2019 Government Benchmarking Survey

Your guide forward

Cherry Bekaert LLP
CPAs & Advisors
The Results Are In!

Cherry Bekaert is pleased to present the results of our 8th Annual State and Local Government Benchmarking Survey. Based on the feedback from over 400 survey participants, we are able to share these valuable results allowing government entities to compare their own performance, accomplishments and struggles with similar entities across the Southeast. We hope this report will help you better understand how your peers in the region are responding or planning to respond to a wide range of current issues.
Survey Topics

- Workforce & Benefits
- Use of Technology
- Freedom of Information Act
- Budget
- Financial Reporting
- Risk Assessment & the Audit Process
- Debt Structure
- Data & Dollars

Highlights

*Retirement* was the most common factor attributed to turnover.

84% of respondents indicated salaries *increased* in the past year.

46% of respondents say their entity *plans to implement AI or RPA* in the next six months.

*The replacement of aging infrastructure* is the most important concern for those budgeting funding, and 39% of all respondents gave their infrastructure a *C rating* on a standard A to F grading scale.

78% of respondents indicated they are not aware of any fraud being perpetrated against their entity within the last year.

33% of respondents reported being *reasonably confident* of their respective entities’ incident response program in detecting, responding to, and recovering from a security breach in a timely manner.
Learning Objectives

- Understand current management trends for local government entities
- Gain insight into the current areas of concern shared by government finance professionals
- Gain an understanding of what finance professionals believe the future holds for government financial management
- Have data for internal benchmarking and budgeting
Participant Data

Type of Entity
- County: 43%
- Municipality: 31%
- School: 20%
- Authority/Commission/Other: 6%

By Title
- CFO/Director of Finance: 38%
- Controller/Acting Mgr.: 21%
- Accounting Staff: 23%
- Other: 18%
Participant Data (continued)

Size of Entity (by revenue)

- <$50 million: 33%
- $50-$250 million: 29%
- >$250 million: 38%

Size of Entity (by number of employees)

- 0 – 500: 49%
- 2,501 – 5,000: 25%
- 501 – 2,500: 14%
- >5,000: 12%
Employee Benefits Package

Workforce and Benefits
Summary of Benefits
In the last budget cycle, how has your staffing level for financial and accounting positions changed?

- Decreased: 12% (2014), 8% (2015), 7% (2016), 7% (2017), 4% (2018), 5% (2019)
- Stayed the Same: 71% (2014), 77% (2015), 75% (2016), 75% (2017), 77% (2018), 66% (2019)
In the next budget cycle, how do you anticipate salaries will change?

- Increase: 81%
- Decrease: 1%
- Stay the Same: 18%
In the past year, how have salaries throughout the entity changed?

- Increased:
  - 2014: 50%
  - 2015: 65%
  - 2016: 71%
  - 2017: 87%
  - 2018: 83%
  - 2019: 84%

- Decreased:
  - 2014: 2%
  - 2015: 1%
  - 2016: 1%
  - 2017: 1%
  - 2018: 1%
  - 2019: 1%

- Stayed the Same:
  - 2014: 0%
  - 2015: 10%
  - 2016: 20%
  - 2017: 30%
  - 2018: 40%
  - 2019: 50%
What is your expected turnover (including retirement) of finance and accounting staff in the next three years?

- 1-3%: 16%
- 4-8%: 23%
- 9-14%: 18%
- 15% or more: 22%
- We don't expect any turnover: 21%
What do you believe to be the contributing factors to the expected turnover? Check all that apply.
Given rising healthcare costs, has your entity implemented measures to help reduce healthcare costs?

- Yes: 75%
- No: 25%
Which of the following measures has your entity implemented to help reduce healthcare costs? *Check all that apply.*

- In-house pharmacy operations: 9%
- In-house medical facilities: 19%
- Wellness programs or incentives: 85%
- Account-based healthcare plans: 9%
- Reduced spouse and dependent coverage: 9%
- Increased employee premium: 37%
- Switched to self-insured: 20%
- Other: 15%
How does your entity maintain annual professional continuing education and training for its employees? *Check all that apply.*

- In-house training conducted by service providers: 40%
- National society conferences/training events: 47%
- State society conferences/training events: 88%
- Self-study: 52%
- Webinars: 90%
Use of Technology
How many IT-related full-time employees does your entity have? (by number of employees)

- **>5,000 employees**: 94%
  - More than 20: 3%
  - 11-20 employees: 3%
  - 1-10 employees: 0%
  - 0: 0%

- **2,501-5,000 employees**: 86%
  - More than 20: 9%
  - 11-20 employees: 5%
  - 1-10 employees: 0%
  - 0: 0%

- **501-2,500 employees**: 42%
  - More than 20: 27%
  - 11-20 employees: 31%
  - 1-10 employees: 0%
  - 0: 0%

- **0-500 employees**: 65%
  - More than 20: 27%
  - 11-20 employees: 6%
  - 1-10 employees: 65%
  - 0: 0%
Use of Technology (continued)

What percentage of your IT staff is outsourced? (by entity type)

- **County**
  - We do not outsource: 6%
  - More than 50%: 10%
  - 26-50%: 27%
  - Up to 25%: 27%

- **Municipality**
  - We do not outsource: 6%
  - More than 50%: 17%
  - 26-50%: 27%
  - Up to 25%: 27%

- **School**
  - We do not outsource: 5%
  - More than 50%: 9%
  - 26-50%: 24%
  - Up to 25%: 18%

- **Authority/Commission/Other**
  - We do not outsource: 7%
  - More than 50%: 24%
  - 26-50%: 51%
  - Up to 25%: 9%

We do not outsource: 6%
More than 50%: 10%
26-50%: 27%
Up to 25%: 27%
How would you rate your organization's preparedness for a cyber attack? (by entity type)

- **County**
  - Unprepared: 0%
  - Limitedly prepared: 9%
  - Somewhat prepared: 26%
  - Very prepared: 65%

- **Municipality**
  - Unprepared: 0%
  - Limitedly prepared: 9%
  - Somewhat prepared: 26%
  - Very prepared: 65%

- **School**
  - Unprepared: 0%
  - Limitedly prepared: 19%
  - Somewhat prepared: 41%
  - Very prepared: 67%

- **Authority/Commission/Other**
  - Unprepared: 0%
  - Limitedly prepared: 2%
  - Somewhat prepared: 14%
  - Very prepared: 57%
How would you rate your overall cyber risk management program? (by number of employees)

- **>5,000 employees**
  - Basic: 0%
  - Intermediate: 8%
  - Advanced: 23%
  - Total: 69%

- **2,501-5,000 employees**
  - Basic: 0%
  - Intermediate: 19%
  - Advanced: 30%
  - Total: 51%

- **501-2,500 employees**
  - Basic: 0%
  - Intermediate: 26%
  - Advanced: 20%
  - Total: 54%

- **0-500 employees**
  - Basic: 2%
  - Intermediate: 22%
  - Advanced: 24%
  - Total: 52%
How would you rate your overall cyber risk management program? *(by revenue)*

- **>$250 million**
  - It doesn't exist: 0%
  - Basic: 15%
  - Intermediate: 27%
  - Advanced: 58%

- **$50-$250 million**
  - It doesn't exist: 0%
  - Basic: 31%
  - Intermediate: 47%
  - Advanced: 22%

- **< $50 million**
  - It doesn't exist: 3%
  - Basic: 18%
  - Intermediate: 24%
  - Advanced: 55%
Use of Technology (continued)

In the past year, has your entity experienced a data breach?

- Yes: 90%
- No: 10%
How was the data breach perpetrated? *Check all that apply.*

- Deliberately perpetrated by an external party: 87%
- Deliberately perpetrated by an internal party: 10%
- Unintentional information release: 10%
- Other: 6%
How confident are you of your incident response program in detecting, responding to, and recovering from a breach in a timely manner? *by title*
How confident are you of your incident response program in detecting, responding to, and recovering from a breach in a timely manner? (by number of employees)

- **>5,000 employees**
  - Not Confident: 12%
  - Reasonably Confident: 28%
  - Confident: 37%
  - Very Confident: 37%

- **2,501-5,000 employees**
  - Not Confident: 14%
  - Reasonably Confident: 23%
  - Confident: 33%
  - Very Confident: 45%

- **501-2,500 employees**
  - Not Confident: 23%
  - Reasonably Confident: 25%
  - Confident: 33%
  - Very Confident: 40%

- **0-500 employees**
  - Not Confident: 6%
  - Reasonably Confident: 22%
  - Confident: 29%
  - Very Confident: 43%
How well are your employees trained on the importance of cybersecurity?

- **37%** Very well; everyone receives required formal training at least annually
- **19%** Some general training is provided as part of the onboarding process only
- **32%** Some general training is provided sporadically or if a significant event occurs
- **12%** We don't formally train our employees on cybersecurity
Use of Technology (continued)

Do you anticipate replacing your enterprise business systems or other business systems (e.g., tax revenues, human resources management, etc.) in the next 18-24 months?

- Yes: 77%
- No: 23%

Do you currently employ Artificial Intelligence (AI) or Robotic Process Automation (RPA)?

- Yes: 93%
- No: 7%
Do you believe the increased use of technology will be necessary to keep costs under control?

Use of Technology (continued)

Do you believe your current business systems have adequate security access controls to support your anti-fraud program of controls from both internal and external threats?

- Yes: 86%
- No: 14%

Are you considering expanded use of cloud-based services (i.e., Software as a Service (SaaS), Infrastructure as a Service) to reduce dependency on internal resources and potentially reduce costs to support your current business systems?

- Yes: 67%
- No: 33%

Do you anticipate changes in your locality’s need for risk management and oversight strategies for use with cloud-based services such as business interruption, information security, privacy, availability and processing integrity?

- Yes: 54%
- Possibly: 30%
- No: 16%
Is an attack or penetration study or vulnerability assessment part of your entity’s strategic planning process? *(by revenue)*

- **>$250 million**: 25% No, 75% Yes
- **$50-$250 million**: 33% No, 67% Yes
- **< $50 million**: 45% No, 55% Yes
How often does your organization conduct phishing exercises?

- Weekly: 35%
- Monthly: 20%
- Quarterly: 14%
- Annually: 20%
- Never: 11%

How often does your organization conduct user acceptance training?

- Weekly: 39%
- Monthly: 12%
- Quarterly: 7%
- Annually: 3%
- Never: 3%
We have no plans to implement AI or RPA.

When do you plan to implement either AI or RPA?

- Next 6 months: 13%
- Next 1 year: 27%
- Next 3 years: 47%
- We have no plans to implement AI or RPA.
Use of Technology (continued)

What is your main barrier to implementing new technology? Check all that apply.

- Other (please specify): 8%
- Competing priorities: 56%
- Lack of organizational agility: 26%
- Lack of an overall information technology strategy: 20%
- Security or privacy concerns: 18%
- Insufficient budget or funding: 66%
- We have no barriers: 11%
Freedom of Information Act
Has your entity seen an increase in FOIA requests in the past 5 years? (by entity type)

<table>
<thead>
<tr>
<th>Entity Type</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Municipality</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>School</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Authority/Commission/Other</td>
<td>58%</td>
<td>42%</td>
</tr>
</tbody>
</table>
What percent of your entity’s budget is spent on IT? *(by revenue)*

- **≤$50 million**
  - <1%: 23%
  - 1-1.9%: 20%
  - 2-2.9%: 22%
  - 3-3.9%: 5%
  - ≥4%: 30%

- **$50-250 million**
  - <1%: 13%
  - 1-1.9%: 20%
  - 2-2.9%: 14%
  - 3-3.9%: 20%
  - ≥4%: 33%

- **>$250 million**
  - <1%: 12%
  - 1-1.9%: 20%
  - 2-2.9%: 20%
  - 3-3.9%: 19%
  - ≥4%: 37%
Is your entity currently producing multi-year revenue forecasts and/or budgets? (by revenue)

- <$50 million:
  - No, and don't plan to: 30%
  - No, but plan to: 28%
  - Yes: 42%

- $50-$250 million:
  - No, and don't plan to: 11%
  - No, but plan to: 27%
  - Yes: 62%

- >$250 million:
  - No, and don't plan to: 10%
  - No, but plan to: 10%
  - Yes: 80%
Do you have concerns about budgeted funding for any of the following? Check all that apply. (by revenue)

- Services for the increasing population
- Services for the increasing aging population
- Technology
- Security and prevention of cyber attacks
- Security and terrorism preparedness
- Transportation
- Replacement of aging infrastructure
- None

- <$50 million
  - 20% Services for the increasing population
  - 22% Services for the increasing aging population
  - 36% Technology
  - 29% Security and prevention of cyber attacks
  - 41% Security and terrorism preparedness
  - 41% Transportation
  - 32% Replacement of aging infrastructure
  - 49% None

- $50 - $250 million
  - 20% Services for the increasing population
  - 21% Services for the increasing aging population
  - 36% Technology
  - 29% Security and prevention of cyber attacks
  - 41% Security and terrorism preparedness
  - 38% Transportation
  - 32% Replacement of aging infrastructure
  - 49% None

- >$250 million
  - 18% Services for the increasing population
  - 20% Services for the increasing aging population
  - 38% Technology
  - 24% Security and prevention of cyber attacks
  - 44% Security and terrorism preparedness
  - 44% Transportation
  - 24% Replacement of aging infrastructure
  - 49% None
Based on the most recent survey in 2017, the American Society of Civil Engineers gave the American infrastructure a D+. How would you classify your infrastructure?
Financial Reporting
Did implementation of GASB 75 (OPEB) put your entity in a deficit net position?

- Yes, total net position: 8%
- Yes, unrestricted net position: 7%
- No: 71%
- No, we already had a deficit net position: 14%
Does your entity currently fund its OPEB liability by contributions to a trust?

- Yes, we contribute to a single-employer trust: 52%
- Yes, we contribute to an agent multiple-employer trust: 23%
- Yes, we contribute to a cost-sharing multiple-employer trust: 12%
- No, but we plan to in the future: 8%
- No: 5%
What type of OPEB benefits does your entity offer? (by number of employees)

- Healthcare
- Death Benefits
- Life Insurance
- Disability
- Long-term Care

0-500 employees:
- 94% Healthcare
- 44% Death Benefits
- 19% Life Insurance
- 25% Disability
- 21% Long-term Care

501-2,500 employees:
- 98% Healthcare
- 48% Death Benefits
- 29% Life Insurance
- 29% Disability
- 21% Long-term Care

2,501-5,000 employees:
- 96% Healthcare
- 57% Death Benefits
- 43% Life Insurance
- 46% Disability
- 38% Long-term Care

>5,000 employees:
- 96% Healthcare
- 38% Death Benefits
- 38% Life Insurance
- 38% Disability
- 19% Long-term Care
Financial Reporting (continued)

Do you offer tax abatement programs?

- Yes: 31%
- No: 69%
GASB Statement No. 87 on Leases is effective for reporting periods beginning after December 15, 2019. Do you expect this standard will have a material effect (adding a lease asset and lease liability) on your organization’s financial statements? (by entity type)

- **I am not yet sure how GASB 87 will affect my organization's financial statements**
- **No, GASB 87 will have little to no impact on my organization's financial statements**
- **Yes, GASB 87 will significantly affect my organization's financial statements**
We have read GASB 87.
We have started compiling our population of leases.
We have hired a consultant to assist us.
We have designated an internal resource to head this project.
We are revising our future lease agreements to incorporate interest rates.

What steps have you taken to implement GASB 87? Check all that apply.

- We have read GASB 87: 77%
- We have started compiling our population of leases: 45%
- We have designated an internal resource to head this project: 16%
- We have hired a consultant to assist us: 7%
- We are revising our future lease agreements to incorporate interest rates: 7%
Who would you deem the primary users of your financial statements? Check all that apply.

- Governing body: 77%
- Management: 77%
- Bond counsel or other financing entity: 65%
- Customers: 12%
- Vendors: 10%
- Taxpayers or constituents: 36%
- State government: 64%
- Federal grantors or pass-through agencies: 59%
- Other: 4%
Do you believe recent accounting standards have improved financial reporting for the primary users of your financial statements?

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>51%</td>
<td>39%</td>
<td>6%</td>
</tr>
<tr>
<td>2016</td>
<td>47%</td>
<td>36%</td>
<td>6%</td>
</tr>
<tr>
<td>2017</td>
<td>40%</td>
<td>40%</td>
<td>9%</td>
</tr>
<tr>
<td>2018</td>
<td>56%</td>
<td>50%</td>
<td>7%</td>
</tr>
<tr>
<td>2019</td>
<td>57%</td>
<td>56%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Does your entity submit its financial statements to the GFOA for the certificate program? *(by entity type)*

- **County**:
  - Yes: 75%
  - No: 18%
  - No, we do not prepare a CAFR: 7%

- **Municipality**:
  - Yes: 82%
  - No: 10%
  - No, we do not prepare a CAFR: 8%

- **School**:
  - Yes: 64%
  - No: 18%
  - No, we do not prepare a CAFR: 18%

- **Authority/Commission/Other**:
  - Yes: 42%
  - No: 25%
  - No, we do not prepare a CAFR: 33%
Financial Reporting (continued)

How will GASB 84 on Fiduciary Activities affect your financial statements? Check all that apply.

- We do not know how GASB 84 will affect us. 46%
- We have some activities that will now be considered fiduciary funds. 8%
- We have some fiduciary funds that will no longer be reported as fiduciary funds. 8%
- GASB 84 will have no effect. 38%
Which statement best reflects your opinion of the use of XBRL in government financial reporting? *Check all that apply.*

- I am aware of XBRL initiatives and believe it will be required for all governmental reporting in the future. 20%
- I am aware of XBRL initiatives but do not believe it will gain traction. 22%
- I am unaware of any XBRL initiatives but believe it will be beneficial in government financial reporting. 18%
- I am unaware of any XBRL initiatives and believe that it does not belong in government financial reporting. 40%
If a fraudulent event occurred at your entity in the last year, how was it caught?

- Internal auditors: 4%
- Fraud hotline: 4%
- Another employee: 14%
- I am not aware of any fraud that has been perpetrated against our entity in the past year: 78%
Is your fraud hotline an effective tool in detecting fraud and abuse?

- Yes: 57%
- No: 36%
- We do not have a fraud hotline: 7%
Does your entity have an internal audit function? *(by revenue)*

- **≤$50 million**
  - No: 53%
  - Yes, it reports to management: 19%
  - Yes, it reports to the governing body: 17%

- **$50 - $250 million**
  - No: 53%
  - Yes, it reports to management: 23%
  - Yes, it reports to the governing body: 24%

- **> $250 million**
  - No: 42%
  - Yes, it reports to management: 19%
  - Yes, it reports to the governing body: 64%

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No | Yes, it reports to management | Yes, it reports to the governing body
Debt Structure
Debt Structure

Does your entity have debt? *(by revenue)*

![Bar chart showing the percentage of entities with debt by revenue. The chart is divided into three categories: 
- **>$250 million**: 16% No, 84% Yes
- **$50-$250 million**: 21% No, 79% Yes
- **<$50 million**: 16% No, 84% Yes]
When do you plan to incur debt?

- **Within the next year**
  - 46% (2017)
  - 41% (2018)
  - 36% (2019)

- **In 1-3 years**
  - 22% (2017)
  - 22% (2018)
  - 32% (2019)

- **No time in the foreseeable future**
  - 32% (2017)
  - 37% (2018)
  - 32% (2019)
Debt Structure (continued)

Would increasing interest rates have an impact on your decision to issue debt?

- Yes, we will likely forego issuing new debt: 18%
- Yes, we will likely consider interest rate swaps: 13%
- No: 69%
Does your entity transact in cryptocurrency?

- Yes, currently: 2%
- Not currently, but plan to in the near future: 4%
- No: 94%