



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
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PERSONNEL AND  
READINESS

19 JUL 2004

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Category Rating and Selection Procedures

This memorandum implements the provisions of Section 3319 of Public Law 107-296, "The Homeland Security Act," November 25, 2002, within the Department of Defense. The provisions were published in final regulations issued by the Office of Personnel Management (OPM) in the June 15, 2004, *Federal Register*. OPM regulations permit agencies to use category rating as an alternative rating and selection procedures when filling positions through the competitive examining process.

The attached guidance outlines DoD policy and procedures on the use of category rating and selection procedures and is effective immediately. This policy does not affect authorities previously granted in demonstration projects or alternative personnel systems.

My point of contact is Deborah Mason. Should your staff have questions, they can reach Deborah at (703) 696-6301, extension 643, or by email at [Deborah.Mason@cpms.osd.mil](mailto:Deborah.Mason@cpms.osd.mil).

  
Ginger Groeber  
Deputy Under Secretary  
Civilian Personnel Policy

Attachment:  
As stated

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**Department of Defense  
Category Rating and Selection Procedures  
Guidance and Procedures**

**A. General Information**

1. Section 3319 of Public Law 107-296, "The Homeland Security Act of 2002," November 25, 2002, authorized Federal agencies to use alternative procedures in assessing applicants for employment using category rating and selection procedures.
2. This guidance implements The Homeland Security Act of 2002 provisions, published as final regulations by the Office of Personnel Management (OPM) in the June 15, 2004, *Federal Register*.
3. Category rating is synonymous with alternative rating as described at title 5, United States Code (U.S.C.), section 3319. Rather than assigning individual numeric scores, category rating is the process of establishing quality categories based on job-related criteria, evaluating qualified candidates against the criteria, and placing them into the appropriate category.
4. Managers, in coordination with their human resources office, may use category rating to rate and rank candidates for any competitive service position, including wage grade and temporary/term positions. Category rating may be used for appropriated and non-appropriated fund positions.
5. This authority may not be used to fill excepted service positions. However, consistent with 5 CFR Part 302, DoD organizations that routinely examine for such positions may develop procedures similar to category rating. Such organizations should forward a copy of any procedures developed through Component headquarters to the Civilian Personnel Management Service at the address in C.2., below.

**B. Procedures**

1. To use category-rating procedures, managers and human resources offices must:
  - a. Place qualified applicants into one of three quality categories (Best Qualified, Highly Qualified and Qualified);
  - b. Define each quality category through job analysis that conforms to the "Uniform Guidelines on Employee Selection Procedures" at 29 CFR 1607 and 5 CFR 300;
  - c. Distinguish quality categories from one another;
  - d. Clearly differentiate the relative quality of eligible candidates;

- e. When the manager and human resources office decide to use category rating and selection procedures, include in the vacancy announcement a statement that category rating and selection procedures will be used and describe each category;
  - f. Apply veterans' preference as prescribed in 5 U.S.C. 3319(b) and (c)(2) as noted below:
    - (1) Place all veterans at the top of their category ahead of non-veterans;
    - (2) Place veterans with a compensable service-connected disability of 10 percent or more who meet basic qualifications in the Best Qualified category for all positions other than scientific and professional positions at grade GS-09, or equivalent, or higher;
    - (3) Process objections to a preference eligible using the procedures in Chapter 6 of the OPM's *Delegated Examining Units Handbook* ([http://www.opm.gov/deu/Handbook\\_2003/DEOH-Chapter-6.asp](http://www.opm.gov/deu/Handbook_2003/DEOH-Chapter-6.asp));
    - (4) Veterans' preference points as prescribed in 5 U.S.C. 3313 are not applied in category rating; and
    - (5) The "rule of three," as prescribed in 5 USC 3318, does not apply when using category ranking.
2. Where there are fewer than three candidates in the highest quality group, that group may be merged with the next lower quality category. Merging quality categories is optional. When merging quality categories, preference eligibles from the next lower category are placed above the non-preference eligibles in the newly merged quality category.
3. Category rating certificates must contain the names of all candidates in the highest quality category or all candidates in a merged quality category with veterans listed ahead of all non-veterans. List eligible candidates within preference groups (i.e., veterans and non-veterans) in any order (e.g., alphabetical, social security number order, or random number).
4. If, when filling multiple vacancies from one certificate, there are an insufficient number of candidates in the Best Qualified category, examining offices may refer candidates from the Highly Qualified category. However, officials may not select a candidate from the Highly Qualified category if Best Qualified candidates are available (i.e., selecting officials must exhaust the list of Best Qualified candidates before considering a Highly Qualified candidate).

### **C. Documentation and Reporting Requirements**

1. Offices with delegated examining authority must establish documentation and record keeping procedures that are consistent with the requirements of OPM's *Delegated Examining Units Handbook* (<http://www.opm.gov/deu>).
2. The Department must report to Congress, the use of category rating and selection procedures annually, in each of the three years following establishment of the category rating system, in accordance with 5 U.S.C. 3319(d).
  - a. To report, offices with Delegated Examining Authority should complete the Delegated Examining Quarterly Workload Report Form at Appendix M in OPM's *Delegated Examining Units Handbook* ([http://www.opm.gov/deu/Handbook\\_2003/DEOH-Appendix-14.asp](http://www.opm.gov/deu/Handbook_2003/DEOH-Appendix-14.asp)). Label the top of the form "Category Rating and Selection Report for FY \_\_\_\_\_," and include the Fiscal Year (FY) for which the report is prepared. Do not complete Item 17, or the "DEU ID NO."
  - b. The report will include the number of employees hired using category rating procedures; an analysis of the affect of category rating and selection procedures on the hiring of veterans and minorities, including those who are American Indian or Alaska Natives, Asian, Black or African American, and native Hawaiian or other Pacific Islanders; and the way in which managers were trained in the administration of category rating and selection.
  - c. Submit the reports to the Civilian Personnel Management Service, Field Advisory Services Division, Staffing and Development Branch, Delegated Examining Oversight Section, 1400 Key Boulevard, Suite B-200, Arlington, VA 22209-5144, with copy to your Component, by October 20, 2004, and annually on that date thereafter for three years.
  - d. This reporting requirement is in addition to the Delegated Examining Quarterly Workload Report. Quarterly reports should reflect category rating numbers.

### **D. Accountability**

1. Human resources offices are responsible for the appropriate and effective use of this examining flexibility.
2. Components and the Office of the Deputy Under Secretary of Defense for Civilian Personnel Policy will monitor its use through review of the annual report and Staff Assistance Visits conducted for delegated examining activities.