice identifying the specific instances of unacceptable performance on which the proposed action is based, and the critical elements involved in each instance. Centers Directors and HQ Deputy Directors may extend the notice-period for a period not to exceed 30 days without OPM approval. The notice period may be further extended for the following reasons:

(a) Obtain and/or evaluate information when the employee has raised a medical issue in answer to a proposed action.

(b) Arrange for the employee's travel to make an oral reply to an appropriate official or the travel of an official to hear the reply.

(c) Consider the employee's answer if an extension to the reply period was granted;

(d) Consider reasonable accommodation of a handicapping condition;

(e) Consider positions to which the employee might reassigned or reduced in grade if an activity elects.

(f) Comply with a stay ordered by MSPB.

(g) Other reasons approved by the Office of Personnel Management, 1900 E Street, N.W., Washington, DC 20415.

(2) Representation by a person of the employee's choice, so long as such service by the representative does not result in conflict of interest, conflict with the priority needs of the Government or give rise to unreasonable costs.

(3) Not less than 7 days to answer orally and in writing.

(4) A written decision as soon as possible, but not later than 30 days after the notice period expires. The decision must:

(a) Specify the instances of unacceptable performance on which the decision is based. Only instances which occurred in the 1 year period before the date of the advance notice may be used to support the decision. Only those instances included in the advance notice may be relied on to support the final decision.

(b) Be concurred in by a higher level official than the one who proposed the action. If the decision is not rendered by a higher level official, the higher level official's concurrence must be documented.

4. Improvement in performance. Improvement in performance during the notice period may be taken into account along with the employee's reply to the final decision. If, as a result of the employee's reply or improvement in performance, it is decided to withdraw or cancel the action, the employee should be notified in writing.

## **CHAPTER 5**

### **PERFORMANCE MANAGEMENT DOCUMENTS**

**A. EMPLOYEE PERFORMANCE PLAN.** The Civilian Performance Plan (DFAS Form 430-1) will be completed in duplicate for each employee within 30 days of the beginning of the rating period. The rating supervisor will ensure that changes to the plan during the rating period are approved and recorded on both copies of the form. A copy of the plan used in completing any applicable rating will be attached to and become a part of the rating of record.

**B. PERFORMANCE REVIEW.**

1. Progress reviews. Supervisors may use the SF 7-B (Employee Record) or other documents to record discussions, agreements, or performance observations in preparing performance ratings. Personal notes and materials that are not circulated to or used by anyone other than a supervisor, are discarded or retained at their discretion and are not agency records for Freedom of Information Act or Privacy Act purposes. However, when such materials are used as the basis for any action and retained, they become official records for both the Freedom of Information and Privacy Acts.

2. Written performance ratings.

a. Performance ratings will be prepared using the Civilian Performance Rating (DFAS Form 430-2). The number of copies to be prepared and the distribution of copies are shown in Table 5-1.

b. When a discrepancy is detected in an approved performance rating, the rating will be corrected at once. Discrepancies may result from typographical or clerical errors that unintentionally change the content or due date of the rating. Also, performance ratings may be changed as a result of grievance, appeal, complaint proceedings, or other official sources. Corrective action will include the following:

(1) Preparation of a corrected performance rating by the appropriate rating official for the same rating period shown.

(2) Destruction of all copies of the erroneous rating and distribution of the corrected rating.

(3) Adjustment, to the extent practical, of personnel actions based on the erroneous rating.

<u>Type Of Rating</u>	<u># of Copies</u>	<u>Distribution</u>
<b>Annual</b>	Complete in triplicate	<p>a. Original to employee.</p> <p>b. Copy to rating supervisor.</p> <p>c. Record copy to the Human Resources Office for retention in the OPF (in accordance with 5 CFR 293).</p>
<b>Special</b>	Complete in triplicate	<p>a. Same as a, b, and c, above.</p> <p>b. When a special rating is completed for a departing employee, the “supervisor” copy will be sent through the HRD channels to the gaining organization for the employee’s new supervisor. When it is completed by a departing supervisor, the supervisor’s copy will be left with the losing organization for the new supervisor.</p> <p>c. When a special rating covers performance while on a temporary promotion or detail, the supervisor’s copy will be sent to the employee’s supervisor to be considered when preparing the annual rating.</p>

**Table 5-1  
Recording Written Performance Ratings**



## CHAPTER 6

### **PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM PLAN**

**A. GENERAL.** Chapter 54 of Title 5, United States Code (5 U.S.C. 5401-5410), provides for a Performance Management and Recognition System (PMRS) to recognize and reward quality performance by supervisors and management officials (as defined in 5 U.S.C. 7103 (a)(10) and (11) in positions classified at grades GM-13, 14 or 15). The DFAS Performance Management Plan for implementation of PMRS consists of three major elements: performance appraisals, base pay adjustments, and performance awards.

**B. PURPOSE.** This chapter implements a Performance Management and Recognition System in DFAS that:

1. Sets up a compensation system designed to attract and retain highly competent supervisors and management officials.
2. Links compensation to effectiveness of performance.
3. Simplifies the computation of performance based pay increases.
4. Furnishes the means to hold supervisors and management officials accountable for the effectiveness and productivity of the programs and personnel they manage.
5. Provides supervisors and managers the means to make their decisions about performance appraisal and incentive pay based on an evaluation of an employee's performance compared to predetermined, job-related criteria.
6. Supplies the means to ensure compliance with all applicable Federal laws, PMRS rules, regulations, and principles.

**C. COVERAGE.** When the coverage of the position is in doubt, the final decision will be made by the Center Director, Headquarters Deputy Director, Director, DFAS or their designee. When a position is determined to be covered, the incumbent will be notified in writing and informed of the right to contest the ruling. An employee not satisfied with the coverage decision may file a grievance under reference h.

**D. PROGRAM EVALUATION.** Evaluation of the DFAS PMRS will be ongoing. It will be reviewed during DFAS Program Management Evaluations. Center Directors will also include evaluation of the PMRS in their periodic personnel management surveys.

**E. TIMETABLES.** The following dates are targets for administration of the PMRS within DFAS:

1. June 30 - End of the rating period.
2. July 1 through August 14 - Ratings completed by supervisors and approving officials.
3. August 15 - Approved ratings sent to employees and servicing human resources directorate.

4. October 1 (first pay period on or after) - Merit increase pay adjustment given. The general increase will be given at such time as specified by higher authorities.

**F. TRAINING.** Center Directors and Headquarters Deputy Directors will assure that all covered employees, new supervisors, reviewing officials and approving officials are trained within 90 days of applicability. This applies to both military and civilian supervisors, reviewers, and approving officials of PMRS employees.

**G. RANGES OF BASIC PAY.** The range of basic pay for covered grades shall be the same as the range for corresponding grades of the General Schedule, or of a special salary rate range established under 5 U.S.C. 5303. However, an employee may be paid less than the minimum rate of basic pay of the grade or special rate range if the performance rating is less than Fully Successful. Except in connection with retained pay, a PMRS employee's rate of basic pay may not be increased to exceed the maximum rate of the range.

**H. MERIT INCREASES.**

1. Performance rating will be used as basis for determining eligibility for and allocation of merit increases for GM employees.

2. Merit increases are to be effective on the first day of the first applicable pay period commencing on or after October 1 each year.

3. Merit increases may be paid retroactively but must be received by the employee no later than December 31 of the applicable year.

4. An employee newly appointed to the Government within 90 days of the effective date (including the effective date) of the merit increase is not eligible.

a. Reinstated employees are considered to be newly appointed employees.

b. Employees reemployed under 5 CFR part 351, subpart J, are not considered to be newly appointed employees.

c. Employees receiving a new appointment without a break in service of one or more workdays are not considered to be newly appointed employees.

5. Employees moving into the PMRS on or before the effective date of the merit increase, who have received an increase to base pay (promotion, within-grade increase, quality step increase) within 90 days of such effective dates, will not receive a merit increase for that fiscal year.

a. Increases occurring on the effective date of the merit increase are considered to be within this 90-day period.

b. Actions covered by this rule include:

(1) Conversion to the PMRS.

(2) Reassignment to the PMRS from another Federal pay system.

(3) Promotion to the PMRS.

(4) Temporary promotion to the PMRS.

6. When an employee's performance cannot be appraised for the 90-day minimum rating period, merit increases will be granted in accordance with the provisions of paragraph K, below.

7. Center Directors and Headquarters Deputy Directors are delegated authority to manage the expenditure of funds provided for merit increases.

**I. MERIT INCREASE DETERMINATION.** 5 CFR 540.107 depicts the amount of the merit increase for employees whose performance is rated Fully Successful or above. PMRS employees rated Minimally Acceptable or Unacceptable receive no merit increase.

**J. SPECIAL PROVISIONS FOR PAY ADMINISTRATION.**

1. A merit increase shall be granted pursuant to paragraph J.2. below when an employee cannot be rated because the:

a. Employee has performed under performance standards for less than the 90 day minimum rating period;

b. Rating supervisor is no longer available and higher level supervisors cannot reasonably appraise the performance of the employee; or

c. Employee is on long-term training.

2. Under the preceding circumstances a merit increase shall be granted using one of the following rules in the order specified:

a. Employee's rating period is extended to provide a minimum rating period. For pay purposes, such extension will not extend beyond September 30 of the same year; or

b. Employee's rating of record in a GM position (either within DFAS or from another Federal agency) is extended and the appropriate increase is granted if that rating was given no earlier than the previous rating period (e.g. the 1991 merit increase could be based on the 1990 rating of record); or

c. Employee receives an increase equivalent to that granted for a Fully Successful rating.

3. Except as provided in paragraph J.4. below, when an employee who cannot be rated returns to a pay status after an approved absence that would be creditable service under 5 CFR 531.406, which included one or more pay adjustments provided under 5 U.S.C. 5403 and 5404, the employee's rate of basic pay shall be set at the sum of the:

a. Employee's rate of basic pay immediately before interruption of employment and, as appropriate;

b. General pay increases that would have been required by 5 U.S.C. 5403 for a "Fully Successful" rating, if the employee's service had not been interrupted; and

c. Merit increases received by an employee rated Fully Successful.

4. A merit increase shall be granted pursuant to paragraph J.5. below when the employee's rate of basic pay is being set because of:

a. Service in the Armed Forces or non-government service rendered in 5 U.S.C. 5405(d);

b. Other service for which an employee's advancement through the pay range is preserved by statute; or

c. One or more merit increases that occurred during a period for which the employee has received credit under the back pay provisions of 5. U.S.C. 5596.

5. Under the preceding circumstances the employee's pay shall be set at the sum of the:

a. Employee's rate of basic pay immediately before the interruption of duty status and, as appropriate;

b. General increases that would be required by 5 U.S.C. 5403 for a Fully Successful rating, if the employee's service had not been interrupted; and

c. Merit increases, which will be granted as follows:

(1) For the first merit increase during the period of such service, the employee's rating of record under 5 U.S.C. 4302 or 4302a is extended and the appropriate increase is granted.

(2) For all subsequent merit increases, the employee will receive the increase equivalent to that received for a Fully Successful rating for the period involved.

6. When an employee is promoted within or out of the PMRS on the effective date of the general increase and the merit increase, the employee shall receive the following computed in the order specified.

a. General increase to which the employee otherwise would be entitled;

b. Merit increase to which the employee otherwise would be entitled;

c. Increase resulting from the promotion.

#### **K. GENERAL PAY INCREASES.**

1. General.

a. General pay increases are to be effective on the first day of the pay adjustment period.

b. General pay increases must be based on a summary performance rating.

c. Employees who cannot be rated during the current rating period and a rating of record cannot be established, will be granted the full general pay increase.

2. The portion of a general pay increase an employee is to receive is based on the performance rating. Employees rated Fully Successful or above receive the full general pay increase. Employees rated Minimally Acceptable receive one-half the general pay increase. Employees rated Unacceptable receive no general pay increase.

3. 5 CFR 540.106 contains the procedures for computing the general increase for employees rated Fully Successful and above.

4. Except for employees receiving retained pay, the salary of an employee whose performance is rated Minimally Acceptable is computed by multiplying the GM's rate of basic pay on the day immediately preceding the pay adjustment period by one-half of the amount of the increase.

5. The salary of an employee whose rate of basic pay is less than the minimum of the rate range for the employee's position, and whose performance rating is Fully Successful or above, will be adjusted by multiplying the employee's rate of basic pay on the day immediately preceding the pay adjustment period by the full amount of the general increase applicable to the rate range of the grade of the employee's position for the pay adjustment period.

6. Employees receiving retained pay will receive one-half of any general increase regardless of summary performance rating.

#### **L. PAY SETTING.**

##### 1. Promotions.

a. An employee promoted to a PMRS position from a GS position is entitled to the rate of basic pay the employee would have been entitled to receive if the promotion had been to a GS position.

b. An employee promoted within the PMRS is entitled to the lowest whole-dollar rate of basic pay within the rate range of the grade to which promoted that exceeds the employee's existing rate of basic pay by an amount equal to 6 percent of that rate, or to the minimum rate of the higher grade, whichever is higher.

c. An employee promoted from a PMRS position to a GS position is entitled to the lowest step of the GS grade for which the rate of basic pay exceeds the employee's existing rate of basic pay by an amount equal to 6 percent of that rate, or to the minimum rate of the higher grade, if that rate is higher.

##### 2. Pay adjustment on acquiring PMRS status.

a. Except as provided in paragraph L.4. below, when an employee acquires PMRS status, the employee shall receive his or her existing rate of basic pay plus any of the following adjustments that may be applicable, in the order cited below:

(1) Amount of any statutory adjustment in the General Schedule made on that date under 5 U.S.C. 5305 (general pay increase), or in the case of an employee subject to special pay rates, the amount of any adjustment made on that date under 5 U.S.C. 5303;

(2) Amount of any within-grade or quality step increase to which the employee otherwise would be entitled on that date, in order to result in the maximum benefit to the employee (see 5 CFR 531.203 (f), "simultaneous action rule"); and

(3) Amount resulting from a promotion effective on that date.

b. If placed in a PMRS position on the effective date of a general pay increase, an employee whose pay was set in accordance with the newly adjusted pay range for their grade (e.g. under 5 U.S.C. 5303 or 5 U.S.C. 5305) has no additional entitlement to a general increase or merit increase under the PMRS.

3. Pay adjustment on loss of PMRS status. Except as provided in paragraph L.4. below, when an employee loses PMRS status, the employee shall receive their existing rate of basic pay, plus any of the following adjustments that may be applicable in the order cited below:

a. Amount of any general pay increase under 5 U.S.C. 5403 to which the employee otherwise would be entitled on the date, or in the case of an employee subject to special pay rates, the amount of any pay adjustment made on the date under 5 U.S.C. 5303;

b. Amount of any merit increase under 5 U.S.C. 5404 to which the employee otherwise would be entitled on that date;

c. Amount resulting from a promotion effective on that date;

d. In the case of an employee whose resulting rate of basic pay falls between two steps of a General Schedule grade (or, in the case of any employee whose position is subject to special pay rates, between the two steps of the applicable special rate range), the amount of any increase that may be necessary to pay the employee the next higher step of that grade (or special rate range);

e. In the case of an employee whose resulting rate of basic pay falls below the minimum rate of a General Schedule grade (or, the case of an employee whose position is subject to special pay rates, below the minimum rate of the special rate range), the amount of any increase that may be necessary to pay the employee the minimum rate for that grade (or special rate range).

4. Exceptions to rules on setting pay when acquiring or losing PMRS status. Paragraphs L.2. and L.3. above do not apply to an employee who acquires or loses PMRS status as the result of an actin taken for disciplinary or performance reasons or the expiration or termination of a temporary promotion.

5. Temporary promotions. Following termination of a temporary promotion, if an employee continues to occupy a lower-grade PMRS position, the salary at the lower grade will be determined by computing what the employee would have received in the lower-grade PMRS position using the official performance rating received, unless local pay policy has provided for the use of highest previous rate to set salary.

#### **M. EFFECTIVE DATE AND IMPLEMENTATION.**

1. This regulation is effective immediately.

2. Clarification of issues contained in this regulation should be sent through supervisory channels to the Workforce Management Directorate, Office of the Deputy Director for Human Resources, Defense Finance and Accounting Service, Crystal Mall 3, 1931 Jefferson Davis Highway, Arlington, Virginia 22240-5291.

## APPENDIX-A

CIVILIAN PERFORMANCE PLAN For use of this form, See DFAS 400, Chapter 430.		PAGE 1 OF 3 PAGES			
PART I - ADMINISTRATIVE DATA					
1. NAME (Last, First, MI) AND SSN		2. NAME AND LOCATION OF EMPLOYING OFFICE			
3. POSITION TITLE AND NUMBER, PAY PLAN, SERIES AND GRADE LEVEL					
PART II - PERFORMANCE ELEMENTS AND STANDARDS					
JOB ELEMENTS a	CE b	PERFORMANCE STANDARDS c			
1E.	o				
2E.					
3E.					
4E.					
5E.					
6E.					
PART III - AUTHENTICATION					
		SIGNATURE	DATE	SIGNATURE	DATE
1	SUPE R VISO R				
2	REVIEWER/ APPROVING OFFICIAL				
3	EMPLOYEE*				

\* Employee signature indicates that discussion, not necessarily agreement, has occurred.

## APPENDIX-B

### CIVILIAN PERFORMANCE RATING

(For use of this form, SEE DFAS 1426 3-R)

#### PART I - ADMINISTRATIVE DATA

1. NAME ( <i>Last, First, MI</i> ) and SSN		2. NAME AND LOCATION OF EMPLOYING OFFICE	
3. POSITION TITLE AND NUMBER , PAY PLAN, SERIES, AND GRADE (Office Automation,)			
4. PERIOD COVERED FROM:	5. UNDER SUPERVISION OF CURRENT SUPERVISOR  FROM	6. TYPE OF RATING  <input type="checkbox"/> ANNUAL <input type="checkbox"/> SPECIAL	
TO:			

#### PART II - PERFORMANCE EVALUATION

7. JOB ELEMENT (a).	CE (b)	RATING (c)	JOB ELEMENT (a)	CE (b)	RATING (c)
1.					
2.					
3.					
4.					

#### 8. ELEMENT RATING EXPLANATION

COPY :     EMPLOYEE     SUPERVISOR     OPF/EPF RECORD     OTHER



PART II - PERFORMANCE EVALUATION (CONTINUED)

**8. ELEMENT RATING EXPLANATION (Continued)**

PART III - INDIVIDUAL DEVELOPMENT PLAN

9.

PART IV - COMMENTS

10.

PART V - PERFORMANCE AWARDS

11. CASH AWARDS									
<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:20%;"><input type="checkbox"/> APPROVED</td> <td style="width:30%; text-align: center;">AMOUNT</td> </tr> <tr> <td><input type="checkbox"/> DISAPPROVED</td> <td></td> </tr> </table>	<input type="checkbox"/> APPROVED	AMOUNT	<input type="checkbox"/> DISAPPROVED		<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%; text-align: center;">RECOMMENDING OFFICIAL</td> <td style="width:50%; text-align: center;">SIGNATURE &amp; DATE</td> </tr> <tr> <td style="width:50%; text-align: center;">APPROVING OFFICIAL</td> <td style="width:50%; text-align: center;">SIGNATURE &amp; DATE</td> </tr> </table>	RECOMMENDING OFFICIAL	SIGNATURE & DATE	APPROVING OFFICIAL	SIGNATURE & DATE
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<input type="checkbox"/> DISAPPROVED									
RECOMMENDING OFFICIAL	SIGNATURE & DATE								
APPROVING OFFICIAL	SIGNATURE & DATE								

PART VI - SUMMARY RATING LEVEL

EXCEPTIONAL   
  HIGHLY SUCCESSFUL   
  FULLY SUCCESSFUL   
  MINIMALLY ACCEPTABLE/ SATISFACTORY   
  UNACCEPTABLE/ UNSATISFACTORY

PART VII - SUMMARY RATING LEVEL

13. SUPERVISOR NAME AND TITLE	b. SIGNATURE	c. DATE
14. REVIEWING OFFICIAL (OPTIONAL) NAME & TITLE	b. SIGNATURE	c. DATE
15. APPROVING OFFICIAL NAME & TITLE	b. SIGNATURE	c. DATE
16. EMPLOYEE NAME	b. SIGNATURE	c. DATE

\* Employee signature indicates that discussion, not necessarily agreement, has occurred.

**DFAS FORM 430-2 --- Continuation Page**

