



# PERSPECTIVES

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## **Consulting for State and Local Governments: Challenges When Serving the Municipal Client**

Our perspectives feature the viewpoints of our subject matter experts on current topics and emerging trends.

## INTRODUCTION

One of the keys to success when providing professional services is to understand your client and their business environment. Whether your company is a closely held family business, publicly traded, or a municipality, understanding your client and their stakeholders, outside influencers, and workplace dynamics are keys to a successful engagement. However, working with municipalities presents distinct challenges – whether it is a state or local governmental entity – because of the many goods and services that these governments provide to their constituents amid many other competing interests.

This article provides general guidance and examples for those in the consulting and professional services fields to help them understand the environment of their non-federal, municipal client in order to provide the best service and reach an optimal outcome.

### Municipal Stakeholders, Grant Funding & Budgetary Impacts

For a municipality, the citizens and taxpayers are the most common stakeholders. This is extremely important to understand when working with municipalities, as many times the majority of funds both generated and expended are from the municipality's constituents. In particular, this weighs heavily on issues that relate to potential future expenditures or pay-outs, as those affect future budgets.

In addition to constituents, the other major stakeholders in a municipality are state and local governments. Specifically, each level is somewhat dependent on the level above. For instance, a city may need county or state government to bail it out or provide grants. Towns and small cities may need county authorization. There is typically some hierarchy as to which governmental entity holds the purse strings.

Unlike private citizens and financial institutions, local, state, and federal grant funding are not loans that need to be paid back; rather, they are grants for specific work and projects. Therein lies the challenge with the impact on

future budgets. Generally, grant funding that is received (or expected to be received) is already budgeted and accounted for, as those proposed budgets are the impetus for the grant in the first place.

Based on the general restriction of grants, unexpected expenditures for municipalities and adjustments to budgets usually require raising revenue from their constituents, such as increases in various taxes. Knowing that this outcome underpins the way municipalities view future financial impacts can help you provide better consultation services because you are more conscious of the stakeholder pressure on the client.

For example, consider a [consultation I completed for a local municipality who was embroiled in class action litigation](#) over improperly applied payroll changes after a compensation survey and a large scale pay banding change. The initial request for damages exceeded \$20 million. However, in a meeting for the municipality during mediation, the greatest concern for the various municipal leaders was how many employees were still active, what would the total salary increase be for the following year, and then the three years proceeding. The municipality had sufficient coverage for the back pay payments but had greater concern for the impending budgeting impact. Understanding these levers of risk, particularly acceptable risk, helped the matter resolve in mediation. The end result was approximately \$15 million in damages, interest, and attorney's fees, and limited the go forward loss to under \$1 million.

### Identifying Outside Influencers for Municipalities

In a municipality, internal committees and boards are some of the external influencers you may encounter during your engagement. In fact, in some cases, an independent committee or board, such as the audit board, may be the party that engages you. These committees and boards have their own agendas, own schedules, and various reasons for requesting your engagement. Getting to the heart of the board's and / or committee's *why* is crucial to a successful work product.

Another one of the outside influencers for municipalities that is often overlooked is the media. No matter the size of the municipality, there is inevitably a news outlet who has a vested interest in reporting their activities. Moreover, open records laws have made it such that much of the work product and written communications, including emails, which involve municipal employees may be requested. It is always important to work under the premise that if you don't want your communications ending up in a tweet or on the home page of a media outlet's website, reconsider sending the content in the first place – especially if it isn't critical.

As an example, [I performed an investigation for a division of a local municipality](#) related to an employee theft of funds. Part of the investigation fallout led to termination of executive leadership. Within days, before any public facing information was presented on the termination, a local media outlet sent a request to the organization for comment on the termination. After legal counsel, the organization, and myself assisted in crafting an appropriate response, the media outlet left the story alone.

## Municipal Workplace Dynamics

One of the most important considerations when consulting for municipalities is workplace dynamics. The primary dynamic in municipalities is the siloed nature of their organization. Even more so than private corporations, employees of municipalities work in silos, stay within their silos, and on occasion use systems that only work for their silos. Because of this, it may be necessary in your engagement planning to identify who are the main points of contact in each relevant division or department, as the likelihood of personnel having broad oversight and responsibilities is low.

As indicated above, one of the common themes in municipalities is the lack of full, enterprise-wide computer and data systems. In addition to needing to navigate individuals between silos, the data between departments may reside in different systems and may not talk to each other. For instance, if you are consulting on an engagement that relates to the employment and compensation of employees, each of the following items may be owned by a different municipal department and reside on a departmental specific data source, such as: employee file, pay and salary records, benefits

records, and retirement / pension plan data, among others. Taking that even one step further, entity-wide changes to banding levels, comp structures, benefits, and retirement, etc., may reside within meeting minutes or codified rules for the municipality. Understanding how to navigate the potential maze of data is crucial for a successful engagement.

To illustrate, let's go back to the litigation related to the improperly applied pay banding. The analysis – and ultimate settlement – involved getting information and budget sign-off from the payroll department, human resources, retirement benefits department, the controller's department, the risk department, and the in-house legal department. All of these different departments had information necessary for the analysis, which all lived in different systems (some of which were PDFs of scanned paper), and all had different requirements and needs to be met to approve settlement. Understanding these sources of data and ultimate need for information provided back to them helped reach a successful resolution.

## CONCLUSION

State and local municipalities function in ways that vary greatly from a traditional private corporation, and even the federal government. Besides understanding the unique operational qualities of the type of municipality you are serving, you must also be cognizant of the challenges posed by regulations, stakeholders, and even the media, in a specific matter. Realizing the intricacies and challenges involved when performing [consulting work for a municipality – whether it is a state or local government](#) – will lead to a better working relationship between you and your municipal client.

## Acknowledgments

We would like to thank our colleague [Teddy Brown](#) for providing insight and expertise that greatly assisted this research.

[Theodore \(Teddy\) Brown](#) is a Senior Vice President in the [Economic Damages & Valuation](#) practice at J.S. Held. He brings 15 years of financial experience in forensic accounting, fraud investigation, and litigation. Teddy is a Certified Public Accountant licensed in the states

of Georgia and Florida, Certified in Financial Forensics as designated by the American Institute of Certified Public Accountants, Certified Fraud Examiner as designated by the Association of Certified Fraud Examiners, and has a Master Analysis in Financial Forensics and is a Certified Valuation Analyst as designated by the National Association of Certified Valuators and Analysts. He has participated in numerous engagements in various industries including professional services, not-for-profit, construction, healthcare, government, and hospitality. Teddy has also served as an expert witness in the areas of finance, accounting, litigation, and investigations. He has specific expertise in insurance loss claims, wage and hour disputes, data analytics, asset tracing, intellectual property lost profits, fraud waste and abuse analysis and investigations, and investigating money laundering and Ponzi schemes.

Teddy can be reached at [teddy.brown@jsheld.com](mailto:teddy.brown@jsheld.com) or + 1 470 694 8265.

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