MERIT SYSTEM PROTECTION BOARD

MEMORANDUM

September 17, 2025

TO: Kate Stewart, President, County Council
              Marc Elrich, County Executive
              Richard S. Madaleno, Chief Administrative Officer

FROM: Sonya E. Chiles, Chair   *Sonya E. Chiles*
              Merit System Protection Board

SUBJECT: Audit of Montgomery County's Classification and Compensation Plans and Procedures

      The Montgomery County Personnel Regulations, § 9-3(h), require that every five years the Merit System Protection Board (MSPB or Board) hire an independent outside consultant to conduct an audit of the County's classification and compensation plan and procedures. The County Code, § 33-7(c), directs the MSPB to submit the results of the audit and the Board's recommendations to the County Council, the County Executive, and Chief Administrative Officer for consideration.

      The last audit was completed in 2018. In September 2023, the Board contracted with The Segal Company (Eastern States), Inc. (Segal), an independent firm of benefit, compensation, and human resources consultants based in Washington, D.C. The Board was able to accelerate the procurement process by "bridging" a Segal contract with Montgomery College. A description of the specific scope of services performed by Segal is attached. Segal also subcontracted with Decision Information Resources Inc., (DIR) to design and conduct a survey to assess County employee knowledge and understanding of the classification system and reclassification process and employee experience with the classification process.

      Segal provided the Board with a comprehensive final report that identifies the current classification and compensation system's strengths and opportunities for improvement, along with specific recommendations. Segal concluded that overall, the County "demonstrates the basic foundations of an effective classification and compensation program," but that there are areas "where process improvement is needed."

      The Board's attached recommendations are based upon the results of the audit and input provided by Traci L. Anderson, Director, Office of Human Resources. Director Anderson's written comments on the final audit report are also attached.

The complete final report and appendices have been provided to the Legislative Information Services Office. Electronic versions of the final report and appendices are also attached and will be posted on the MSPB website. As a courtesy, the final report, appendices, MSPB's recommendations, Director Anderson's written comments, and the Scope of Services will be provided to the Office of Labor Relations.

The Board thanks the County Council for its support of this project and is available to answer any questions.

Attachments (4)

cc: Board Members
       Craig Howard, Executive Director, County Council
       Sara Tenenbaum, Clerk of the County Council
       Traci L. Anderson, Director, Office of Human Resources
       Legislative Information Services Office
       Jennifer Harling, Chief Labor Relations Officer, Office of Labor Relations
       Edward E. Haenftling, Jr., Executive Director, Merit System Protection Board

MERIT SYSTEM PROTECTION BOARD

Recommendations of the Merit System Protection Board on the Audit of Montgomery County's Classification and Compensation Plans and Procedures September 17, 2025

MSPB's Overall Observations and Comments

Pursuant to Montgomery County Personnel Regulations, § 9-3(h), the Merit System Protection Board (MSPB or Board) contracted with an independent consultant, The Segal Company (Eastern States), Inc. (Segal), to conduct a comprehensive review and audit of the County's Classification and Compensation Program and Procedures. The objectives of the audit were to: (1) ensure the accuracy, equity, validity, and integrity of the classification and compensation program and execution of its procedures; and (2) determine the effectiveness of the current classification and compensation models and methodologies. A detailed description of the specific services performed by Segal is provided in the Scope of Services and in the final audit report.

The audit provides valuable information on what the auditor viewed as the strengths and weaknesses of the County's classification and compensation system. The audit concluded that the County "demonstrates the basic foundations of an effective classification and compensation program," but that there are areas "where process improvement is needed." Segal listed the top three findings of significance and recommendations in the following three areas: Classification System, Compensation System, and the Qualitative Evaluation System III (QES). OHR generally agrees with the recommendations made by Segal and has indicated their commitment to addressing issues revealed through the audit, an effort that the Board will monitor.

Some of the Board's recommendations will require the County Council and the County Executive to alter the existing classification and compensation system laws and regulations. Any recommended regulations are required to be reviewed by the Board prior to being proposed to the Council.

Summary of Segal Audit Findings and Recommendations, OHR Responses, and MSPB Recommendations

I.   **Fiscal Year 2018 Independent Classification and Compensation Audit**

The audit includes a reconciliation of the last independent audit performed in FY18. Segal found that most of the FY18 audit recommendations were not implemented, though there

is evidence that the auditor's suggestions were explored. Segal found that implementation was hindered by turnover of staff and the reprioritization of activities and funding due to the COVID-19 pandemic.

MSPB RECOMMENDATION:

OHR should continue to explore and implement the Board's recommendations resulting from the FY18 independent audit.

To ensure OHR continues to explore and implement the Board's recommendations, the Board recommends that MCPR § 9-3(h) be amended to include provisions that require OHR to provide the Board with quarterly progress updates and an annual report detailing OHR's efforts regarding MSPB recommendations post-audit. This will also allow the Board and Council to evaluate whether to postpone future independent audits per MCPR § 9-3(h)(2)(C). The amendments should also include language requiring the Board to provide feedback to OHR upon receipt of the progress updates/annual report.

II.   Classification System Findings and Recommendations

Section 9 of the Montgomery County Personnel Regulations governs the processes and procedures associated with the County's classification system. Note that Section 9.9 of the Collective Bargaining Agreement between the County and the Municipal and County Government Employees Organization (MCGEO) Local 1994, includes the reclassification process and procedures that apply to employees in the Office, Professional, and Technical (OPT) and Service, Labor, and Trades (SLT) bargaining units.

Per MCPR § 9-2, the County's policy on classification requires the OHR Director to: "(a) classify positions based on the assigned duties and responsibilities and minimum qualifications required; and (b) assign positions within the same salary schedule that require work of substantially equal value to occupational classes at comparable grade levels."

Section 9-3(d)(5) provides the mechanism for department directors to request review of occupational classes. Such requests must be submitted during the month of June. Requests must include factual evidence of the "difficulty in recruiting applicants to the class at the normal entry salary, excessive turnover in the class, or major and significant change in the work of the class due to technological changes or other unforeseen factors that have significantly impacted work." Once received, the OHR Director must determine whether the request will be accepted or rejected for review. The OHR Director is required to notify the department director in writing within thirty (30) days of the OHR Director's decision.

Employees and/or their supervisors or department directors may request a review to determine whether a specific position is properly classified per the procedure in MCPR § 9-4(b). Such requests must also be presented to OHR during the month of June and must include "an organization chart that reflects the organizational location of the position and its reporting relationships" and a current position description that includes " an explanation of how and why the position's duties and responsibilities have changed and are no longer consistent with the

position's current classification assignment, an explanation of where the new duties and responsibilities originated, a statement from the department director concurring that the position's duties and responsibilities have changed substantially ," and a statement from the department director agreeing or disagreeing with the reclassification request. The OHR Director may reject a request for various reasons, including if the specific individual in the same position was previously reviewed within twelve (12) months of the request. For employees represented by MCGEO, per the Collective Bargaining Agreement between the County and MCGEO, the OHR Director may reject a request if a specific individual in the same position was previously reviewed within the past thirty-six (36) months.

Classification and position study requests may be submitted in months other than June because of extraordinary circumstances that justify a special classification study, per MCPR § 9-5.

Segal summary:

Segal found multiple areas of concern in the audit of classification processes. The greatest concern was the unnecessary length of time involved, which increases the risk an employee may be working in the wrong classification without appropriate compensation. Segal also determined that most of the County's approximately five hundred (500) classification specifications are outdated and have not been updated in over ten (10) years. Finally, Segal noted that employee and supervisor knowledge and engagement in the process was inadequate.

A. Finding: processes are lengthy and administratively outdated.

Segal reviewed the standard operating procedures and collective bargaining agreements for classification. Segal also conducted interviews with representatives of OHR. Segal concluded that the processes for individual classification studies and occupational classification studies are very lengthy and include steps that are inefficient, administratively cumbersome, and in some cases no longer in use.

Segal observed that the current processes appear to be oriented around controlling the flow and timing of requests without regard for the risk associated with employees working out of classification for long periods of time. Segal was also concerned about the ineligibility period (one (1) year for non-represented employees per MCPR § 9-4(b)(5)(E) and three (3) years for MCGEO represented employees) for an employee to file subsequent position classification review, calling it "harsh" and "draconian." Segal opined that an arbitrary period of ineligibility treats the proper classification of an employee's position like a privilege that must be earned by the employee as opposed to a management commitment to the employee that must be honored, specifically, that the employee is adequately compensated for the work the employee provides on behalf of the County.

Segal also found evidence that individual classification study records were inconsistently kept and do not contain records that support various process steps. Segal opined that as the process became more automated, some steps were no longer followed. For example, the process references Personnel Action Forms (PAF) and Position Profile Forms (PPF) and study checklists,

yet Segal analysts found limited evidence of these in the case files that were reviewed. Likewise, there is a reference to a checklist that was not included in any records.

Segal Recommendations:

"Redesign processes with the intention of increasing throughput and reducing length of time."

1. Segal recommends the County approach process re-design with an intention to remove as much time from the process as possible and to streamline process steps to eliminate waste. Issues of misclassification do not wait for the opening of an annual or semi-annual process. Remove unnecessary and lengthy review steps and use process flow to automate notice of process steps to participants. Consider combining classification types into one request and offering these on a rolling, continuous basis.

2. Segal also suggests regular review and maintenance of process documentation to ensure it reflects current work procedures. When a procedure changes, the process should also change.

3. Finally, individual classification study records should be maintained consistently with all supporting documentation referenced in the process included in the record.

OHR Response:

"OHR is working to strengthen and improve administrative processes and reduce completion time for position studies. OHR Classification has introduced additional layers of review to ensure the accuracy of analyses. In FY24 and FY25, the classification team completed all June Box studies, using internal classification staff. Additionally, OHR continues to grow the resources of the classification group, increasing the number of staff from three to four (with one search ongoing), and increasing the skillset of classification staff through outside training and ongoing internal review of cases."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. The County should make a serious effort to redesign the classification process with the goal of streamlining the procedure to remove as much time as possible to remove waste, as well as use process flow to automate "notice of process" steps to participants.

2. OHR should update all process documentation to ensure it reflects current work procedures and establish a regular "process documentation" maintenance and review calendar.

3. OHR should standardize which documents must be included in each classification study record.

4. The "June Box" requirement should be removed, and the process should allow for semi-annual review requests.

B. Finding: Classification Specifications are outdated.

During the project initiation and discovery phase, Segal spoke with OHR and County leadership and learned that many classification specifications are older and have not been reviewed or updated in more than 10 years. Segal determined that on average, only thirty-seven (37) classification specifications are being updated every six (6) years. Segal determined that at this rate of review, it will take the County eighty (80) years to review all County classifications, not allowing for new classifications.

Segal Recommendations:

"Review and update Classification Specifications with greater frequency."

1. Segal recommends that OHR develop an aggressive plan to review and update classifications to the new template over the next 18 to 24 months starting with the oldest classification first.

2. Finally, Segal recommends that the County review the Animal Care Attendant Supervisor and Mail Services Supervisor classifications for Fair Labor Standards Act (FLSA) to determine whether the current FLSA classification status is proper.

OHR Response:

"OHR has acknowledged the County's woefully outdated classification specifications on multiple occasions. Only 7% of all classifications have been studied in the past five years. OHR continues to work collaboratively with County departments and agencies and employees' unions to identify and review classification requirements."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. OHR should develop an aggressive plan to review and update classifications to the new template over the next 18 to 24 months starting with the oldest classification first and refrain from limiting the number of classifications it reviews per year.

2. OHR should immediately review the Animal Care Attendant Supervisor and Mail Services Supervisor classifications to determine whether the current FLSA classification status is proper.

C. **Finding: communication and education about process is ineffective.**

While Segal observes that employees' knowledge of the reclassification process exists, engagement in the process is low. The experience of those who have engaged in the process seems largely dependent upon whether they received information and communication about the results. Both employees and managers report experiencing a classification process that is lengthy, and its outcomes are sometimes unclear.

The current approach to communicating outcomes and results of position and classification reviews to employees appears to be inadequate, and the length of time reported waiting for results is excessive, based upon a review of the employee/manager survey conducted by Decision Information Resources Inc., (DIR). Only fifty percent (50%) of the employees surveyed said that they would be willing to utilize the process again. Those who indicated they were unwilling listed the following reasons as to why they would not utilize the process again: (a) nothing will change; (b) result is usually biased, unfair, or arbitrary; (c) process takes too long; and/or (d) too stressful or too much work.

Limited engagement in the process by managers raises questions about this group's understanding of the importance of appropriate job classification in support of HR functions such as talent acquisition, performance management, compensation, learning and development, and compliance.

Per Segal, higher levels of employee acceptance of the HR recommendations are connected to an investment in a reasonable process that can be easily understood, is consistently followed, and clearly communicated. This axiom holds even when the result does not go the employee's way.

Segal Recommendations:

"Improve transparency, clarity, and communication with Managers and staff."

1. Periodic and regular review and update of job documentation – in the form of a classification specification or job description – is a best practice that supports multiple human resource functions related to talent acquisition, performance management, compensation, learning and development, and compliance.

2. While OHR reports a multi-faceted approach to communication that includes e-mail, posted information, and verbal messages cascaded through Managers and OHR Partners, the efficacy of that message about individual classification and occupational classification processes should be explored. Consider additional forms of outreach to engage those in field roles or with limited access to email.

3. The County should analyze the different patterns of advocacy for classification reviews when it comes to initiating a reclassification request (employee initiated vs. supervisor initiated) to further understand possible causes for why there is an eight-percentage point difference across races.

4. The County should also analyze why there is a nine-percentage point variation across racial groups and gender regarding self-reported knowledge of the reclassification process.

OHR Response:

"Annually, OHR communicates via memorandum with all stakeholders regarding eligibility and timelines for the desk audit and special studies process. OHR recognizes that improvements are needed regarding routine and timely updates to employees and managers regarding the status of position studies once accepted in this process. OHR is working to better integrate notifications to all parties at regular intervals and maintain documentation of classification changes."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. Job classifications and position descriptions should be reviewed more frequently.

2. The Board notes that the annual memorandum that OHR sends out is insufficient and should include more frequent communication.

3. The racial and gender disparities that Segal found associated with knowledge and advocacy are extremely concerning. Thus, OHR should prioritize an extensive review of the process and conduct a longitudinal study to understand and correct the variation between racial groups and gender regarding knowledge of the process as well as differences associated with supervisor-initiated vs. employee-initiated reviews.

III. Compensation System Findings and Recommendations

The County's merit system principles request that merit system employees "shall be provided compensation consistent with standard of comparability with other public agencies and the private sector . . .." Montgomery County Code § 33-5(b)(3).

"The County must provide a total compensation system designed to recruit and retain a high quality workforce. The CAO must periodically compare the compensation of County employees with the appropriate labor market and other area compensation systems to maintain a standard of comparability." MCPR § 10-2.

Compensation Actions refer to adjustments in employee pay that occur due to various factors such as promotions, reclassifications, general wage adjustments, or market-based salary changes. These actions play a critical role in maintaining competitive and equitable compensation structures. However, without systematic oversight, inconsistencies may arise, leading to potential inequities among employees and departments.

Segal Summary:

The County generally follows compensation processes and equitably delivers pay increases. While there are some areas of concern, County pay levels are at or above market competitive levels. Segal found that overall Montgomery County's base pay ranges are slightly below market at the minimum, but generally competitive at Midpoint and Maximum levels. Overall, employee base rates of pay are at a competitive level. Improvement can be made to the design of the County's pay structures as they are generally spaced close together and create an opportunity for pay compression.

A. Finding: some areas with pay gaps between class exist.

The results of the pay equity analysis indicate no systemic bias in compensation levels based on gender or race/ethnicity. However, pay gaps are present that OHR should investigate.

On an uncontrolled basis, females on average earn more than males in three employment categories: full-time-regular, part-time-regular, and recreational workers, while non-white employees on average earn less than white employees in all three employment categories.

When controlling for bargaining unit, within SLT, non-white salaries on average exceed white salaries by 6%, while in all other units, white salaries remain higher on average. After controlling for bargaining unit, in many situations the uncontrolled pay gaps by gender and race/ethnicity were explained after grouping employees into cohorts, such as experience, FLSA status, and pay grade. In other instances, significant pay gaps remained even after controlling for the cohort variables.

Segal notes that exactly half of the pay gaps by gender (23 of 46) that Segal identified show females earning more than males on average after controlling for bargaining unit, experience, FLSA status, and grade. Similarly for race, almost half of the pay gaps (21 of 47) Segal identified show non-whites earning more than whites on average after controlling for bargaining unit, experience, FLSA status, and grade.

Segal Recommendations:

"Conduct a holistic review of each of the pay gaps identified in the analysis and, for groups in which there is a valid and sufficient rationale to explain the pay differences, such rationale should be documented."

OHR Response:

"OHR conducts pay studies resulting from collectively bargained agreements, as well as handles internal pay equity programs per the County's personnel regulations. It must be noted that some disparities reviewed during Segal's examination period result from pay improvements such as longevity, collectively bargained adjustments, and grievance settlements, while administered by OHR, actually occur out of OHR's control. Additionally, the County is mindful

of ensuring synergy and equity between the salaries of represented and non-represented employees, which also impacts salary differences. OHR remains committed to, and is actively engaged in, documenting pay practices and looks forward to the development of a comprehensive pay philosophy reflective of the County's status as a well-regarded public employer, and of the total compensation provided to employees (salary as well as all pay enhancements and employee benefits)."

MSPB Recommendation:

1. The fact that there are a significant number of classifications where disparities are present is concerning. Therefore, OHR should prioritize a review and conduct a longitudinal study to determine the cause of the disparities and explore and implement remedies where disparities cannot be reasonably explained.

2. Because Segal reviewed a limited number of classifications, any longitudinal study must include a review of all classifications to ensure the compensation system is fair and equitable.

B. **Finding: select classifications are assigned to grades that are below market competitiveness.**

After reviewing a selection of various job classifications, Segal found the following classifications to be below the market competitiveness range:

(1) Accountant-Auditor III
(2) Corrections Specialist II
(3) Engineer I
(4) Engineer III
(5) Information Technology Specialist III
(6) Management and Budget Specialist III
(7) Manager III – Office of Procurement
(8) Manager III -Department of Technology and Enterprise Business Solutions
(9) Senior Engineer
(10) Senior Public Safety Emergency Communications Specialist
(11) Transit Operator Supervisor
(12) Code Enforcement Inspector III
(13) Corrections Supervisor (Sergeant)

Segal Recommendations:

"Review findings and determine if reassignment of classification to a new grade is warranted."

OHR Response:

"Segal notes that the County's pay structure is competitive, while also finding the County's class plan to be out of date. OHR's assessment of the current classification structure indicates that there are nearly 500 job classifications, distributed through 114 pay grades across 17 pay schedules, which may or not be reflective of the work performed or needed, education/training required, and/or pay associated with the typical work. Over the past several years, the classification process has been used as a driver to increase salaries instead of its intended purpose to accurately and routinely maintain order over documenting and compensating employees for the work performed. OHR is committed to reviewing and restructuring the class and pay structures to increase transparency regarding career growth and progression, and in alignment with the County's commitment to government efficiency and excellence in oversight of the County's resources."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. While OHR's focus on reviewing and restructuring the classification and compensation pay structures is an acceptable long-term strategy, OHR should prioritize review of the classifications that Segal determined are below market competitiveness. OHR should conduct its review in a timely manner.

2. Because not all classifications were audited, OHR should also conduct a large-scale review to ensure all classifications are brought within market competitiveness.

C. **Finding: general structure and OPT salary structures have atypical design that creates opportunities for pay compression.**

The number of grades associated with the General Salary Schedule appear excessive compared to the salary ranges associated with the schedule.

The average midpoint differentials for the General Salary Schedule and the OPT/SLT Salary Schedule are below market norms for comparable/competitive salary structures and can create issues with grade alignments in job series and promotional-pay placement.

The contraction of range widths and midpoint differentials in grades that occupy the top end of the salary schedule is of atypical design and not supported by market data associated with positions that typically occupy those grades.

Midpoint differentials beginning with Grade N27 through Grade N40 on the General Salary Schedule decrease rather than increase. This does not line up with market norms where midpoint differentials typically increase, rather than decrease, due to the lack of additional promotional opportunities and the increased competition in the general labor market for roles that traditionally occupy the top end of salary scales.

The County's Grade range widths contract, beginning with Grade N32 through Grade N40, as opposed to broadening as the grade levels increase. In the general labor market, the length of time it takes to become more proficient in these roles results in range widths that are wider than positions that typically occupy lower-level grades. Thus, the General Salary Schedule is not aligned with general labor market practices.

Segal also notes various instances of employee/supervisor pay compression (i.e., less than 10% difference in pay). There is also evidence of a lack of differentiation between grade placement of positions with direct line of reporting relationships when employees and supervisors are on the same salary schedule.

Segal Recommendation:

"Conduct a comprehensive market assessment and redesign salary structures to reflect best practice."

1. Reconsider approach to midpoint progressions and range widths associated with the General Salary Schedule.

2. Examine the relationship of employees' alignment to supervisors across different salary schedules.

3. Reconsider grade placement of positions with direct line reporting relationships on the General Salary Schedule.

4. Consider lowering the number of grades in the General Salary Schedule and increasing the midpoint differentials to address employee/supervisor compression.

OHR Response:

"Segal's analysis affirmed that OHR's compensation processes are generally fair, with no demographic-based disparities when statistical controls are applied. The audit found the County's overall compensation to be competitive, with a significant portion of classifications falling within market averages, though some classifications lag the market. OHR agrees that overall wages are equitable and notes Segal's assessment of limited pay grade differentiation and GSS schedule challenges. However, a market assessment alone will not preclude the unintentional creation of pay compression across employee groups. OHR is committed to restructuring pay plans and their management to assure transparency, competitiveness, and appropriate levels of differentiation."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. OHR should review and adjust midpoint progressions and range widths in the General Salary Schedule to ensure they reflect market norms.

2. Employee and supervisor alignment on the various salary schedules should be adjusted to ensure pay differences between employee maximum – including longevity – and supervisor maximum reflect market norms.

3. The County should also consider adding additional compensation requirements to the County Code to ensure salary schedules are properly constructed.

4. OHR should conduct its review in a timely manner.

IV. QES Findings and Recommendations

Section 9-3(d)(1)(C) of the Personnel Regulations requires the OHR Director to use a quantitative job evaluation system to evaluate a class on the general salary schedule or the Office, Professional, and Technical/Service, Labor, and Trades (OPT/SLT) salary schedule and use a broadbanding system to evaluate a class on the MLS salary schedule. Per MCPR § 9-3(d)(2), the quantitative job evaluation system must be approved by the CAO and adopted by the County Council, must be objective, be consistent with merit system principles, and require certain critical job elements, including knowledge, skills, and abilities required, physical and mental effort required, complexity and scope of duties, degree of autonomy and level of responsibility, personal contacts, working conditions, and supervision of others. The current Council approved QES and broadbanding systems are found in Appendices E and F of the Personnel Regulations, respectively.

QES is a quantitative point-factor evaluation system used to determine the grade level of classifications. There are ten job factors with level definitions that define segments of a factor. Points are assigned to each level, which increase in value for each segment. Analysts apply a job evaluation process to determine a total point value for each classification. All points are added to determine a total point value for the classification.

Segal Summary:

The existing methods for job analysis, job evaluation and compensation market pricing do not reflect modern-day best practices. The QES system was designed over four decades ago and has limitations regarding measuring and evaluating modern-day work practices. There are several recommendations related to establishing and setting market-based pay that better align with compensation best practices. A broadbanding approach to pay structures has several potential downsides including structural compression and pay disparity among similarly situated employees. Within compensation best practices, it has become outdated and is not reflective of existing market practices.

A. Finding: QES is insufficient to grade positions.

As minimum and living wages continue to climb throughout the country, and competition for resources (i.e., employees) increases, an overreliance on an internal point-factor based system of assigning pay grades, and by extension, corresponding pay rates, runs the risk of becoming

increasingly disconnected from general labor market movements. Where the QES system excels at stratifying classifications and preserving internal equity, it fails to account for external labor market pressures.

Segal Recommendations:

"Apply QES in tandem with Market Assessment."

OHR Response:

"OHR, along with the prior plan auditor, has acknowledged the limitations of the QES system. Because QES scoring may result in pay grades being at odds with local market conditions, OHR agrees that market analyses of impacted classifications should be undertaken for any study to ensure market competitiveness."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. OHR should apply QES in tandem with Market Assessment.

2. Additionally, the County should consider wholesale changes to the County Code and Personnel Regulations to provide updated guidance for developing the job evaluation system.

B. Finding: QES factors and definitions become outdated.

As the nature of work and the workforce continues to evolve in the 21st century, job architecture is emerging as a way to classify and align roles across an organization.

Job architecture is a framework that organizes roles within a company, including their responsibilities, hierarchy, and relationships to other positions. It helps ensure that job titles, pay, and responsibilities are consistent across the organization. Just as a building has a structural framework, job architecture creates a hierarchical framework for various roles and functions showing how they relate to each other. Job architecture also facilitates career development, and it enables the development of career ladders and lattices that may guide employees in their career aspirations.

Segal Recommendations:

"Investigate Job Architecture as an alternative for classification."

OHR Response:

"The County's classification and compensation update will include consideration of options to replace the QES for position analysis. These changes will require significant training

and communication with all employee groups, leaders, and union representatives. In addition, any changes made will be implemented so as not to undermine the integrity of the classification plan, a concern raised by the FY18 audit."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. OHR should include Job Architecture as an alternative for classification as an option to replace QES for position analysis.

2. The County should consider wholesale changes to the County Code and Personnel Regulations to provide updated guidance for developing the job evaluation system.

C. Finding: validity and reliability are difficult to achieve.

Point-factor evaluation systems are imperfect mathematical models. The qualitative nature of the analysis and dynamic nature of work and the workforce mean that these systems can become stale over time. As a result, validity and reliability are crucial and related concepts in the design, maintenance, and application of evaluation systems.

Segal Recommendations:

"Provide ongoing training, parallel evaluations, and consensus techniques."

OHR Response:

"OHR staff are actively engaged in peer review and the identification of new and ongoing training options (both internally and externally) to maintain the County's classification plan."

MSPB Recommendation:

The Board concurs with Segal's recommendations.

1. OHR should require all staff assigned to compensation to engage in ongoing training, parallel evaluations, and consensus techniques.
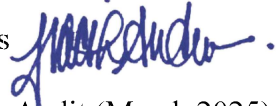
OFFICE OF HUMAN RESOURCES

Marc Elrich
County Executive

Traci L. Anderson
Director

MEMORANDUM

July 8, 2025

TO: Edward E. Haenftling, Jr., Executive Director, Merit System Protection Board

FROM: Traci L. Anderson, Director, Office of Human Resources

SUBJECT: OHR Response - Segal Classification and Compensation Audit (March 2025)

The Office of Human Resources (OHR) has reviewed the March 2025 audit prepared by the Segal Group (Segal), engaged by the County's Merit System Protection Board (MSPB), in compliance with the County Charter, which requires that "at least once every 5 years, the Merit System Protection Board (MSPB) must have a consultant who is a specialist in the field and independent of the county government conduct an objective audit of the entire classification and compensation plan and procedures." OHR is pleased that Segal generally finds the County to be effective in managing its classification and compensation system and that the County's pay and leave programs are competitive and/or exceed market salary rates.

For context, the County's classification and compensation structures have been longstanding points for discussion and concern by both the County Council and Executive branch leaders. Specifically, the planned 2005 audit was deferred multiple times and subsequently completed by CPS Consulting in 2018, which was notably the first audit completed since 2001[1]. Many of the issues presented in the Segal study were similarly covered in the CPS study, including outdated classification specifications, allocation of pay and wage equity for incumbent employees, challenges with the QES method of review, and timeliness. OHR has acknowledged, discussed and shared these needs at length with County leaders and attempted to address them through budget requests to fund increased staffing and contractual services to address the magnitude of the challenge, with Segal opining that "at this rate of review, it will take 80 years to review all County classifications." These challenges were exacerbated by previous reductions in staff devoted to classification and compensation work, leading to a reduction in classification studies

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[1] Per Council Resolution 17-520, the 2005 audit was deferred until FY08 at the request of MSPB. Subsequent Council actions deferred further deferred the audit until partial funding for an audit was provided by Council in FY17.

for a period of time.[2] Prior to FY23, OHR had only one compensation analyst and three classification analysts. OHR's current strategic roadmap outlines plans to strengthen the County's classification and compensation program.

OHR agrees in concept with the audit's core findings regarding the need for extensive classification plan updates, restructuring compensation schedules, as well as reframing the County's methods of position analysis and classification. During the last 18 months, OHR has been actively engaged in foundational work to improve the classification and compensation process including the implementation of an online position description management system, which has enabled us to actively manage, track, and document position information across every stage – from the initial request and approval, to all revisions and ongoing maintenance; preparation for collective bargaining with the MCGEO employee's union, which represents a majority of County government employees, related to wage equity; reestablishing internal staffing for classification and compensation, bringing staff resources to three classifiers, one Oracle position management expert and three compensation analysts (with recruitment ongoing for three vacant positions), and attending to their training needs; and competitive selection of a contractor to deliver a comprehensive review and update of the County's classification and compensation practices.

OHR submits the following responses to Segal's findings and recommendations.

Classification System Findings and Recommendations

Finding 1: Processes are lengthy and administratively outdated.

Recommendation 1: Redesign processes with the intention of increasing throughput and reducing the length of time.

OHR Response: OHR is working to strengthen and improve administrative processes and reduce completion time for position studies. OHR Classification has introduced additional layers of review to ensure the accuracy of analyses. In FY24 and FY25, the classification team completed all June Box studies, using internal classification staff. Additionally, OHR continues to grow the resources of the classification group, increasing the number of staff from three to four (with one search ongoing), and increasing the skillset of classification staff through outside training and ongoing internal review of cases.

Finding 2: Classification Specifications are outdated.

Recommendation 2: Review and update Classification Specifications with greater frequency.

OHR Response: OHR has acknowledged the County's woefully outdated classification specifications on multiple occasions. Only 7% of all classifications have been studied in the past

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[2] Memo from Joseph Adler to Stephen Farber, July 11, 2012: "In recent years, OHR reduced staff and operational resources as it relates to classification studies. Therefore, there has been a moratorium on conducting classification studies." While the memo calls this a moratorium, there were a limited number of studies during this timeframe.

five years. OHR continues to work collaboratively with County departments and agencies and employees' unions to identify and review classification requirements.

Finding 3: Communication and education about processes are ineffective.

Recommendation 3: Improve transparency, clarity, and communication with managers and staff.

OHR Response: Annually, OHR communicates via memorandum with all stakeholders regarding eligibility and timelines for the desk audit and special studies process. OHR recognizes that improvements are needed regarding routine and timely updates to employees and managers regarding the status of position studies once accepted in this process. OHR is working to better integrate notifications to all parties at regular intervals and maintain documentation of classification changes.

Compensation System Findings and Recommendations

Finding 1: Some areas with pay gaps between class exist.

Recommendation 1: Conduct a holistic review of each of the pay gaps identified in the analysis, and for groups in which there is a valid and sufficient rationale to explain the pay differences, such rationale should be documented.

OHR Response: OHR conducts pay studies resulting from collectively bargained agreements, as well as handles internal pay equity programs per the County's personnel regulations. It must be noted that some disparities reviewed during Segal's examination period result from pay improvements such as longevity, collectively bargained adjustments, and grievance settlements, while administered by OHR, actually occur outside of OHR's control. Additionally, the County is mindful of ensuring synergy and equity between the salaries of represented and non-represented employees, which also impacts salary differences. OHR remains committed to, and is actively engaged in, documenting pay practices and looks forward to the development of a comprehensive pay philosophy reflective of the County's status as a well-regarded public employer, and of the total compensation provided to employees (salary as well as all pay enhancements and employee benefits).

Finding 2: Select classifications are assigned to pay grades that are below market competitiveness.

Recommendation 2: Review findings and determine if reassignment of classification to a new grade is warranted.

OHR Response: Segal notes that the County's pay structure is competitive, while also finding the County's class plan to be out of date. OHR's assessment of the current classification structure indicates that there are nearly 500 job classifications, distributed through 114 pay grades across 17 pay schedules, which may or may not be reflective of the work performed or needed,

education/training required, and/or pay associated with the typical work. Over the past several years, the classification process has been used as a driver to increase salaries instead of its intended purpose to accurately and routinely maintain order over documenting and compensating employees for the work performed. OHR is committed to reviewing and restructuring the class and pay structures to increase transparency regarding career growth and progression, and in alignment with the County's commitment to government efficiency and excellence in oversight of the County's resources.

Finding 3: General structure and OPT salary structures have an atypical design that creates opportunities for pay compression.

Recommendation 3: Conduct a comprehensive market assessment and redesign salary structures to reflect best practice.

OHR Response: Segal's analysis affirmed that OHR's compensation processes are generally fair, with no demographic-based disparities when statistical controls are applied. The audit found the County's overall compensation to be competitive, with a significant portion of classifications falling within market averages, though some classifications lag the market. OHR agrees that overall wages are equitable and notes Segal's assessment of limited pay grade differentiation and GSS schedule challenges. However, a market assessment alone will not preclude the unintentional creation of pay compression across employee groups. OHR is committed to restructuring pay plans and their management to assure transparency, competitiveness, and appropriate levels of differentiation.

QES Findings and Recommendations

Finding 1: QES is insufficient to grade positions.

Recommendation 1: Apply QES in tandem with Market Assessment

OHR Response: OHR, along with the prior plan auditor, has acknowledged the limitations of the QES system. Because QES scoring may result in pay grades being at odds with local market conditions, OHR agrees that market analyses of impacted classifications should be undertaken for any study to ensure market competitiveness.

Finding 2: QES factors and definitions become outdated.

Recommendation 2: Investigate Job Architecture as an alternative for classification.

OHR Response: The County's classification and compensation update will include consideration of options to replace the QES for position analysis. These changes will require significant training and communication with all employee groups, leaders, and union representatives. In addition, any changes made will be implemented so as not to undermine the integrity of the classification plan, a concern raised by the FY18 audit.

Finding 3: Validity and reliability are difficult to achieve.

Recommendation 3: Provide ongoing training, parallel evaluations, and consensus techniques.

OHR Response 3: OHR staff are actively engaged in peer review and the identification of new and ongoing training options (both internally and externally) to maintain the County's classification plan.

Conclusion

OHR is committed to engaging the services of a well-qualified provider to support the County in a data-driven study encompassing class specifications, classification processes, compensation philosophy, compensation structures, salary-on-hire methodologies, and a strategic review of the position analysis structure. Moreover, OHR is dedicated to working closely with County leaders and labor partners to establish a classification and compensation system that provides for clearly defined occupational duties and fair, competitive wages for all employees, in service to County residents.

Thank you for allowing us this opportunity for review. If you have any questions about this response, please contact Dr. Lolita Weedon, OHR Deputy Director, at lolita.weedon@montgomerycountymd.gov, or Mr. James Tinnick, OHR Classification and Compensation Manager, at james.tinnick@montgomerycountymd.gov.

cc: Sonya E. Chiles, Chair, MSPB
         Treava S. Hopkins-Laboy, Member, MSPB
         Era A. Pandya, Member, MSPB

Attachment C

Classification and Compensation Audit - Scope of Services

5. SECTION B - SCOPE OF SERVICES:

5.1. Background

Montgomery County, Maryland (hereafter, the County) borders the nation's capital and is the State's most populous jurisdiction, with 1,062,061 residents as of the 2020 Census. The County, with an FY23 operating budget of $6.3 billion, is comprised of Executive, Judicial, and Legislative branches, and made up of 132 departments, boards, committees, and commissions. The County is a charter form of government, with an elected County Executive and an elected County Council of eleven members. The Chief Administrative Officer and most department/office/agency heads are appointed by the County Executive, subject to confirmation by the County Council, and serve at the pleasure of the County Executive.

The Merit System Protection Board (MSPB or Board) oversees the merit system and protects County employees and job applicant rights under the merit system law. The Board is comprised of three members, appointed by the County Council. As defined under § 404 of the Montgomery County Maryland Charter, the Merit System Protection Board is required to, "…conduct on a periodic basis, special studies and audits of the administration of the merit and retirement pay systems and file written reports of its findings and recommendations with the Executive and the Council." It has been 5 years since the last comprehensive review and analysis of the County's Classification and Compensation Program was completed in June 2018. A link to the 2018 study is on the MSPB website. The County Council has appropriated funding in the Fiscal Year 2023 and 2024 budgets to allow the MSPB to hire a consultant to conduct an independent analysis of the County's classification and compensation plan and procedures. *See* Montgomery County Personnel Regulation §9-3(h)(2)(A), COMCOR 33.07.01.09-3(h)(2)(A) (requiring the MSPB "have a consultant who is a specialist in the field and independent of the County government conduct an objective audit of the entire classification and compensation plan and procedures.").

5.2. Intent

The Board seeks to contract with a qualified independent consultant to design and conduct a comprehensive review and audit of the County's Classification and Compensation Program and Procedures. The objective is two-fold: 1) to ensure the accuracy, equity, justice, validity, and integrity in the administration of the classification and compensation program and execution of its procedures; and 2) to determine the effectiveness of the current classification and compensation models and methodologies. The audit will determine whether the present Classification and Compensation Program and Procedures are administered properly and fairly in accordance with best practices, assuring equitable treatment of employees, coupled with meeting the needs of the County to attract and retain a quality work force. The audit will also determine the effectiveness of the County's job classification models and practices as compared to other similar public and private sector organizations in the regional market. This classification and compensation study is not intended to include an in-depth pay equity audit.

The County workforce has approximately 12,113 employees, of whom 8,896 are full-time, and the rest are a combination of part-time, temporary, and seasonal workers. With the exception of approximately 97 elected and appointed officials, all employees are included in the County's Merit System. Additionally, the Fire/Rescue Service consists of 19 independent fire corporations with approximately 1,337 paid Merit System employees. The County uses eight occupational categories in accordance with the EEO-4 requirement, 49 occupational series, and approximately 497 job classification specifications. The Classification and Compensation Study will include a review, audit,

and analysis of these categories, series, job specifications and the employees that occupy these jobs. It is anticipated that the study design will utilize statistical sampling methodologies where appropriate.

5.3. Scope of Services/Specifications/Work Statement

The contractor shall develop an overall plan for auditing the Classification and Compensation Program. Upon approval of a plan of action, the consultant shall conduct the comprehensive review, audit, and analysis of the Classification and Compensation Plans and Procedures and provide the documentation and report. The Classification and Compensation Program consists of approximately 497 job classification specifications that are classified under the Quantitative Evaluation System (QES), and approximately 329 positions that are classified under a Broad Banding Classification System. In addition, the audit will examine the salary schedules for the County's 54 grades for non-represented employees, 43 grades for represented employees, two grade police management schedule, six salary grades in the Fire/Rescue Bargaining unit, eight grade seasonal salary schedule, and the three grade levels for the Management Leadership Service (MLS) positions.

The scope of services is as follows:

5.3.1. Review the findings and recommendations in the CPS HR Consulting Final Classification and Compensation Audit Report and discuss the status of the implementation of the recommendations in the various sections of the 2018 Report. Discuss the success or failure of those recommendations in the 2018 study that were implemented in terms of achieving the goals described in the recommendations. Regarding those recommendations that were not implemented, determine the reason(s) for the lack of implementation, assess which recommendations not completed are still relevant and worthwhile, recommend which of these recommendations should be implemented in the future, suggest methods for implementation, and recommend any changes to be made in the substance of the recommended changes or manner of implementation.

5.3.2. In addition to the above, determine what changes the County has made in its classification and compensation system since the last audit in 2018, evaluate their effectiveness in general and, where warranted and to the extent data is available from the County, their impact across demographic factors such as on race, gender, national origin, age, and disability. Recommend solutions where warranted.

Classification:

5.3.3. Develop and execute a plan to conduct a job audit of positions and administration of prescribed regulations, administrative procedures and policies, including general task analysis by departments, which may include interviews with department directors, managers and other key personnel and employees to determine the essential functions of the jobs within the occupational categories and series. The audit should include, but not be limited to the following:

   a. Statistical sample size of Individual Position Study Files: new position creations, position reclassifications and position abolishment.

   b. Statistical sample size of Class Study Files: class creations, class abolishment, class reallocations and class title changes.

   c. Review and examine the Classification Procedures in the County Personnel Regulations, Quantitative Evaluation System Manual, and the execution of policies and procedures of managers, supervisors and Human Resource Personnel.

5.3.4. Review and make any necessary recommendations regarding the County's current job classes and job specifications. The contractor shall select samples of job classes to be studied.

5.3.5. For those job class specifications reviewed, update existing specifications where appropriate and assess FLSA designations to accurately reflect the duties, responsibilities and type of work performed in the respective job classes.

5.3.6. Identify job class specifications to be reviewed, identify those provisions (including but not limited to educational and physical requirements) that may have an adverse impact on hiring, transfer, reclassification, promotion, termination, compensation or hours of work to the extent data is available from the County and across demographic factors including but not limited to: race, gender, national origin, age, or disability. Recommend solutions where warranted.

Compensation:

5.3.7. Review current compensation rates, pay grades, salary schedules and salary range for multi-incumbent represented, non-represented, and MLS positions to include evaluation of effectiveness, competitiveness, flexibility, and equitability internally, externally, and across various demographic factors such as race, gender, national origin, age, and disability. The audit should include, but not be limited to the following:

   a. Statistical sample size of internal promotional increases.
   b. Statistical sample size of external hire compensation.
   c. Statistical sample size of Special Within-Grade Advancement Request Study Files.
   d. Statistical sample size of incumbents in same job classification.

5.3.8. Make any necessary recommendations regarding pay grades, salary ranges, salary schedules, and compensation policies and practices for represented, non-represented, PLS, and MLS job classifications.

5.3.9. Conduct a comprehensive compensation survey of entities considered as the appropriate labor market within the County's competitive area to evaluate the competitiveness of the County's pay schedules and compensation practices for internal and external hires. Such entities may include appropriate private, federal government, local government, and quasi-governmental sector organizations.

5.3.10. Identify potential pay compression issues and recommend solutions.

5.3.11. Identify potential issues in the County's compensation programs that specifically impact protected groups identified in the audit such as barriers to wage equity and upward mobility and recommend solutions.

5.3.12. Review and assess the effectiveness of the County's Quantitative Evaluation System (QES) and Broad Banding System, to include the following:

   a. Recommendations on the QES model and Broad Banding system.
   b. Identify and share other evaluation and competency-based models used for job evaluation and classification that may be appropriate and effective for the County.
   c. Recommend approaches to supplement the current classification system with competencies by job class to support recruitment, candidate assessment/qualification, performance management, training, and career progression within and across occupational categories.
   d. Identify impact (if applicable) of current classification and compensation methodology on recruitment, candidate qualification, performance management, training, and career progression.
   e. Identify and recommend an approach or model to ensure integration and continuity of job classification factors in the overall management of talent.

5.4. Contractor's Qualifications

5.4.1. The contractor must have demonstrated experience conducting classification and compensation studies, with expertise developing and implementing competency-based job classification models.

5.4.2. The contractor must have experience with similar public sector classification and compensation projects.

5.4.3. The contractor must have experience conducting comprehensive classification and compensation studies for represented, non-represented, and management leadership level positions.

5.4.4. The contractor must have experience preparing detailed plans, researching and analyzing data, performing benchmark and industry comparative analyses, creating comprehensive reports, and recommending plans of action for various levels to guide effective implementation.

5.5. Contractor's Responsibility

The contractor shall be responsible for:

1. Proposing the design, development, and preparation of a project plan and timeline for conducting the comprehensive study.
2. Conducting the actual audit in a manner that assures accuracy and validity of results.
3. Determining and using statistical sample sizes for review and analysis.
4. Keeping the Board informed of progress on a monthly basis. Meeting with the Board, as necessary, to assure full compliance with the contract, and to discuss issues or problems that may arise.
5. Providing the Board with a written interim report.
6. Providing the Board with a final written report, containing all findings and conclusions including recommendations for possible changes in the overall Classification and Compensation Plans and Procedures, and a plan of action to guide implementation.
7. Provide the required reports and deliverables as defined in section 5.7.
8. Conduct interviews with County employees and external organizations where necessary.

5.6. County's Responsibility

5.6.1. The County will provide a primary point of contact to ensure timely and accurate response is provided to the contractor.

5.6.2. The County will provide the following list of items:

a. Personnel Regulations
b. Administrative Policies and Procedures
c. Occupational Categories
d. Occupational Series
e. Job Classes by categories
f. Job Class Specifications, Grades, FLSA status
g. Salary Schedules
h. QES manual
i. Broad Band document
j. Wage Equity Program Procedures
k. Collective Bargaining Agreements
l. Organizational charts and department contacts

5.7. Reports/Deliverables

a. Monthly Progress Reports

b. Initial Briefing Report, **September 12, 2023**, to include:

    i. Review and Project Analysis
    ii. Plan/Approach
    iii. Timeline
    iv. Project Prioritization Recommendations

c. Draft of Final Written Report and Oral Presentation for Comment, 30 days prior to Final Written Report.

d. Final Written Report and Oral Presentation, September 30, 2024, to include:

    i. Classification findings, recommendations, impact analysis, plan and timeline to include prioritization of effort.

    ii. Compensation findings, recommendations, impact analysis, plan and timeline to include prioritization of effort.

e. If it is necessary to extend the Contract beyond the initial eighteen (18) month term the Board may alter the due date for the Final Written Report and Oral Presentation.