2019 Government Benchmarking Survey

Cherry Bekaert LLP

CPAs & Advisors

Your guide forward

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.

Overview

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.

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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
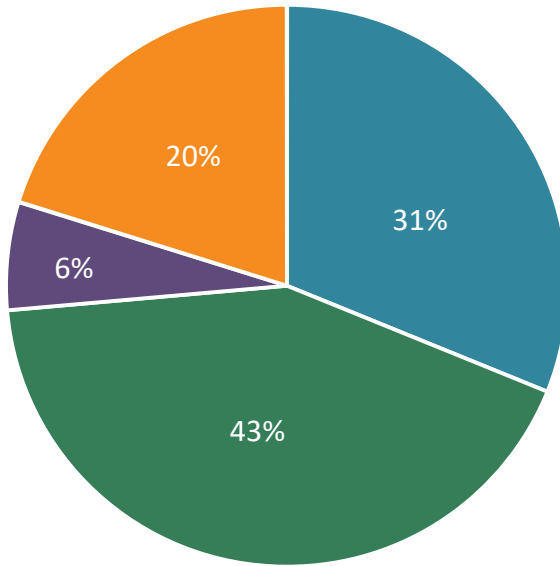
Have data for internal benchmarking and budgeting

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Participant Data

Participant Data

Type of Entity

- County — 31%
- Municipality — 43%
- School — 6%
- Authority/Commission/Other — 20%

By Title
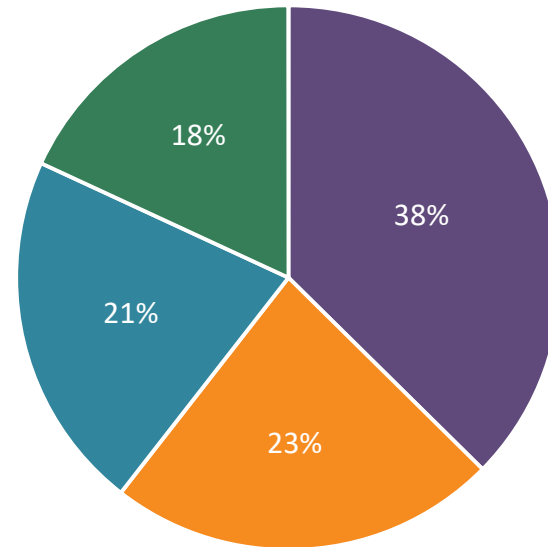
- CFO/Director of Finance — 38%
- Controller/Accting Mgr. — 23%
- Accounting Staff — 21%
- Other — 18%

Participant Data (continued)

Size of Entity *(by revenue)*
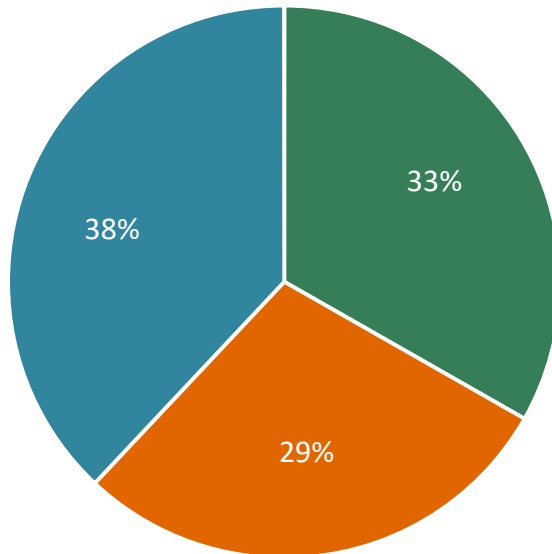
- ■ <$50 million
- ■ >$50-$250 million
- ■ >$250 million

Size of Entity *(by number of employees)*
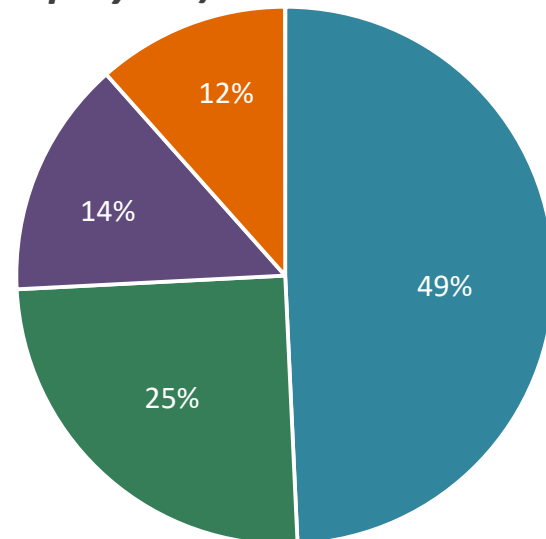
- ■ 0 – 500
- ■ 501 – 2,500
- ■ 2,501 – 5,000
- ■ >5,000

Workforce and Benefits

Workforce and Benefits

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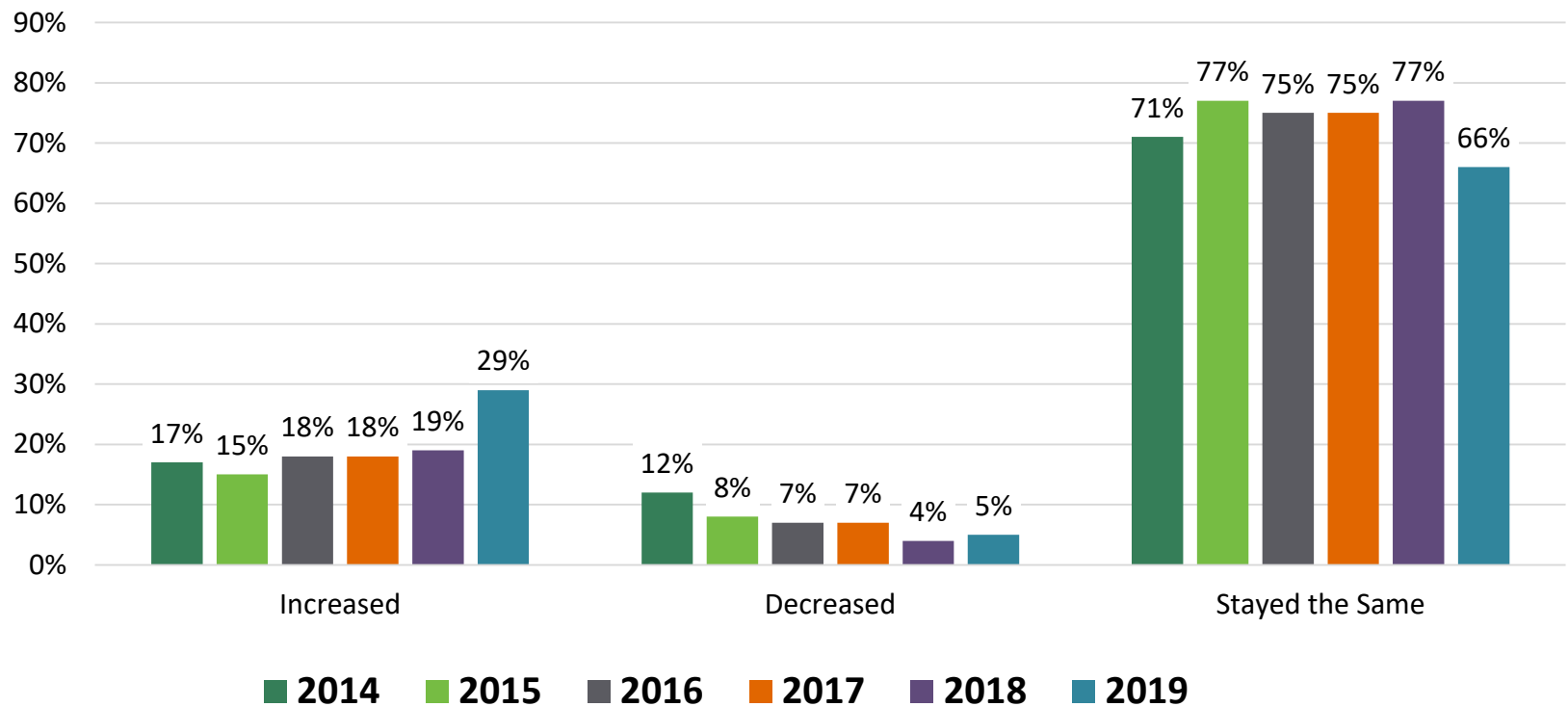
Workforce and Benefits (continued)

In the next budget cycle, how do you anticipate salaries will change?

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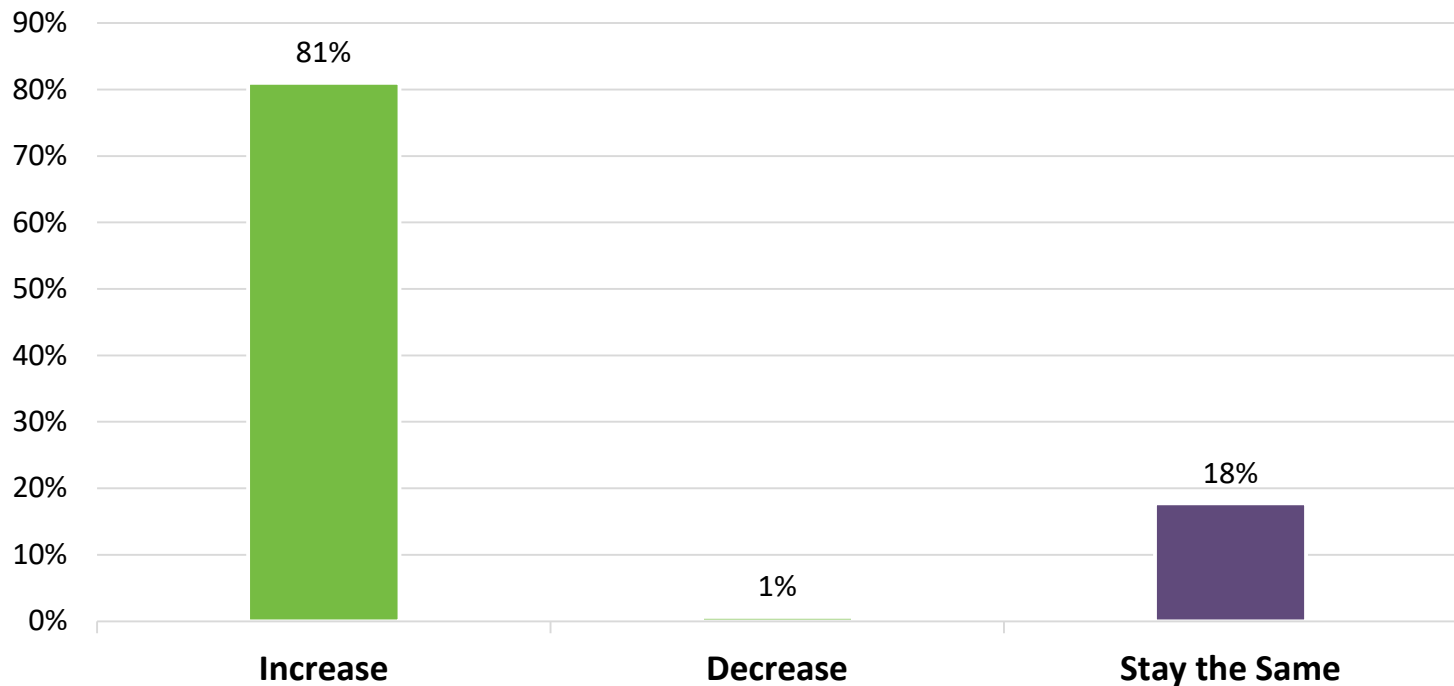
Workforce and Benefits (continued)

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: 48%
- 2015: 34%
- 2016: 28%
- 2017: 12%
- 2018: 16%
- 2019: 15%

Legend: 2014 | 2015 | 2016 | 2017 | 2018 | 2019

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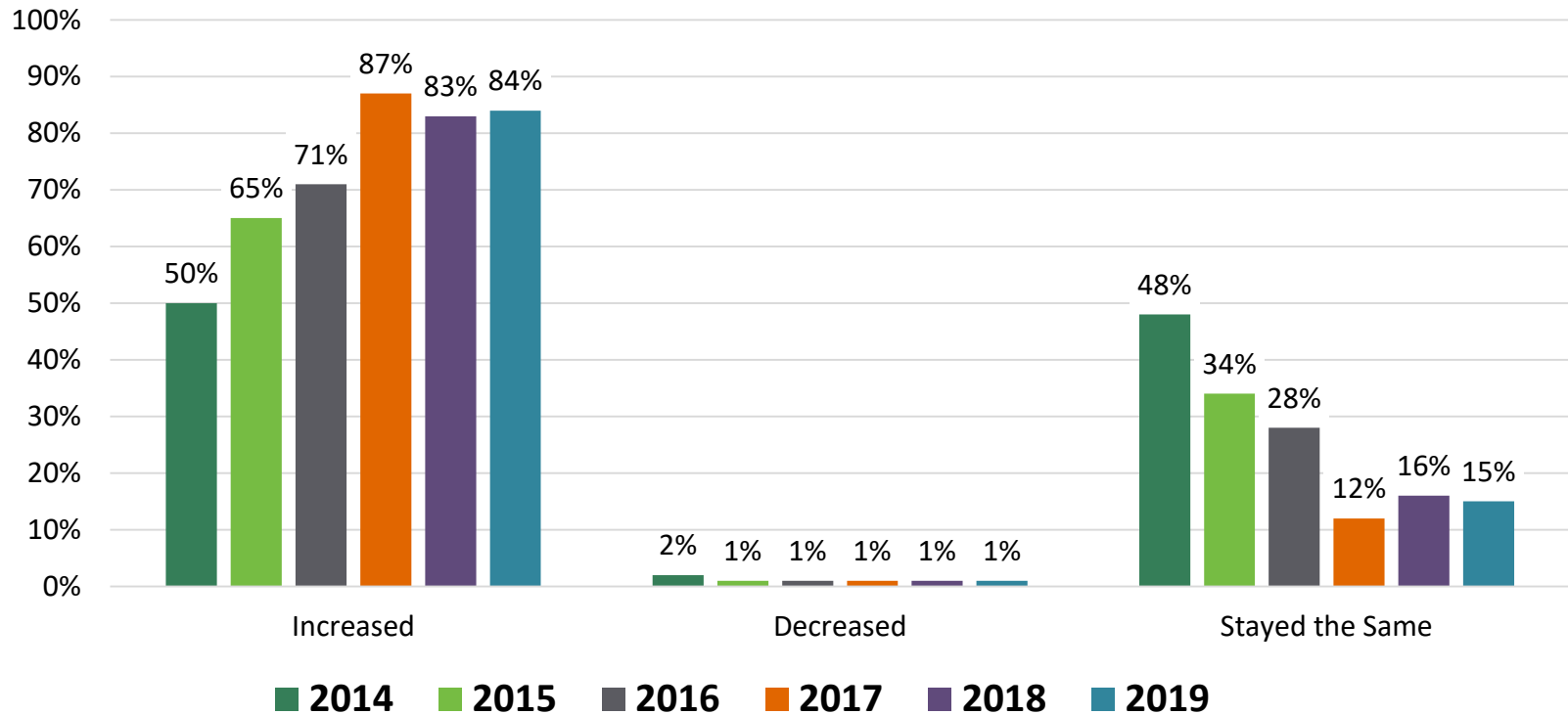
Workforce and Benefits (continued)

What is your expected turnover (including retirement) of finance and accounting staff in the next three years?
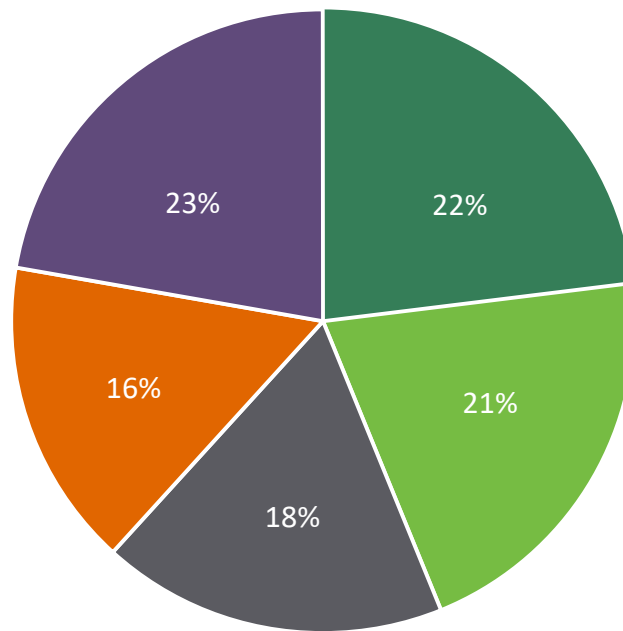
Legend: ■ 1-3% ■ 4-8% ■ 9-14% ■ 15% or more ■ We don't expect any turnover

Pie chart values: 22%, 21%, 18%, 16%, 23%

Workforce and Benefits (continued)

What do you believe to be the contributing factors to the expected turnover?
Check all that apply.

Factor	Percentage
Layoffs due to budget constraints	1%
Competitiveness of salaries	42%
Competitiveness of benefits	12%
Low morale within government	17%
Perceived inability to advance within the...	34%
Career advancement upon changing jobs	41%
Unhappy with management	18%
Retirement	69%
Other	5%

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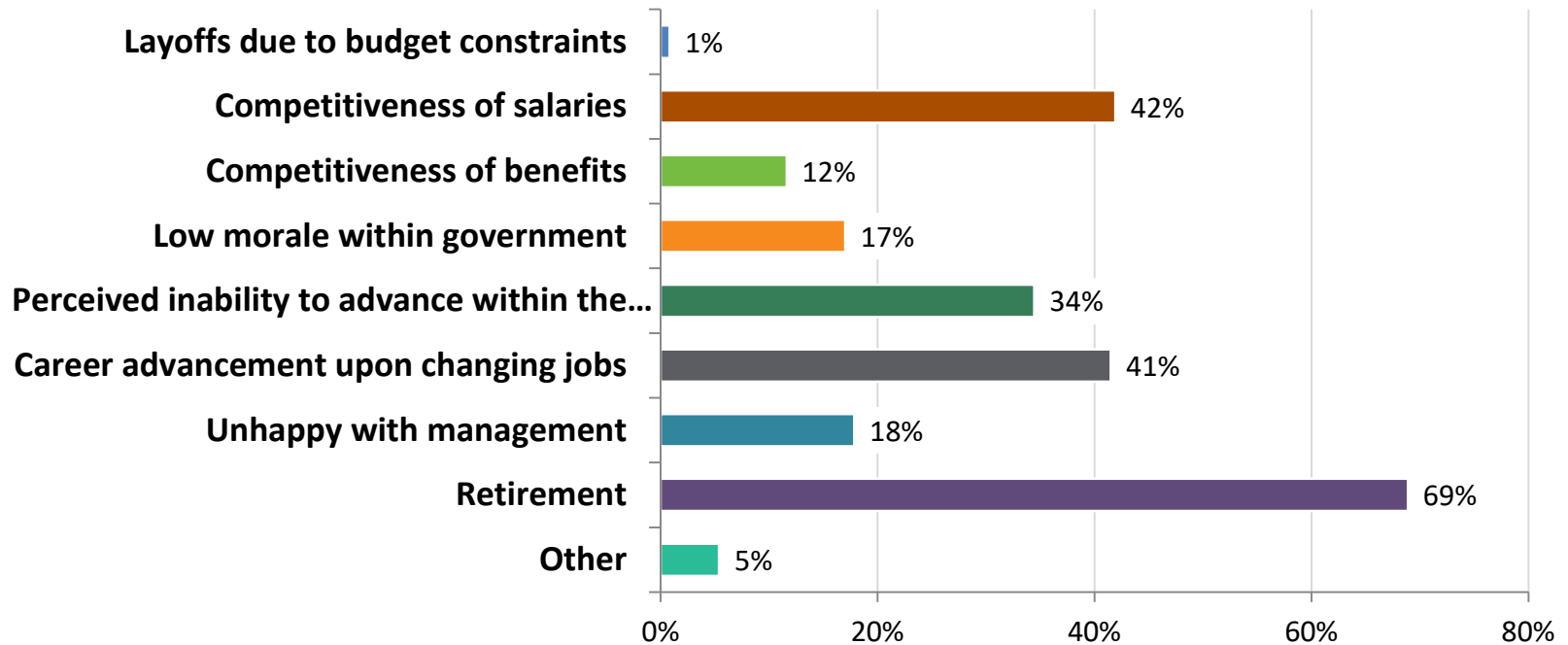
Workforce and Benefits (continued)

Given rising healthcare costs, has your entity implemented measures to help reduce healthcare costs?
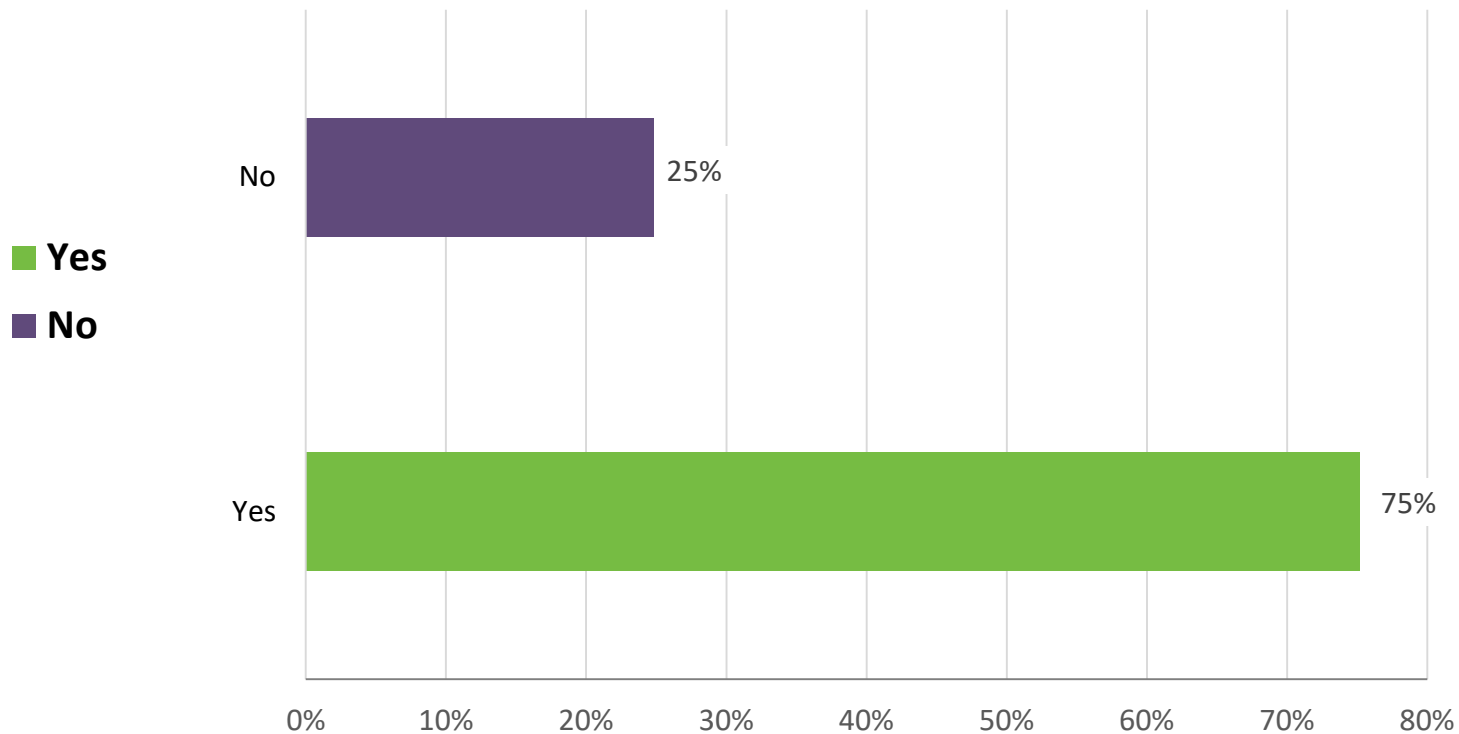
Workforce and Benefits (continued)

Which of the following measures has your entity implemented to help reduce healthcare costs? *Check all that apply.*

Measure	Percentage
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%

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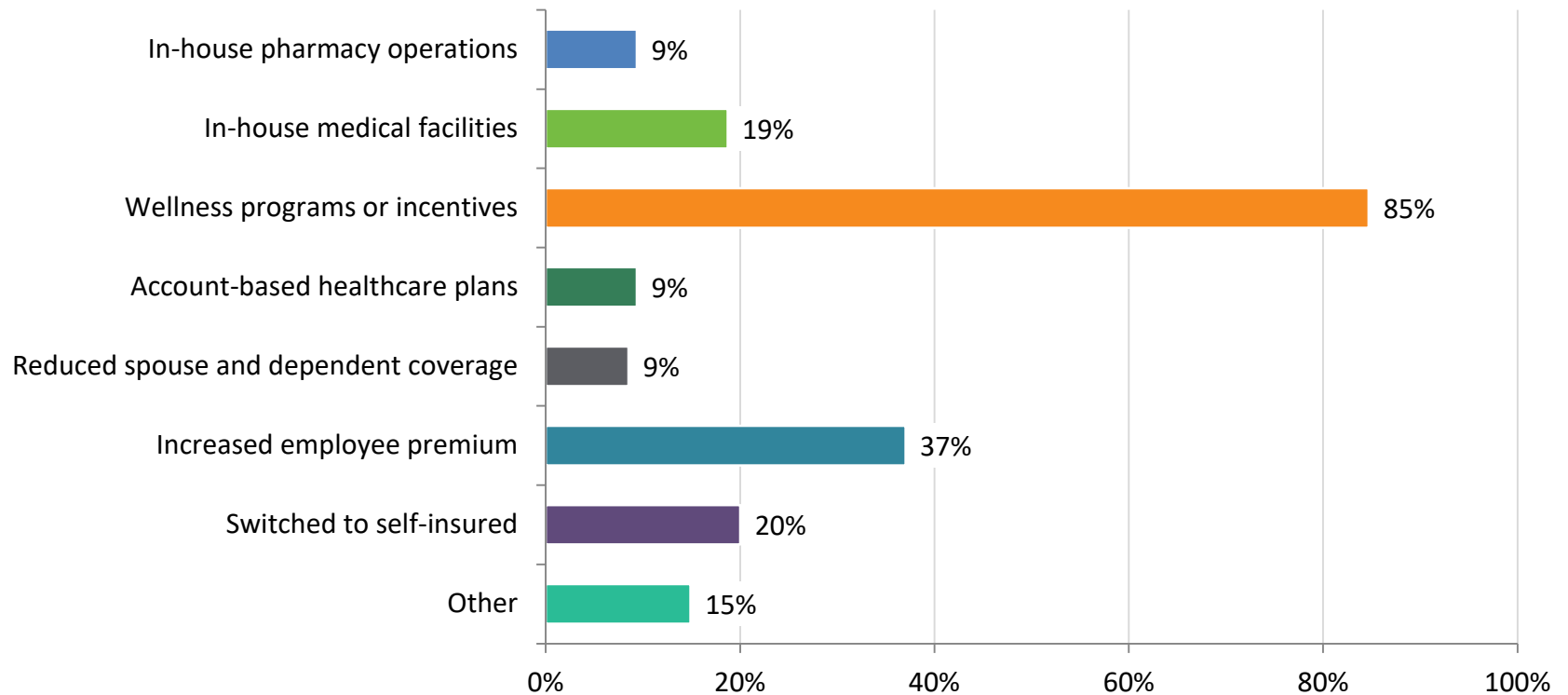
Workforce and Benefits (continued)

How does your entity maintain annual professional continuing education and training for its employees? *Check all that apply.*

Category	Percentage
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%

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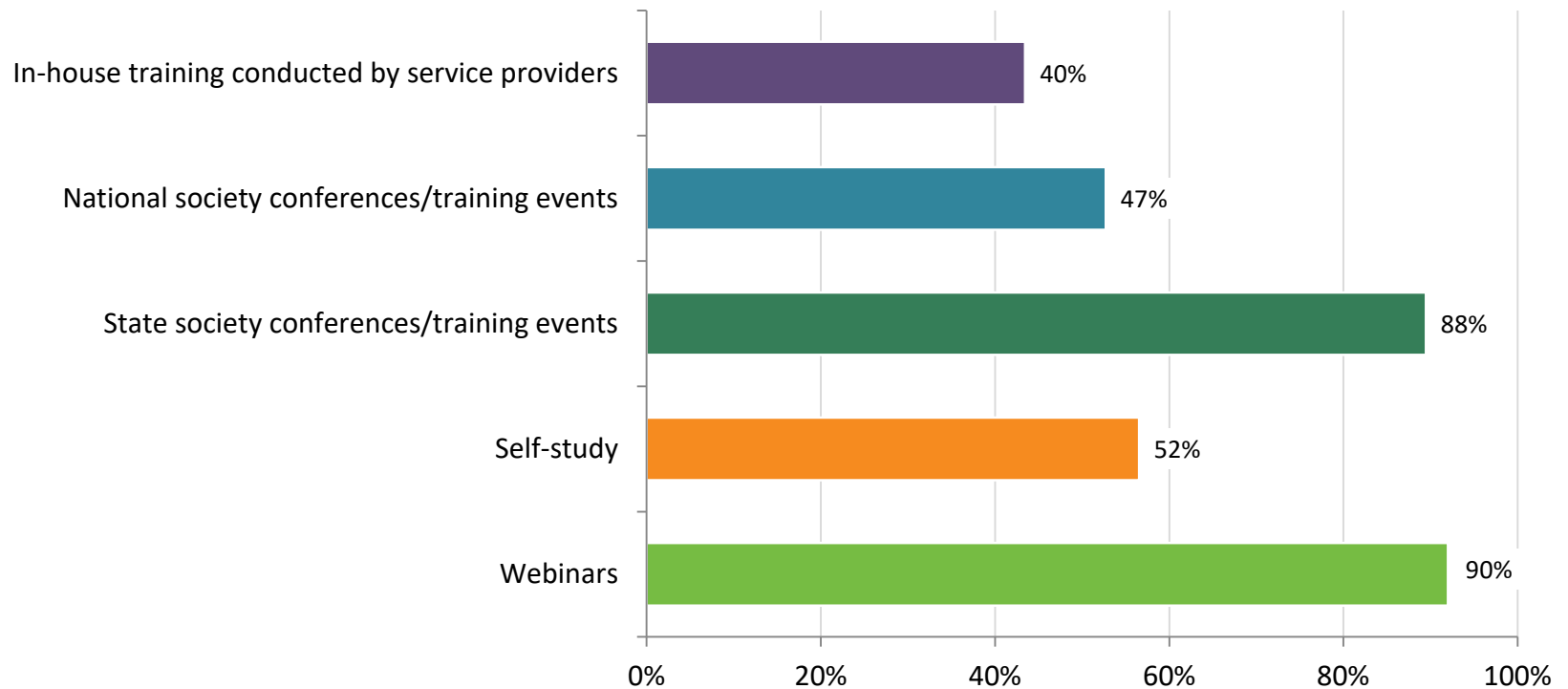
Use of Technology

Use of Technology

How many IT-related full-time employees does your entity have? *(by number of employees)*

	More than 20	11-20 employees	1-10 employees	0
>5,000 employees	94%	3%	3%	0%
2,501-5,000 employees	86%	9%	5%	0%
501-2,500 employees	42%	27%	31%	0%
0-500 employees	2%	6%	65%	27%

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Use of Technology (continued)

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

County
- We do not outsource: 57%
- More than 50%: 10%
- 26-50%: 6%
- Up to 25%: 27%

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

School
- We do not outsource: 86%
- 26-50%: 5%
- Up to 25%: 9%

Authority/Commission/Other
- We do not outsource: 51%
- More than 50%: 24%
- 26-50%: 7%
- Up to 25%: 18%

Legend: ■ We do not outsource ■ More than 50% ■ 26-50% ■ Up to 25%

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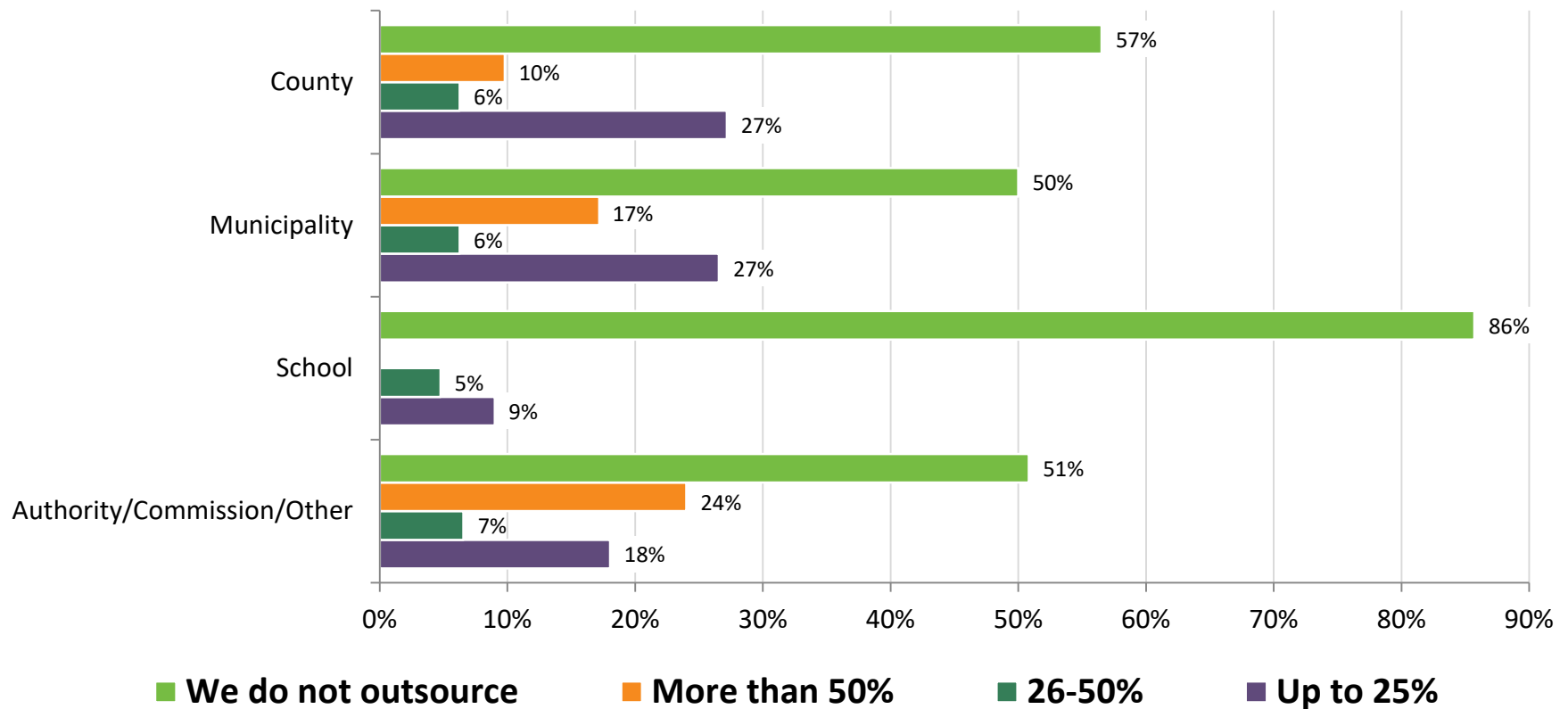
Use of Technology (continued)

How would you rate your organization's preparedness for a cyber attack?
(by entity type)
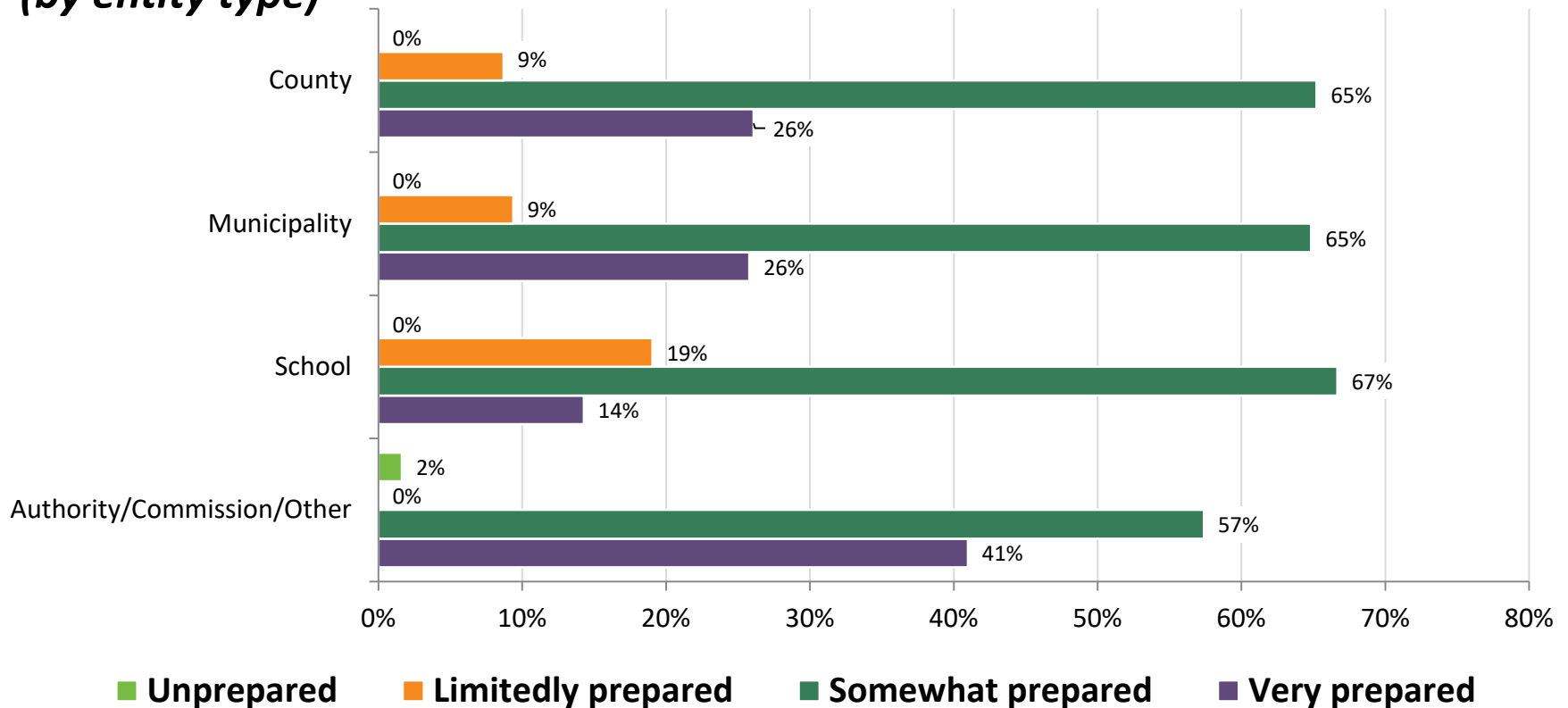
County
- 0%
- 9%
- 65%
- 26%

Municipality
- 0%
- 9%
- 65%
- 26%

School
- 0%
- 19%
- 67%
- 14%

Authority/Commission/Other
- 2%
- 0%
- 57%
- 41%

■ **Unprepared**   ■ **Limitedly prepared**   ■ **Somewhat prepared**   ■ **Very prepared**

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Use of Technology (continued)

How would you rate your overall cyber risk management program? *(by number of employees)*
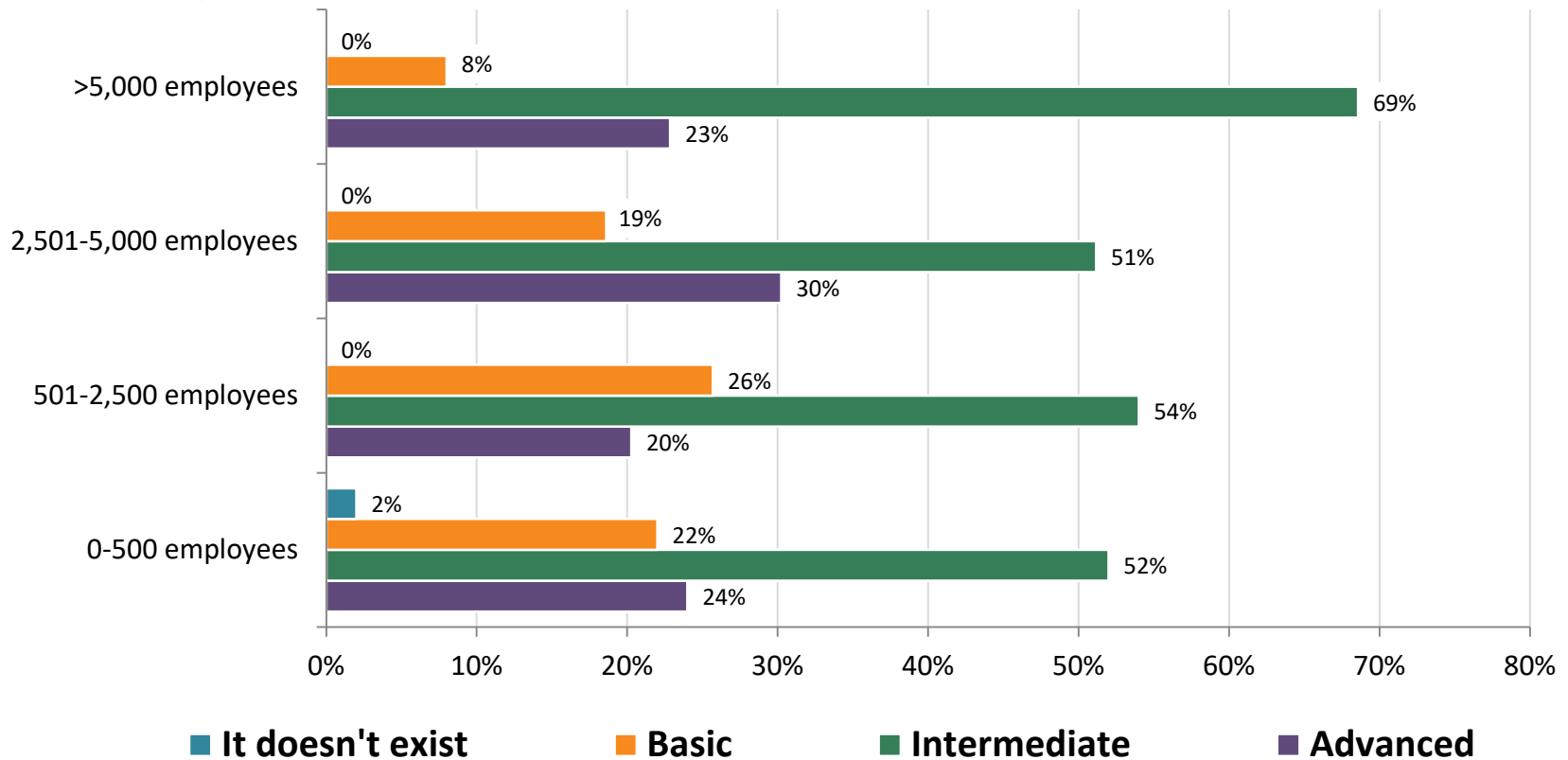
Legend: It doesn't exist | Basic | Intermediate | Advanced

>5,000 employees: It doesn't exist 0%, Basic 8%, Intermediate 69%, Advanced 23%

2,501-5,000 employees: It doesn't exist 0%, Basic 19%, Intermediate 51%, Advanced 30%

501-2,500 employees: It doesn't exist 0%, Basic 26%, Intermediate 54%, Advanced 20%

0-500 employees: It doesn't exist 2%, Basic 22%, Intermediate 52%, Advanced 24%

Use of Technology (continued)

How would you rate your overall cyber risk management program? *(by revenue)*

Legend:
- ■ It doesn't exist
- ■ Basic
- ■ Intermediate
- ■ Advanced

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

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

<$50 million
- It doesn't exist: 3%
- Basic: 18%
- Intermediate: 55%
- Advanced: 24%

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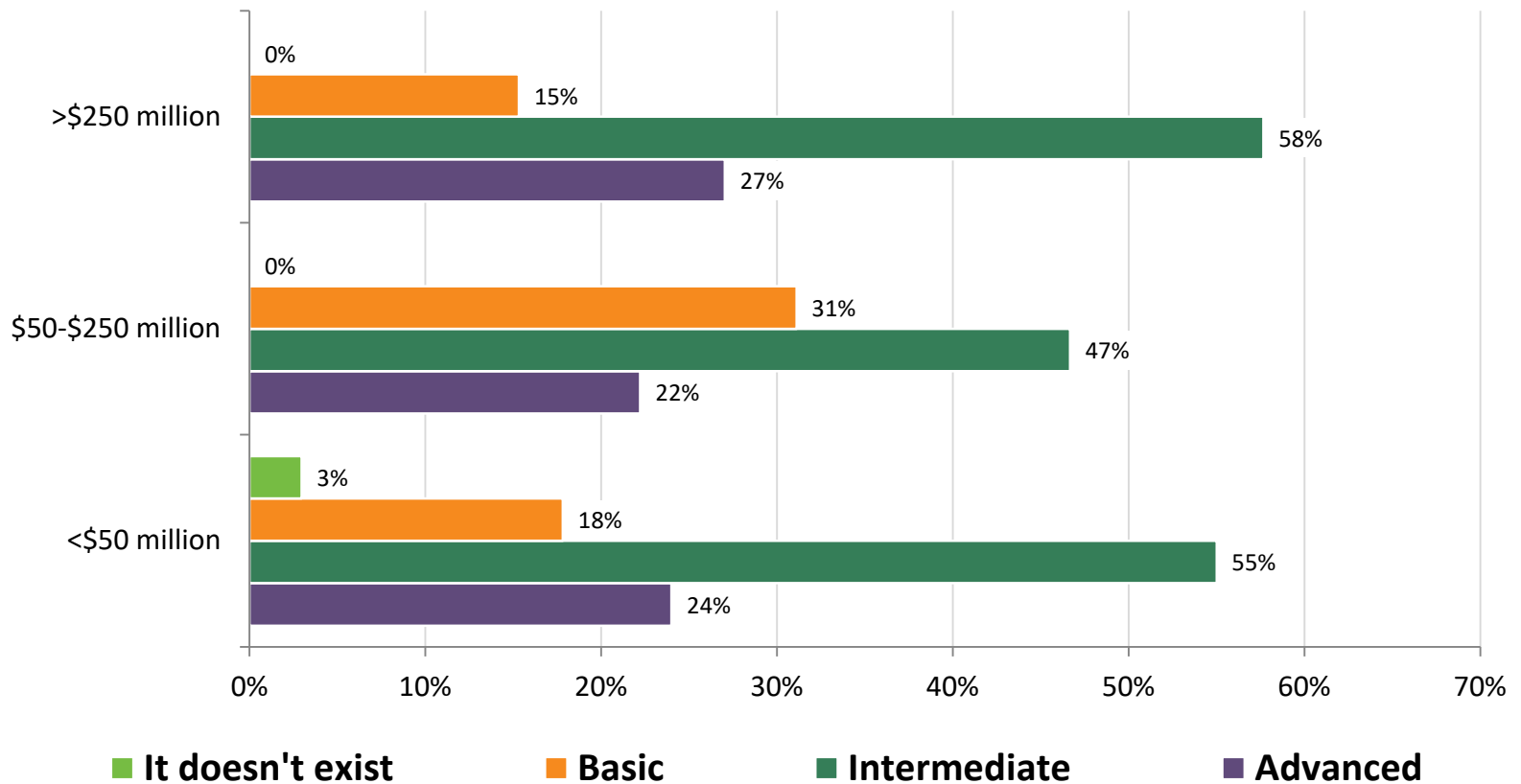
Use of Technology (continued)

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

- ■ **Yes**
- ■ **No**

10%

90%
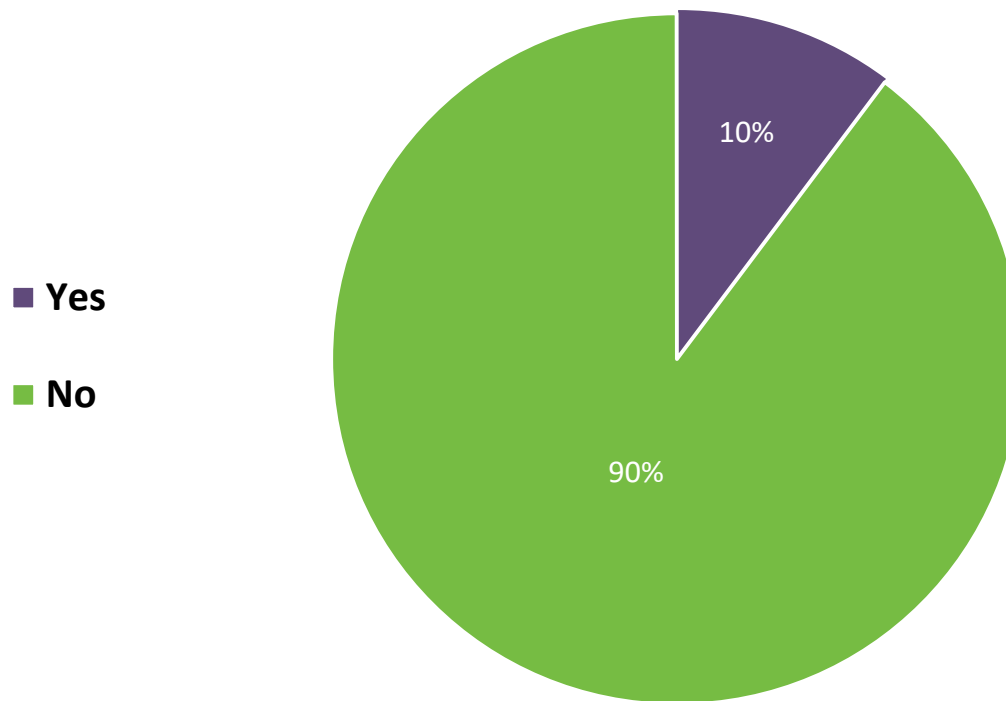
Use of Technology (continued)

How was the data breach perpetrated? *Check all that apply.*
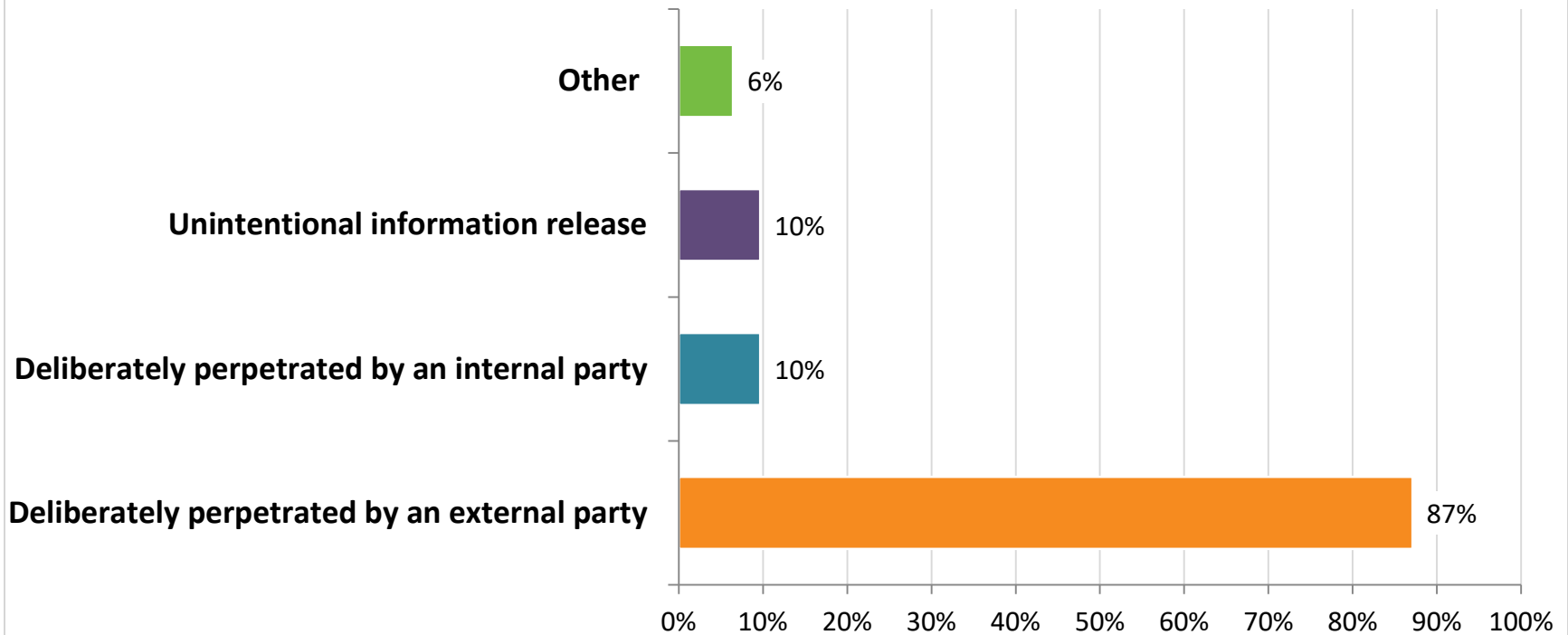
- Other — 6%
- Unintentional information release — 10%
- Deliberately perpetrated by an internal party — 10%
- Deliberately perpetrated by an external party — 87%

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Use of Technology (continued)

How confident are you of your incident response program in detecting, responding to, and recovering from a breach in a timely manner? *(by title)*

Legend:
- **Not confident**
- **Reasonably confident**
- **Confident**
- **Very confident**

Data:

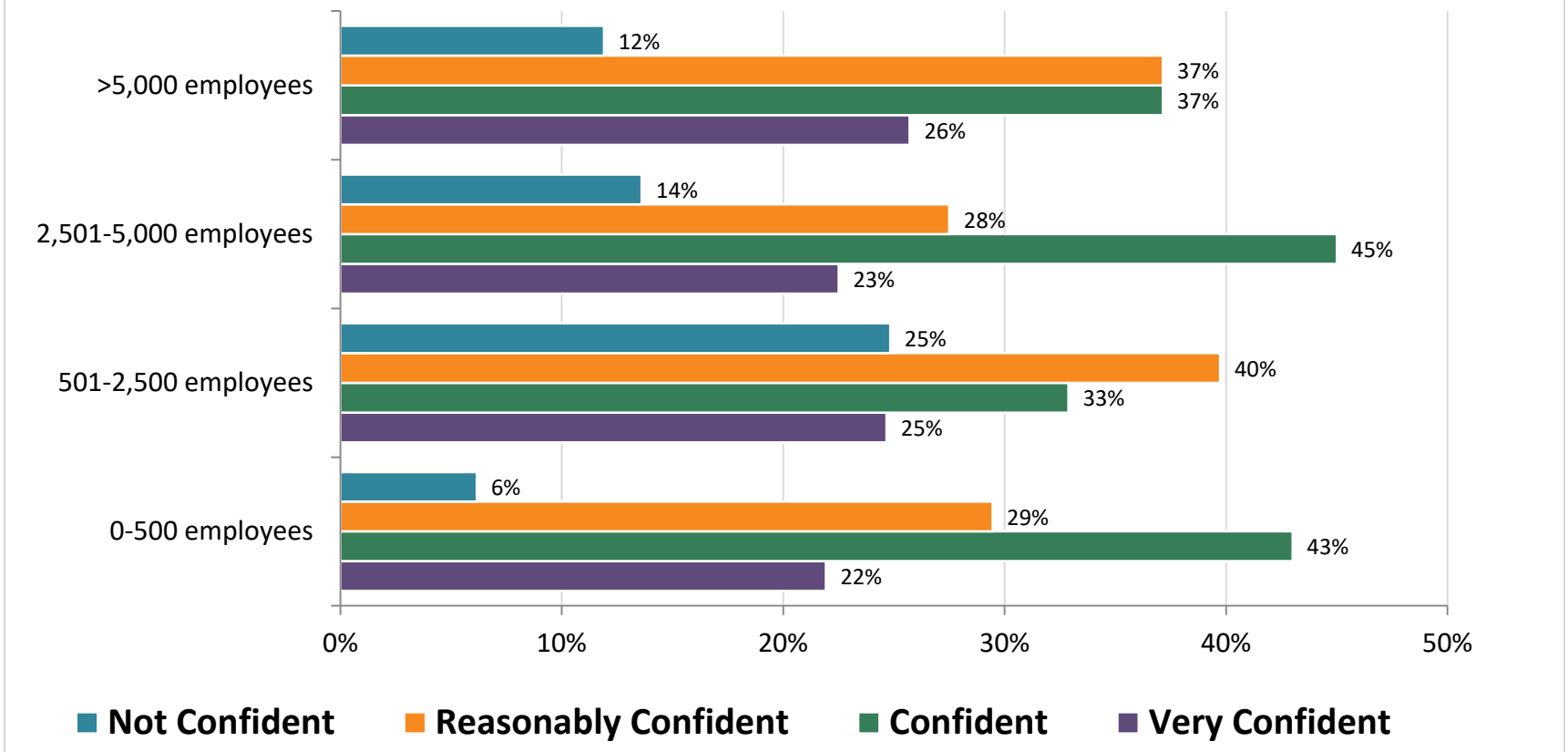| Title	Not confident	Reasonably confident	Confident	Very confident
Other	4%	24%	47%	25%
Accounting Staff	5%	27%	41%	27%
Controller/Accounting Manager or Equivalent	3%	33%	41%	23%
CFO/Director of Finance or Equivalent	5%	39%	35%	21%

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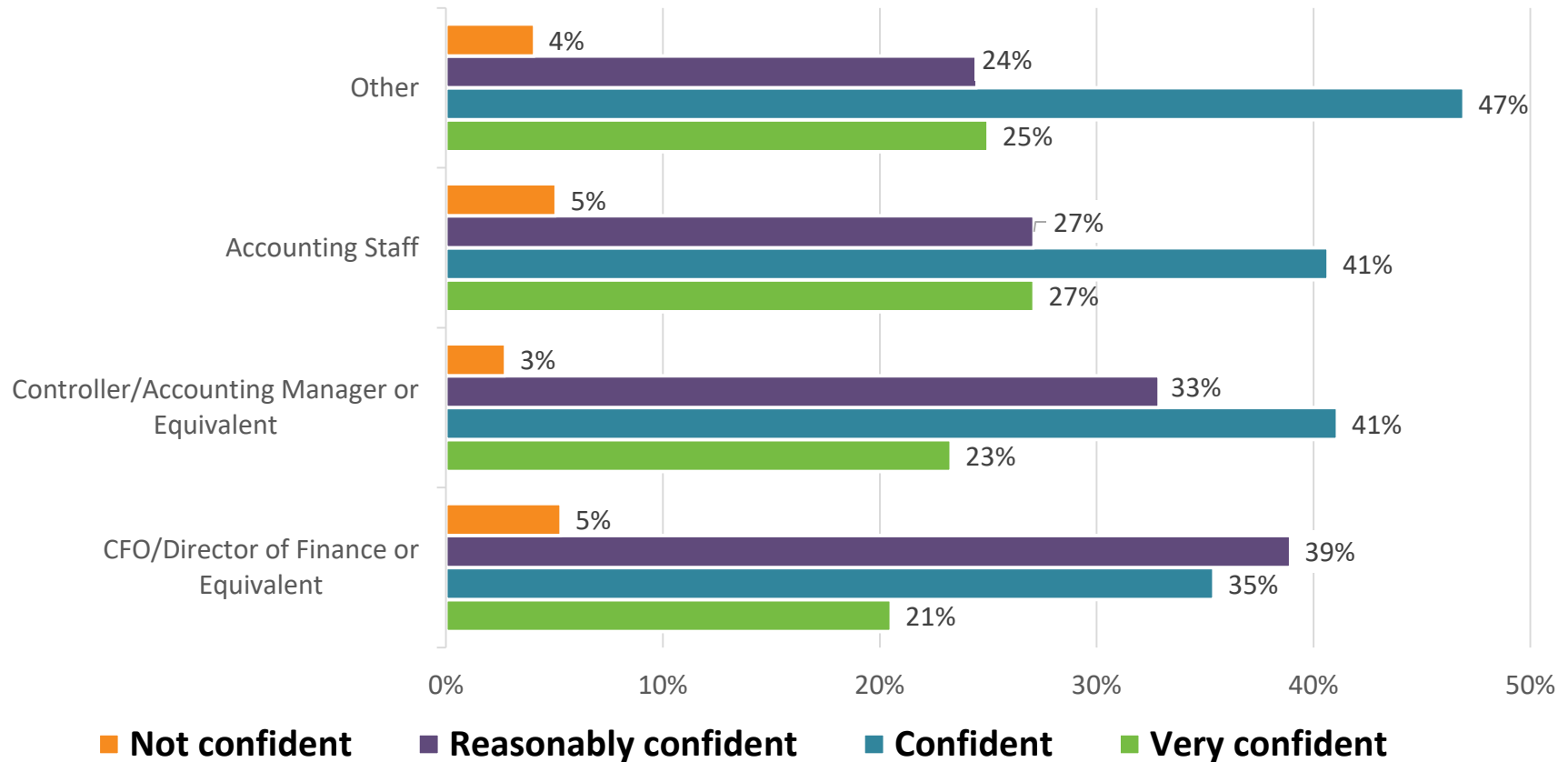
Use of Technology (continued)

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)*

Chart data:

>5,000 employees
- Not Confident: 12%
- Reasonably Confident: 37%
- Confident: 37%
- Very Confident: 26%

2,501-5,000 employees
- Not Confident: 14%
- Reasonably Confident: 28%
- Confident: 45%
- Very Confident: 23%

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

0-500 employees
- Not Confident: 6%
- Reasonably Confident: 29%
- Confident: 43%
- Very Confident: 22%

Legend: ■ Not Confident ■ Reasonably Confident ■ Confident ■ Very Confident

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Use of Technology (continued)

How well are your employees trained on the importance of cybersecurity?

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

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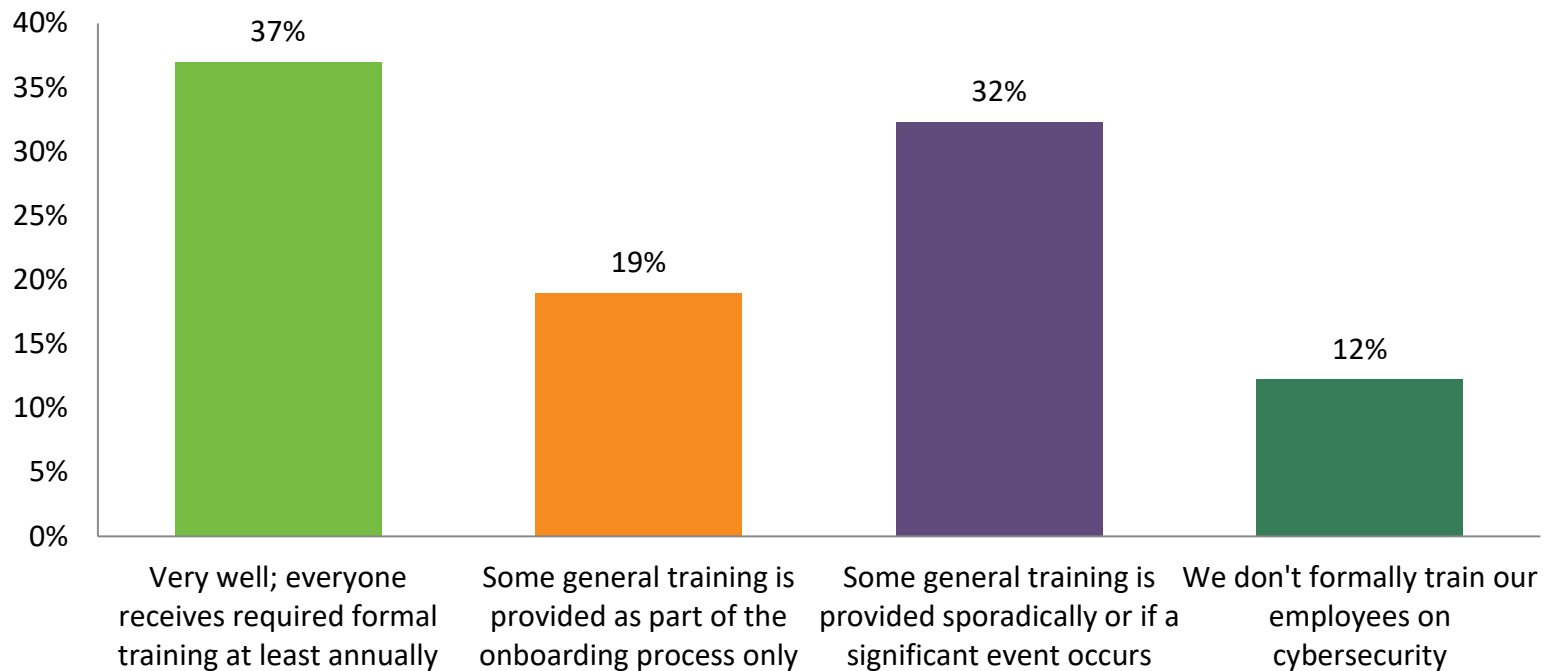
Use of Technology (continued)

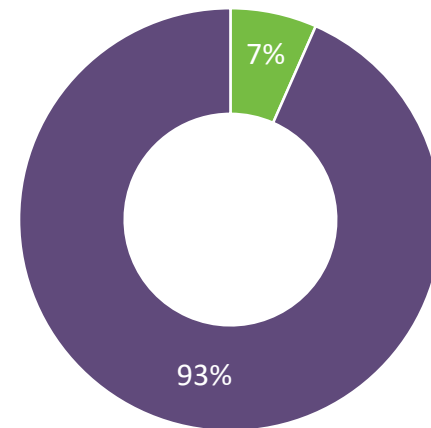**Do you anticipate replacing your enterprise business systems or other business systems (e.g., tax revenues, human resources management, etc.) in the next 18-24 months?**

23%

77%
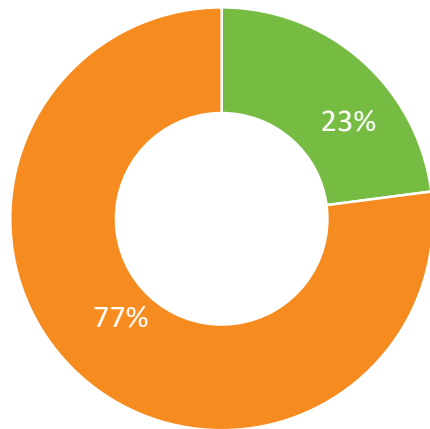
■ Yes   ■ No

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

7%

93%

■ Yes   ■ No

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Use of Technology (continued)

Do you believe the increased use of technology will be necessary to keep costs under control?

Yes: 2014: 84%, 2015: 81%, 2016: 78%, 2017: 79%, 2018: 71%, 2019: 84%

No: 2014: 16%, 2015: 19%, 2016: 22%, 2017: 21%, 2018: 29%, 2019: 16%

2014 **2015** **2016** **2017** **2018** **2019**

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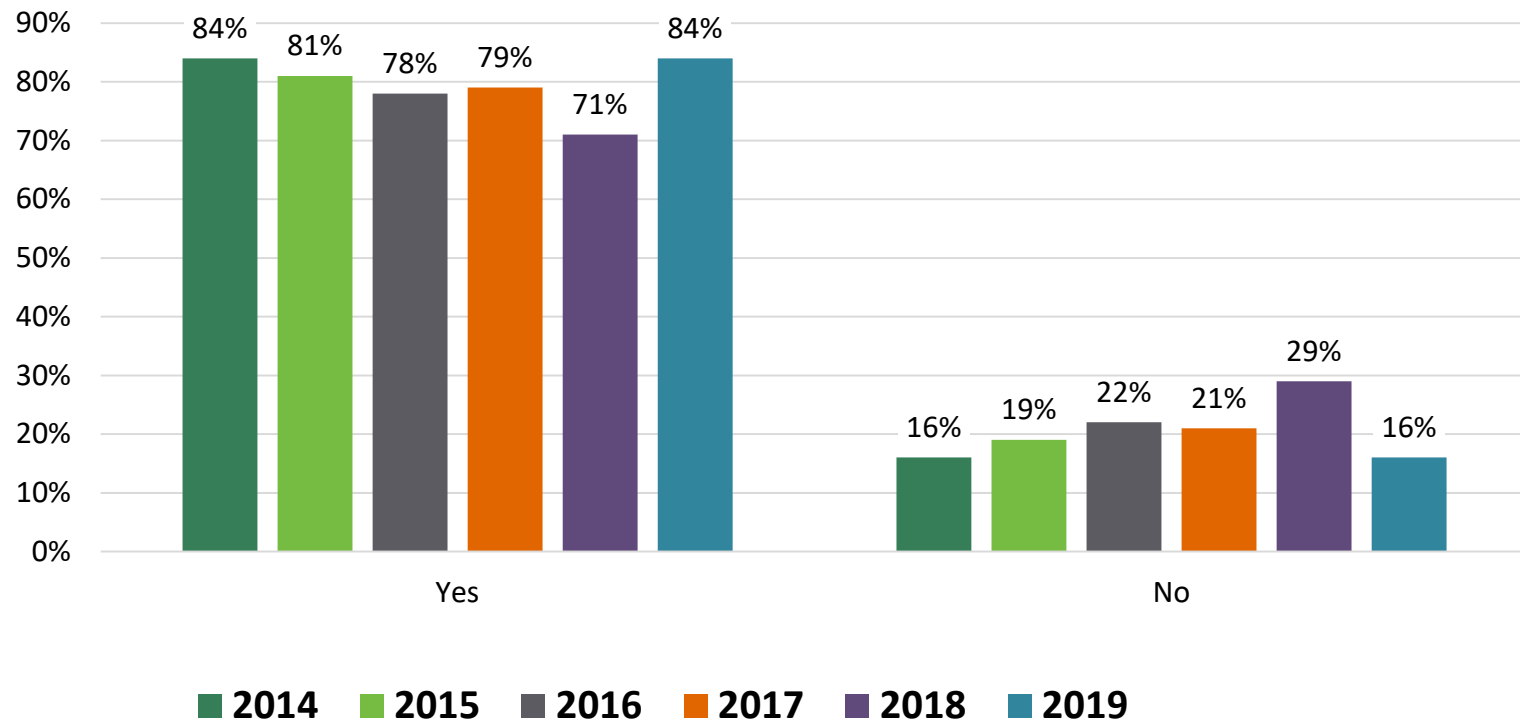
Use of Technology (continued)

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?
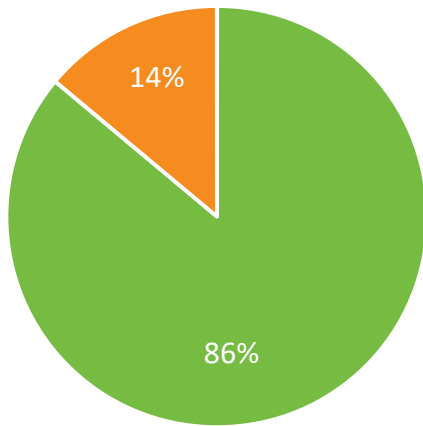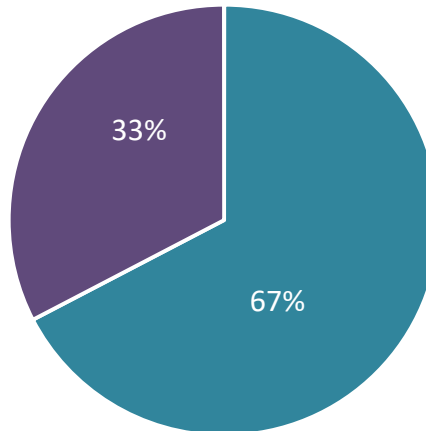
- 14% No
- 86% Yes

■ Yes ■ No

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?

- 33% No
- 67% Yes

■ Yes ■ No

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?

- 30% Yes
- 54% Possibly
- 16% No

■ Yes ■ Possibly ■ No

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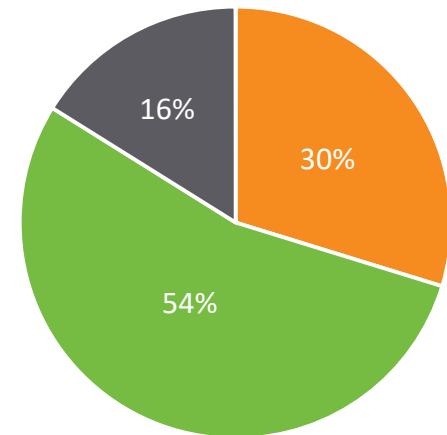
Use of Technology (continued)

Is an attack or penetration study or vulnerability assessment part of your entity's strategic planning process? *(by revenue)*

Bar chart showing responses by revenue:

- >$250 million: No 25%, Yes 75%
- $50-$250 million: No 33%, Yes 67%
- <$50 million: No 55%, Yes 45%

Legend: No (green), Yes (blue)

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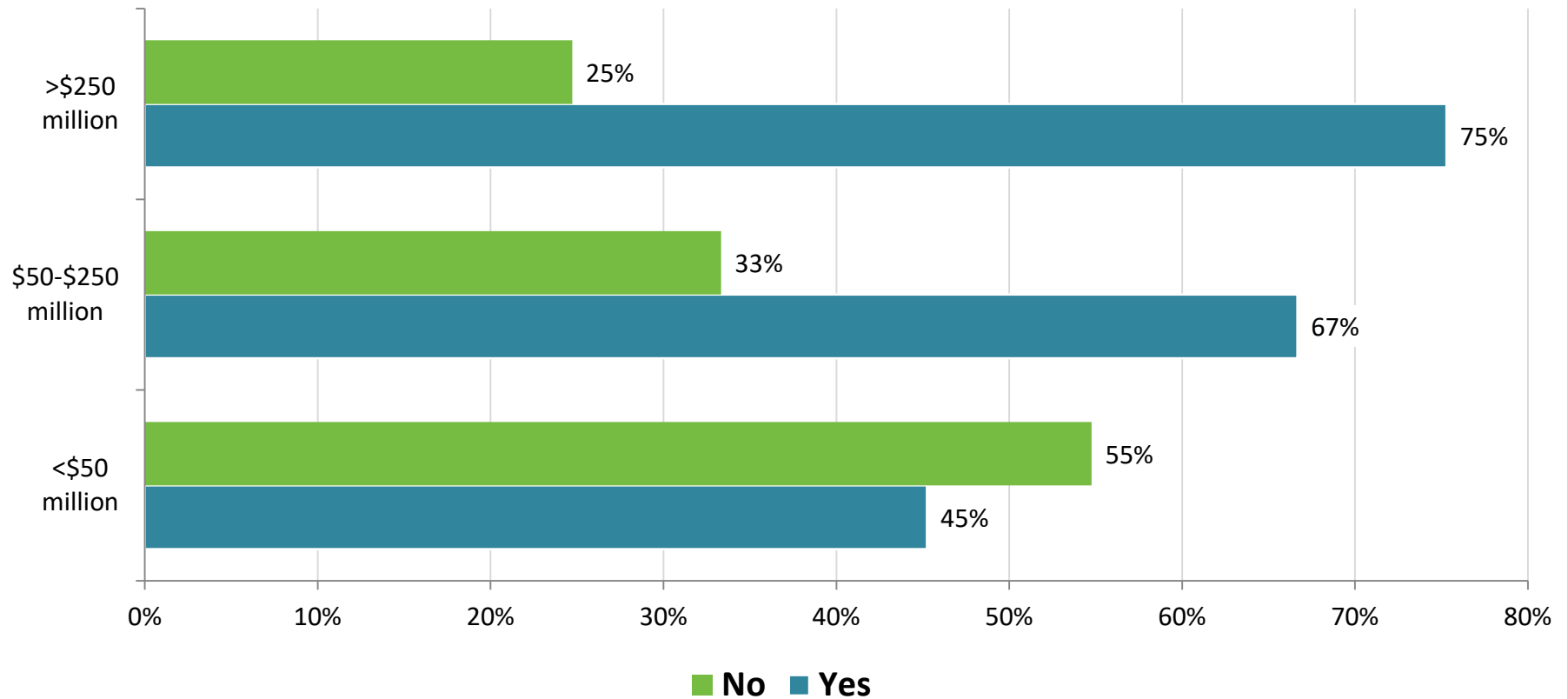
Use of Technology (continued)

How often does your organization conduct phishing exercises?
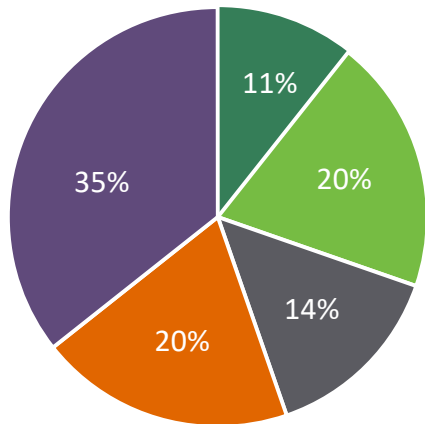
- **Weekly** (11%)
- **Monthly** (20%)
- **Quarterly** (14%)
- **Annually** (20%)
- **Never** (35%)

How often does your organization conduct user acceptance training?

- **Weekly** (3%)
- **Monthly** (7%)
- **Quarterly** (12%)
- **Annually** (39%)
- **Never** (39%)

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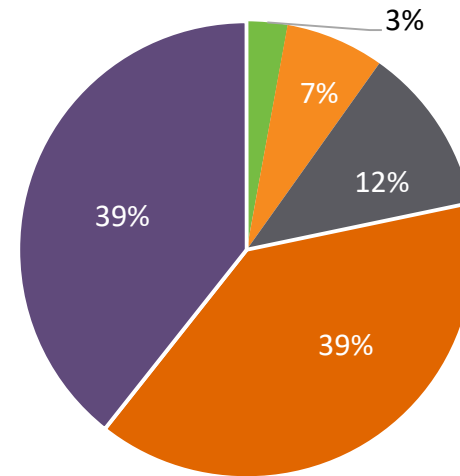
Use of Technology (continued)

When do you plan to implement either AI or RPA?

- 47%
- 27%
- 13%
- 13%
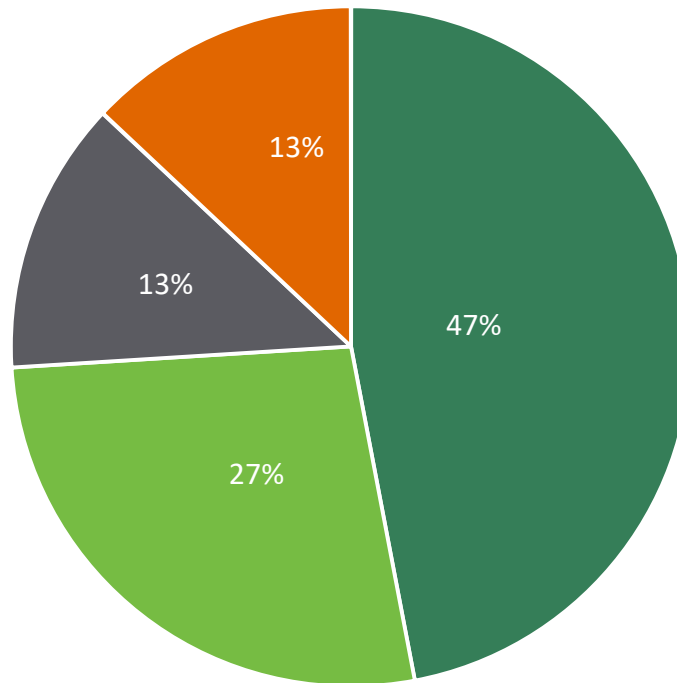
Legend:
- ■ Next 6 months
- ■ Next 1 year
- ■ Next 3 years
- ■ We have no plans to implement AI or RPA.

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Use of Technology (continued)

What is your main barrier to implementing new technology? *Check all that apply.*
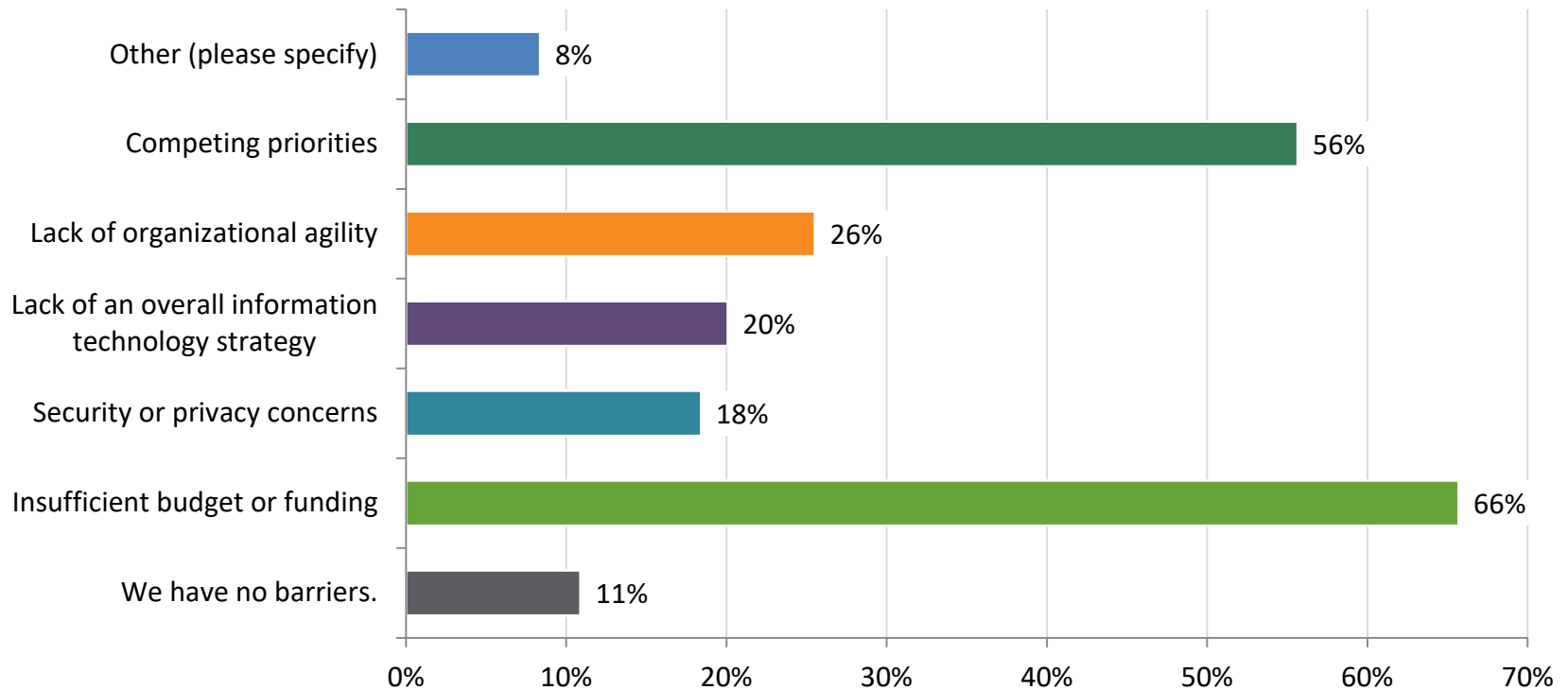
Barrier	Percentage
Other (please specify)	8%
Competing priorities	56%
Lack of organizational agility	26%
Lack of an overall information technology strategy	20%
Security or privacy concerns	18%
Insufficient budget or funding	66%
We have no barriers.	11%

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Freedom of Information Act

Freedom of Information Act (FOIA)

Has your entity seen an increase in FOIA requests in the past 5 years?
(by entity type)

Entity	Yes	No
County	63%	37%
Municipality	69%	31%
School	45%	55%
Authority/Commission/Other	42%	58%

■ Yes ■ No

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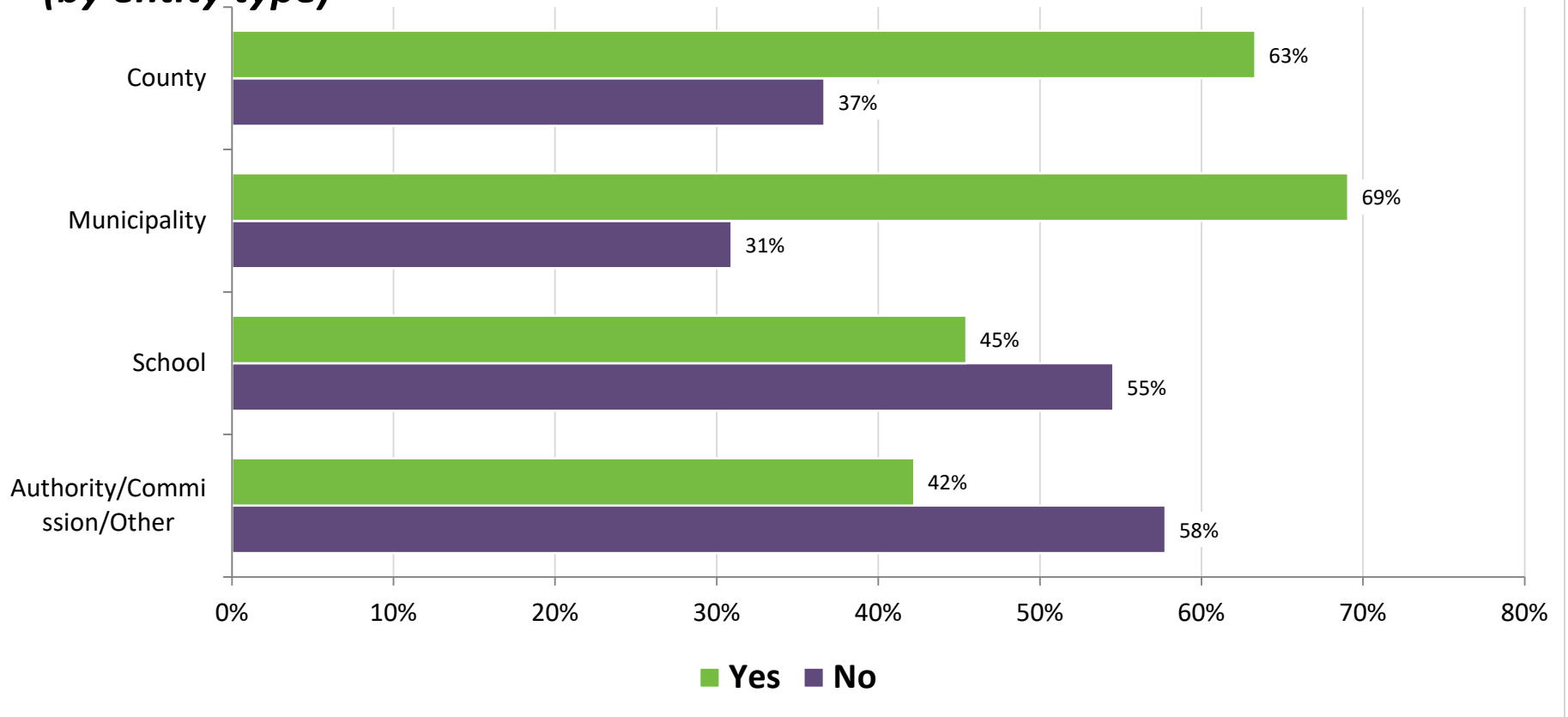
Budget

Budget

What percent of your entity's budget is spent on IT? *(by revenue)*

Legend: ■ <1% ■ 1-1.9% ■ 2-2.9% ■ 3-3.9% ■ ≥4%

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

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

>$250 million: <1% = 12%, 1-1.9% = 20%, 2-2.9% = 19%, 3-3.9% = 12%, ≥4% = 37%

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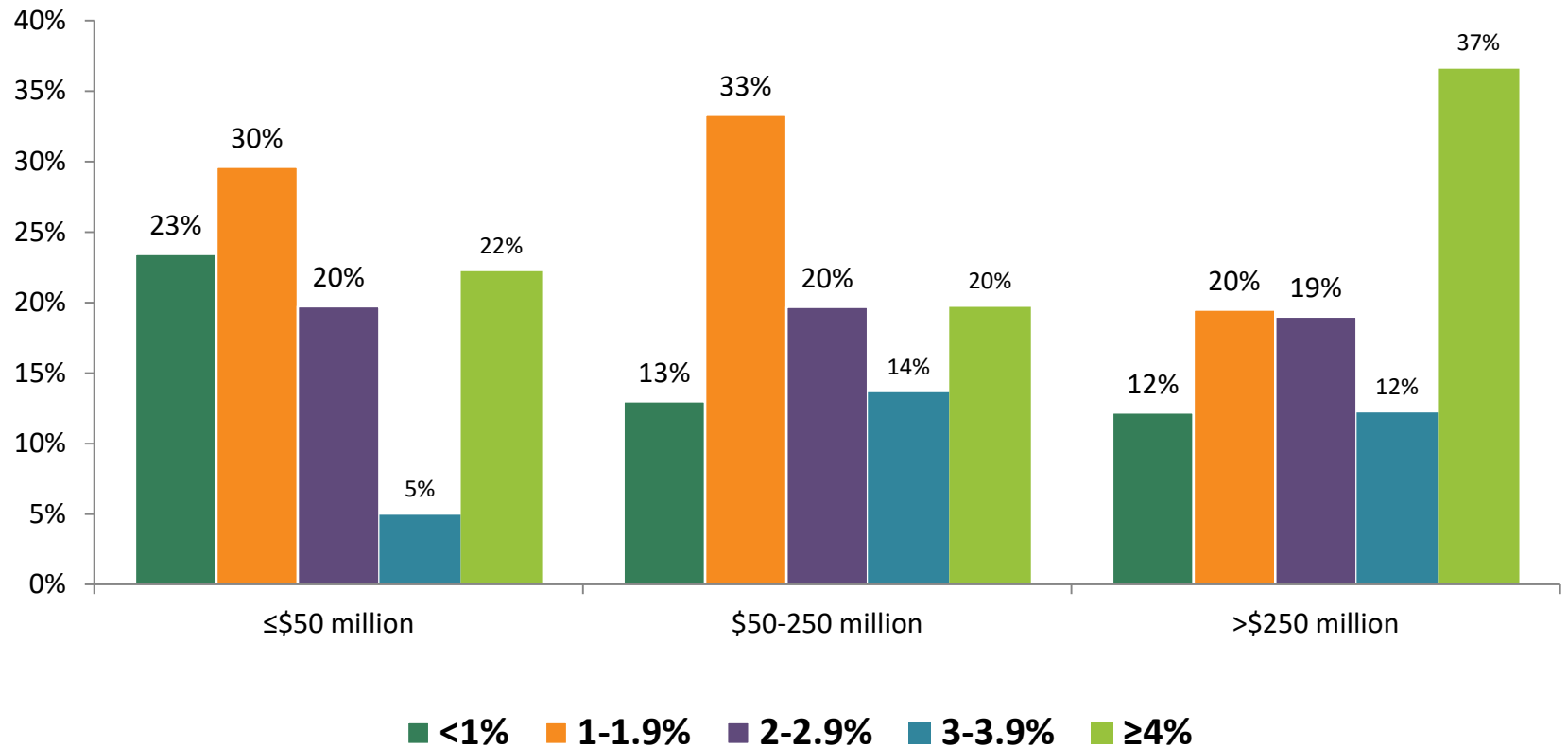
Budget (continued)

Is your entity currently producing multi-year revenue forecasts and/or budgets? *(by revenue)*

Legend:
- **No, and don't plan to** (green)
- **No, but plan to** (orange)
- **Yes** (blue)

Data:

Revenue	No, and don't plan to	No, but plan to	Yes
<$50 million	30%	28%	42%
$50-$250 million	27%	11%	62%
>$250 million	10%	10%	80%
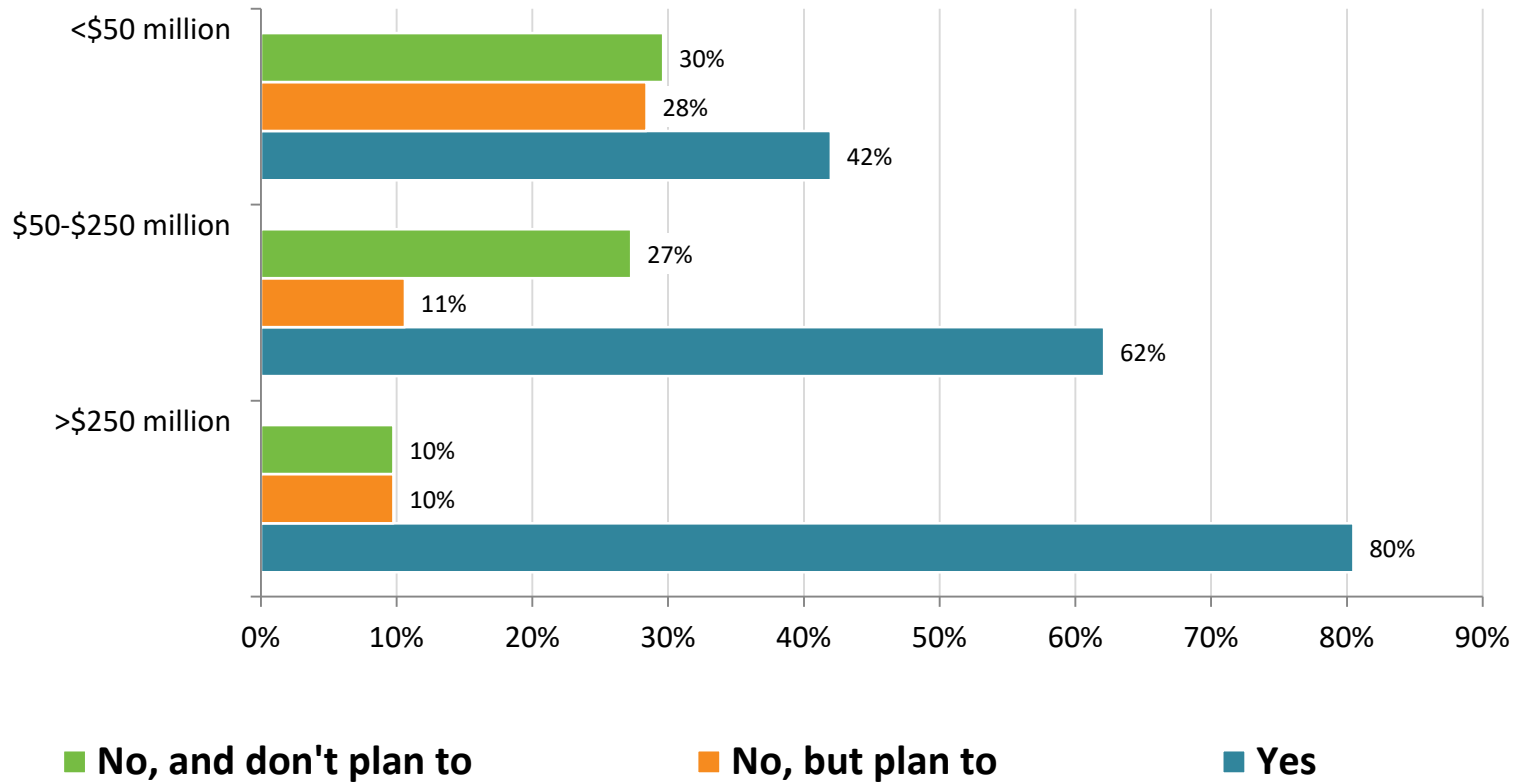
Budget (continued)

Do you have concerns about budgeted funding for any of the following? *Check all that apply. (by revenue)*

Legend:
- ■ 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
- Services for the increasing population: 36%
- Services for the increasing aging population: 20%
- Technology: 52%
- Security and prevention of cyber attacks: 41%
- Security and terrorism preparedness: 22%
- Transportation: 20%
- Replacement of aging infrastructure: 69%
- None: 21%

$50 - $250 million
- Services for the increasing population: 36%
- Services for the increasing aging population: 29%
- Technology: 53%
- Security and prevention of cyber attacks: 41%
- Security and terrorism preparedness: 20%
- Transportation: 38%
- Replacement of aging infrastructure: 59%
- None: 18%

>$250 million
- Services for the increasing population: 49%
- Services for the increasing aging population: 32%
- Technology: 57%
- Security and prevention of cyber attacks: 48%
- Security and terrorism preparedness: 24%
- Transportation: 44%
- Replacement of aging infrastructure: 66%
- None: 13%

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Budget (continued)

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?

Category	Percentage
A: Exceptional, fit for the future	3%
B: Good, adequate for now	50%
C: Mediocre, requires attention	39%
D: Poor, at risk	6%
F: Failing or critical, unfit for intended purpose	2%

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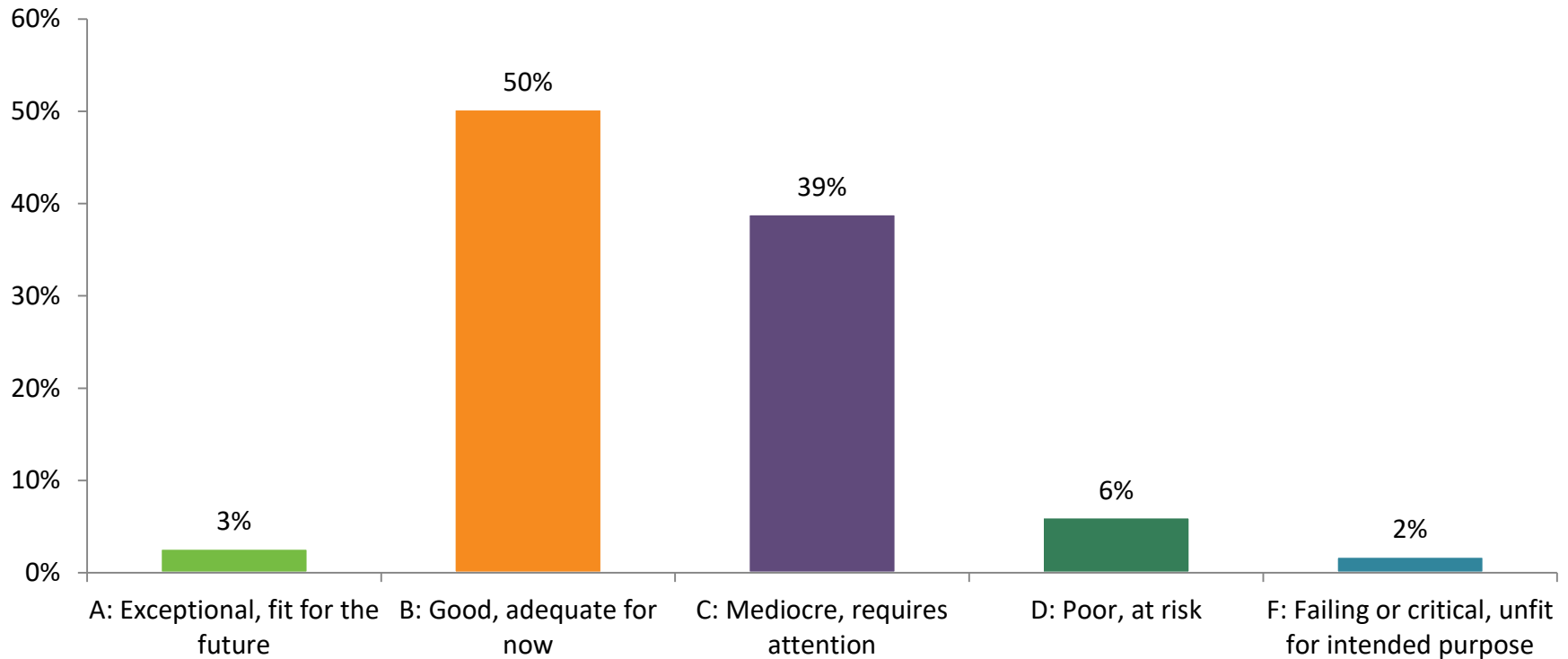
Financial Reporting

Financial Reporting (continued)

Did implementation of GASB 75 (OPEB) put your entity in a deficit net position?

- ■ Yes, total net position
- ■ Yes, unrestricted net position
- ■ No
- ■ No, we already had a deficit net position.

7%

14%

8%

71%

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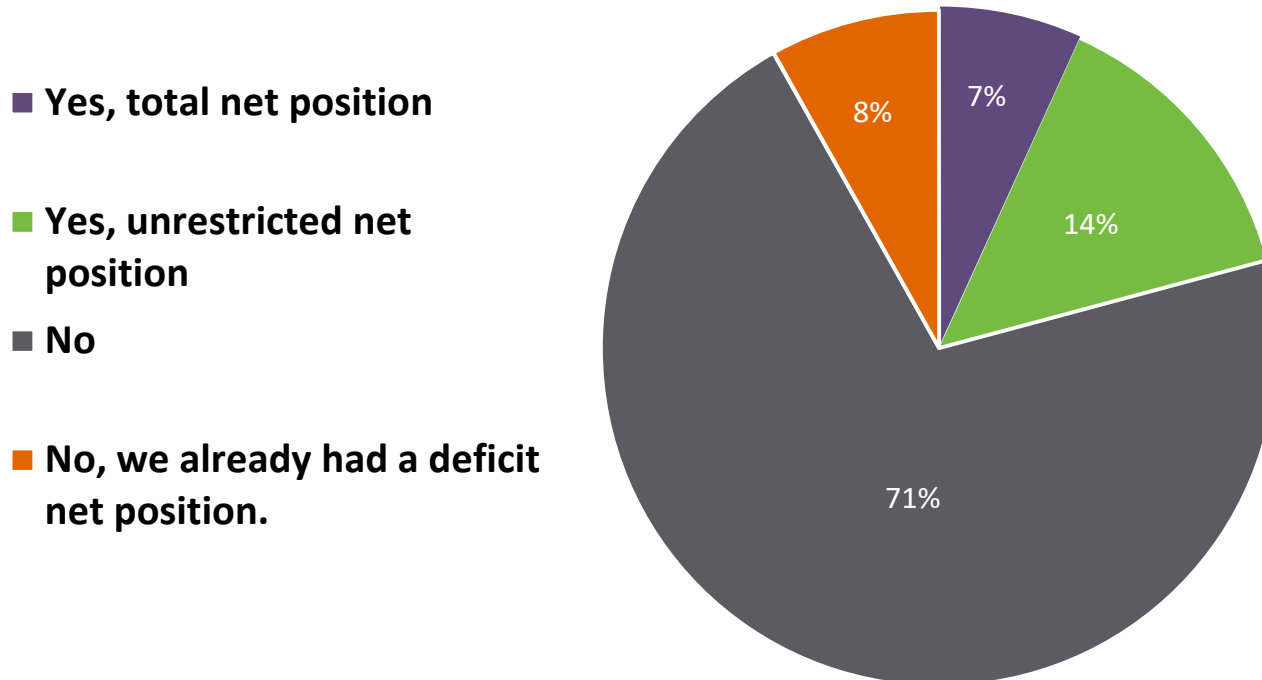
Financial Reporting (continued)

Does your entity currently fund its OPEB liability by contributions to a trust?
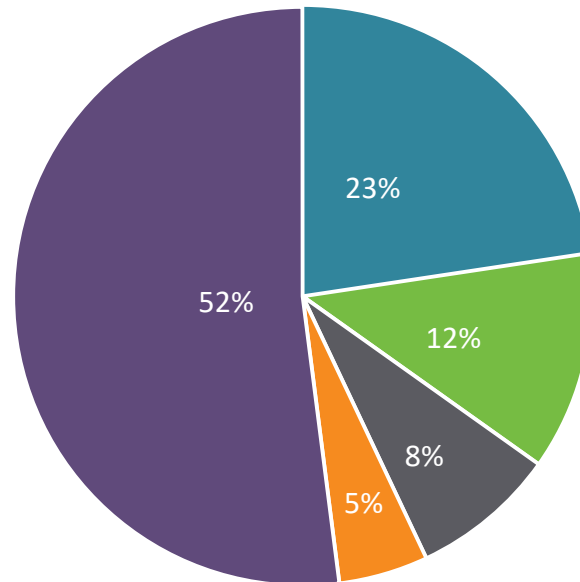
- ■ **Yes, we contribute to a single-employer trust**
- ■ **Yes, we contribute to an agent multiple-employer trust**
- ■ **Yes, we contribute to a cost-sharing multiple-employer trust**
- ■ **No, but we plan to in the future**
- ■ **No**

Financial Reporting (continued)

What type of OPEB benefits does your entity offer? *(by number of employees)*

Legend: Healthcare, Death Benefits, Life Insurance, Disability, Long-term Care

	Healthcare	Death Benefits	Life Insurance	Disability	Long-term Care
0-500 employees	94%	19%	44%	25%	12%
501-2,500 employees	98%	29%	48%	29%	21%
2,501-5,000 employees	96%	43%	57%	46%	38%
>5,000 employees	96%	38%	38%	38%	19%
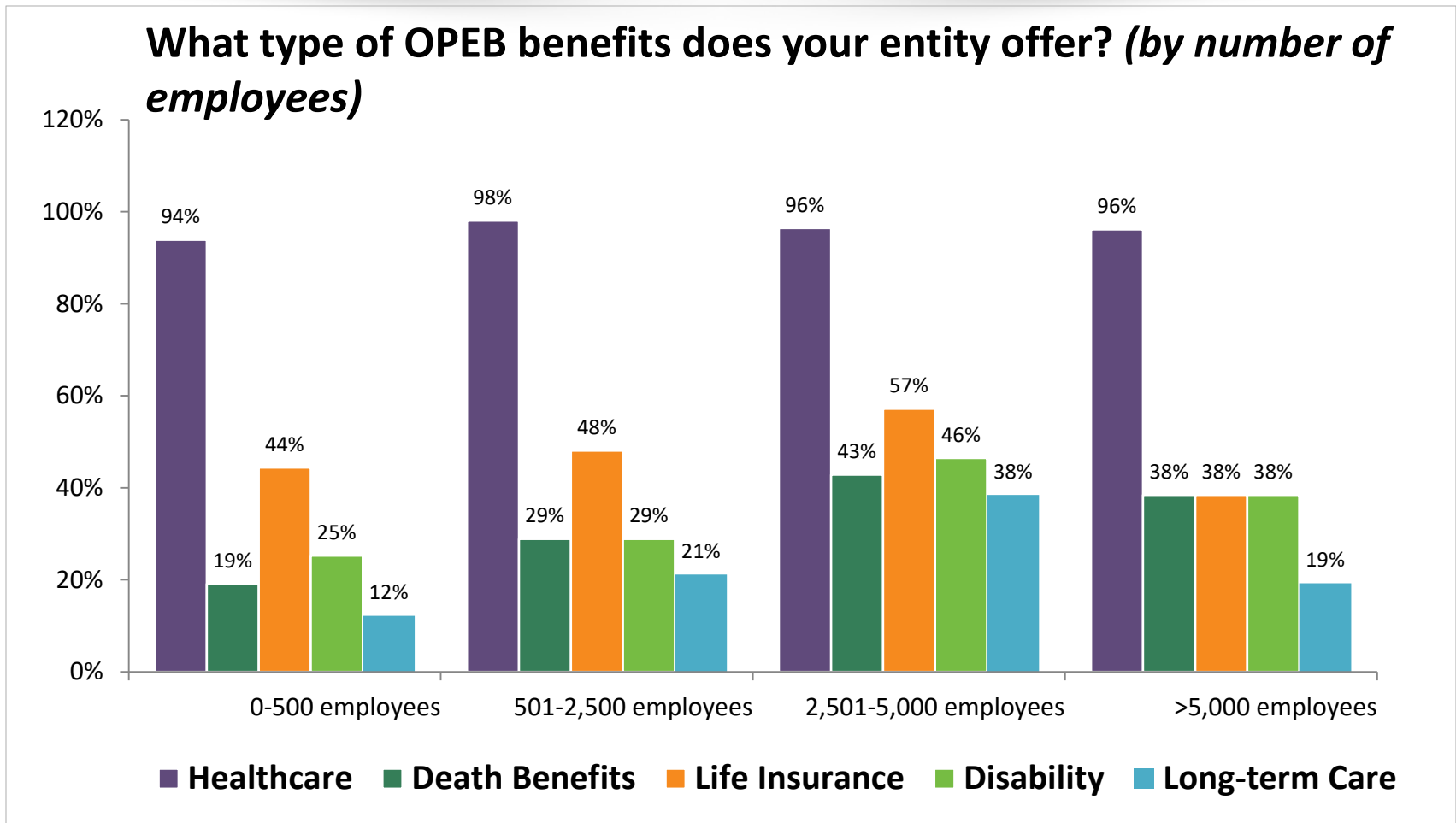
Financial Reporting (continued)

Do you offer tax abatement programs?

- Yes
- No

31%

69%
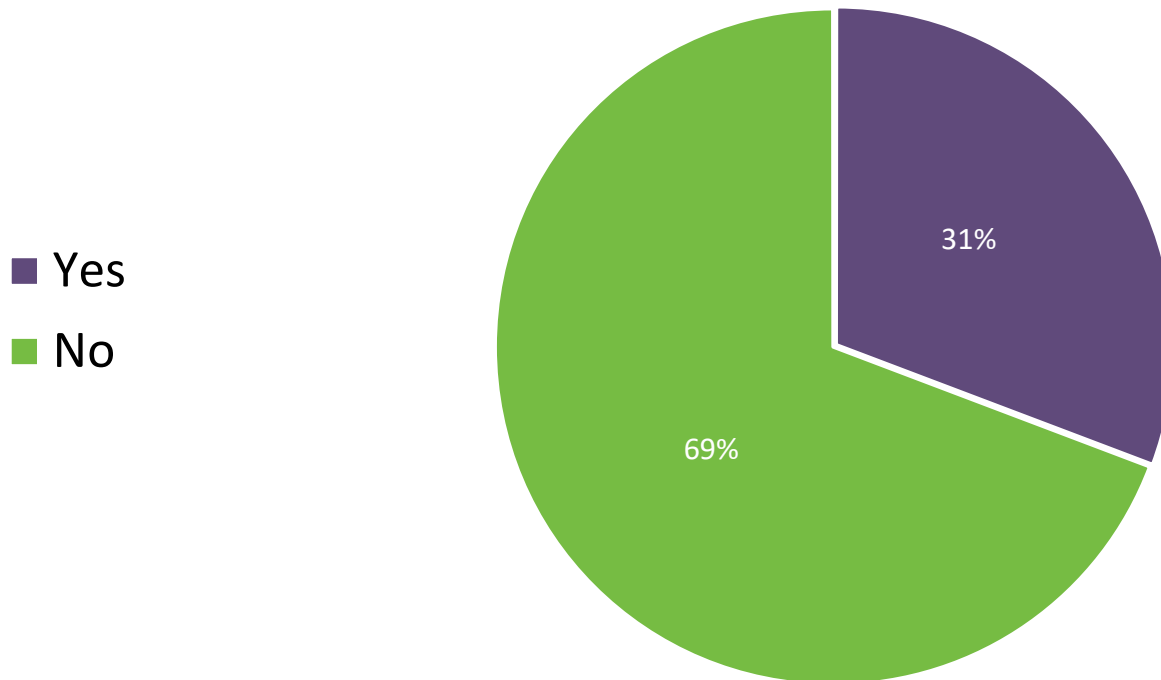
Financial Reporting (continued)

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)*

Legend:
- ■ 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

Authority/Commission/Other:
- I am not yet sure: 30%
- No: 59%
- Yes: 11%

School:
- I am not yet sure: 45%
- No: 55%
- Yes: 0%

Municipality:
- I am not yet sure: 43%
- No: 47%
- Yes: 10%

County:
- I am not yet sure: 56%
- No: 28%
- Yes: 16%

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Financial Reporting (continued)

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

Response	Percentage
We are revising our future lease agreements to incorporate interest rates.	7%
We have started populating a database with our lease terms.	7%
We have designated an internal resource to head this project.	16%
We have hired a consultant to assist us.	2%
We have started compiling our population of leases.	45%
We have read GASB 87.	77%

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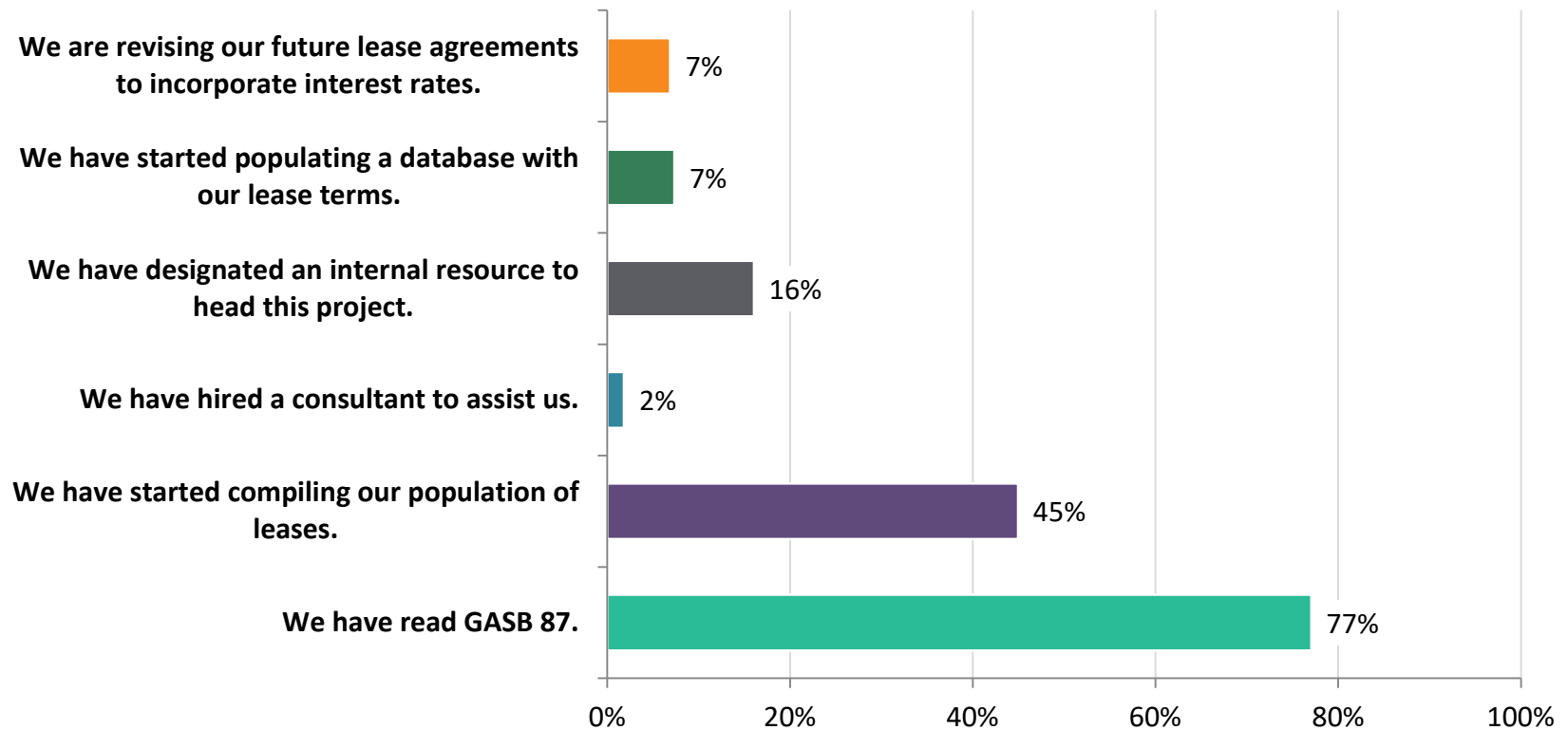
Financial Reporting (continued)

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%

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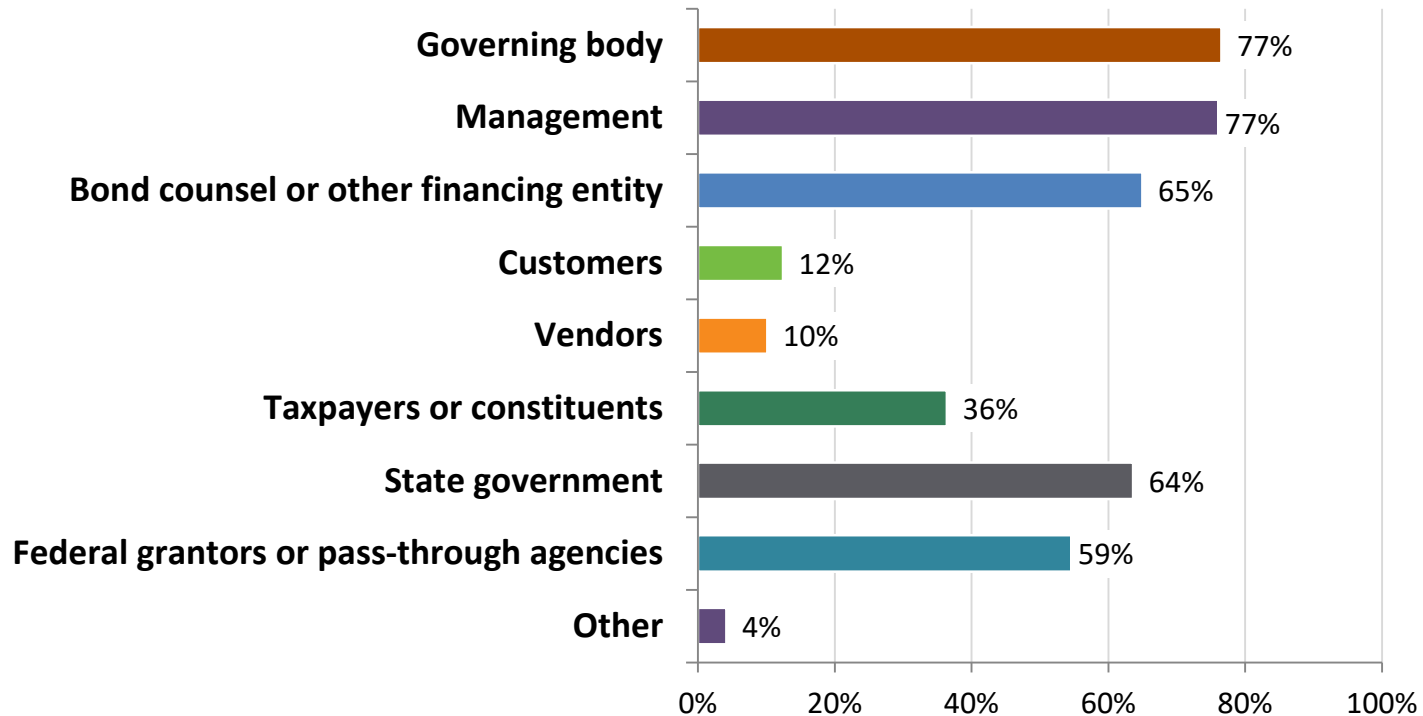
Financial Reporting (continued)

Do you believe recent accounting standards have improved financial reporting for the primary users of your financial statements?

Legend: 2015, 2016, 2017, 2018, 2019

	Yes	No	Other
2015	51%	43%	6%
2016	39%	56%	5%
2017	47%	50%	3%
2018	36%	57%	7%
2019	40%	56%	4%

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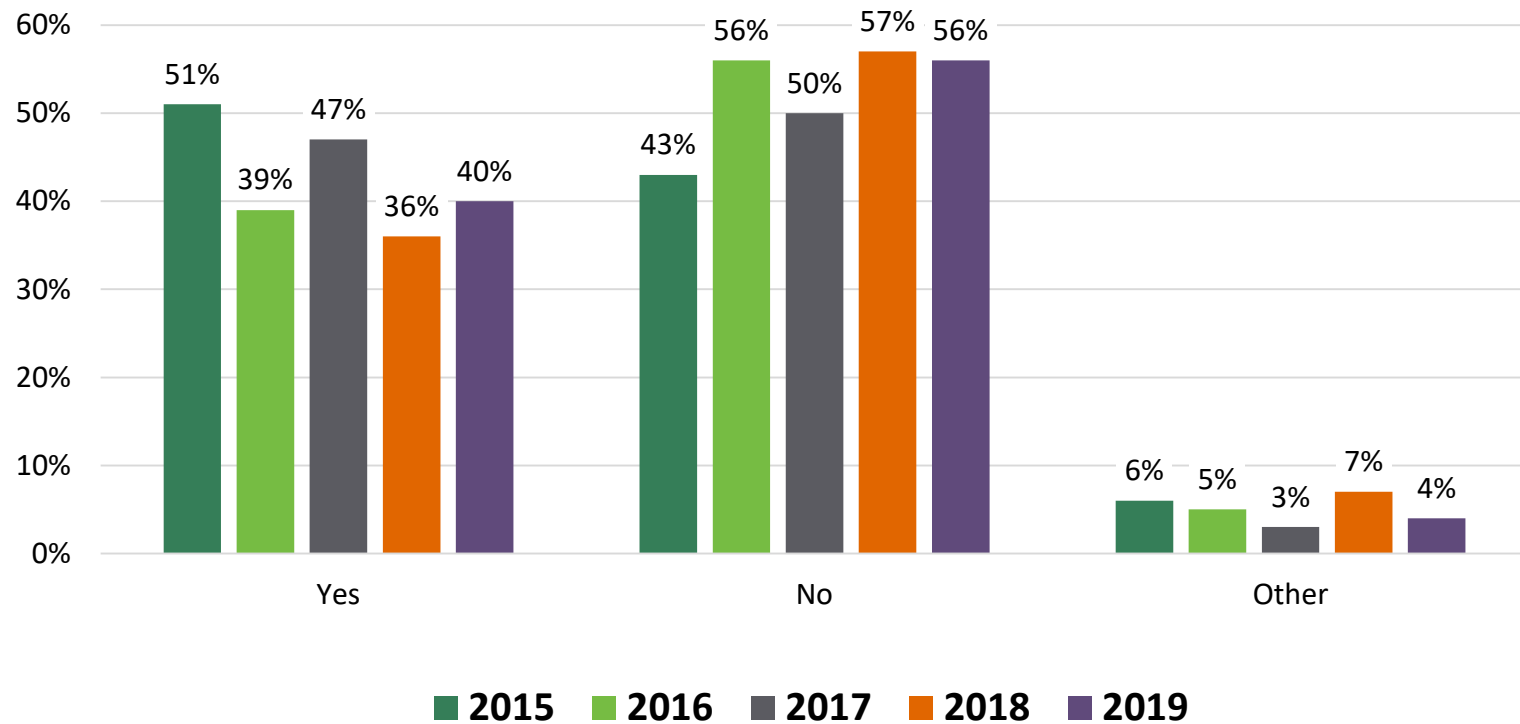
Financial Reporting (continued)

Does your entity submit its financial statements to the GFOA for the certificate program? *(by entity type)*

Legend:
- **Yes** (green)
- **No** (orange)
- **No, we do not prepare a CAFR** (purple)

Data:

Entity Type	Yes	No	No, we do not prepare a CAFR
County	75%	18%	7%
Municipality	82%	10%	8%
School	64%	18%	18%
Authority/Commission/Other	42%	25%	33%

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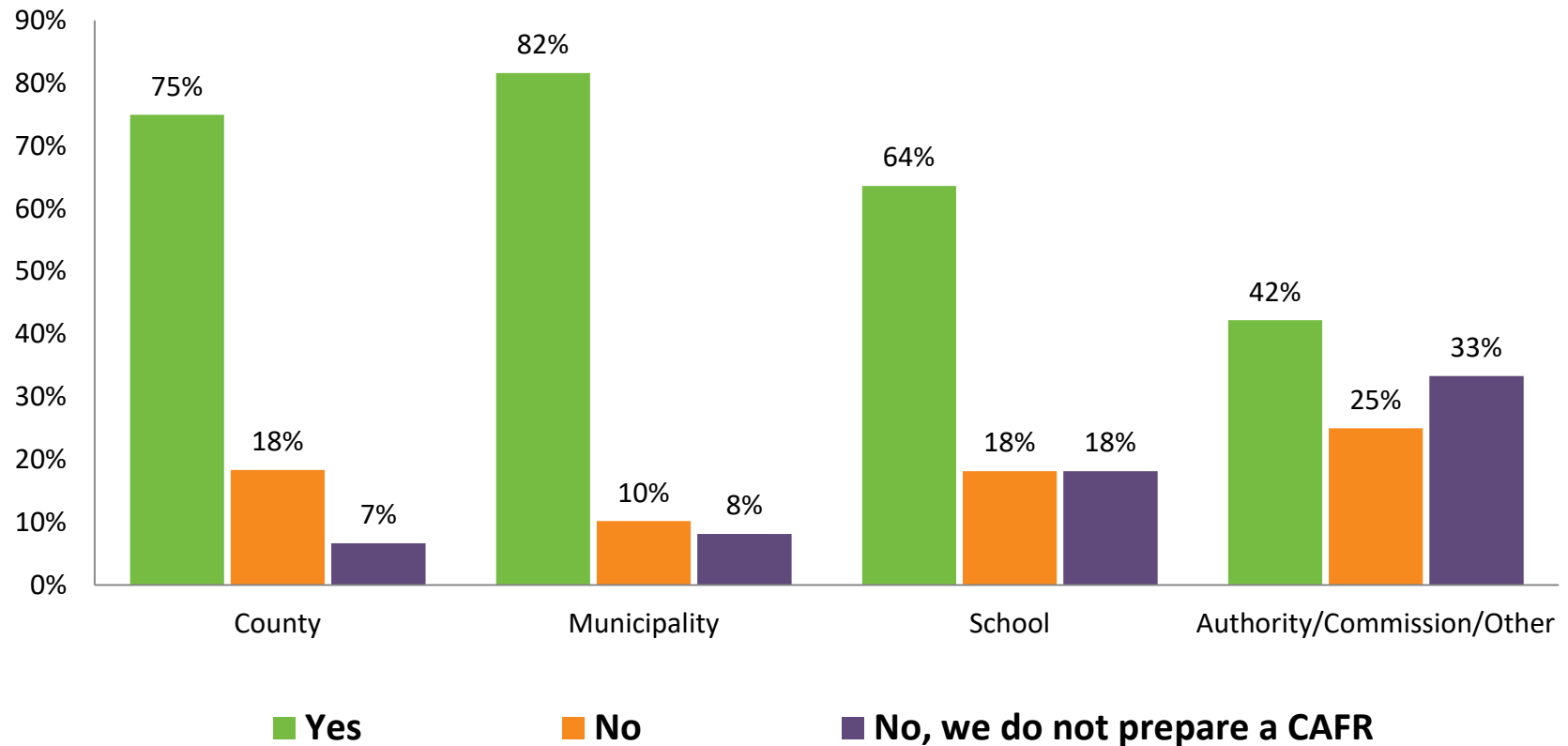
Financial Reporting (continued)

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

Response	Percentage
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%

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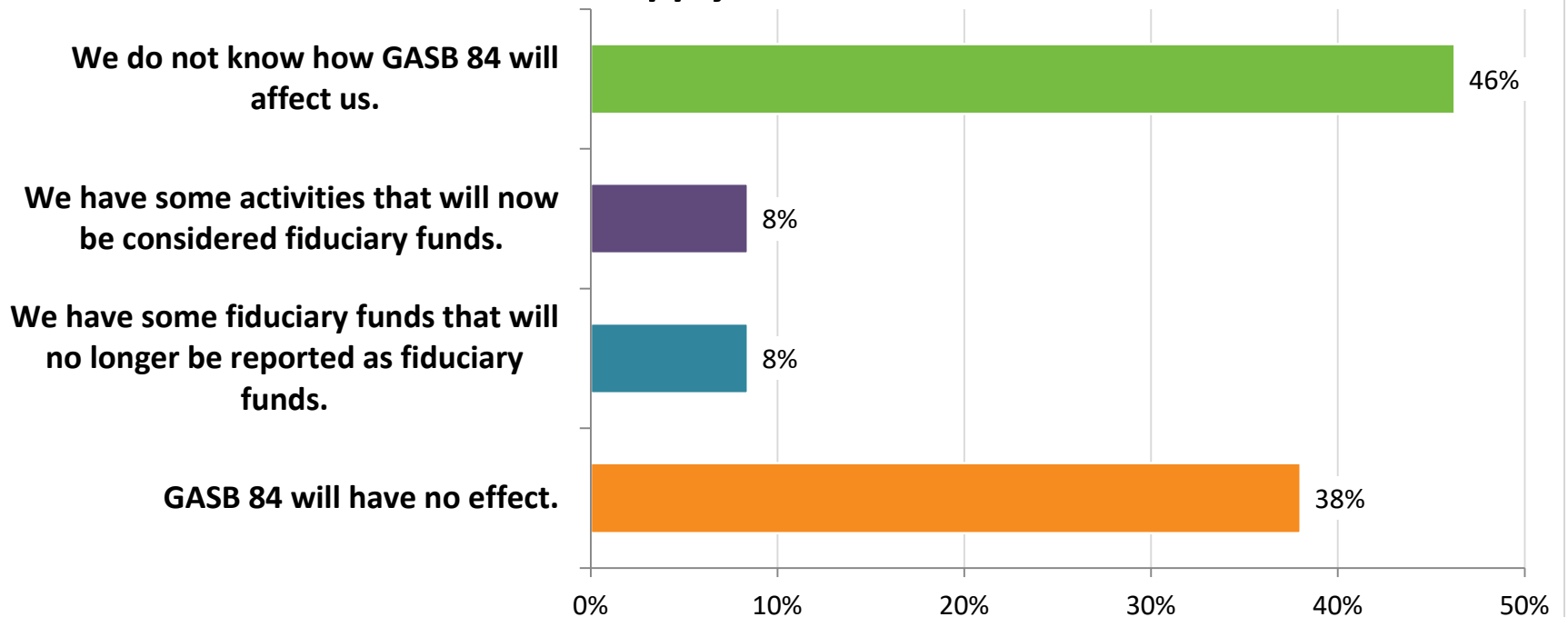
Financial Reporting (continued)

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%

0%   10%   20%   30%   40%   50%

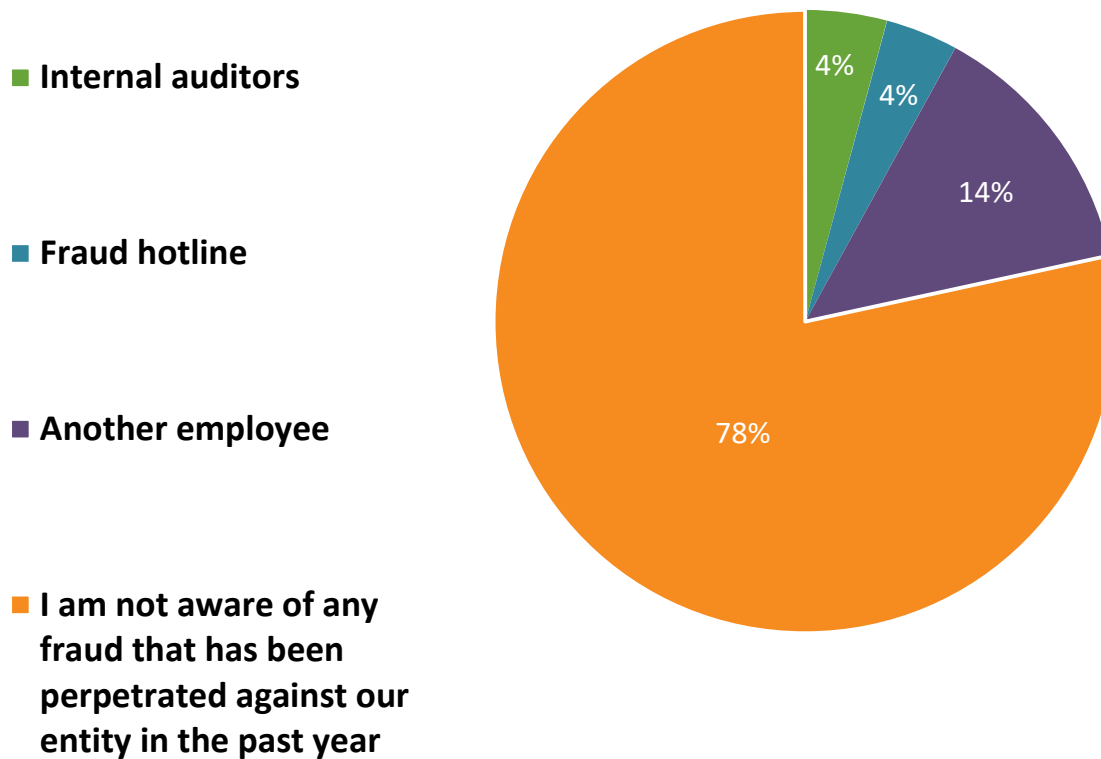**Cherry Bekaert** LLP
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Risk Assessment & the Audit Process
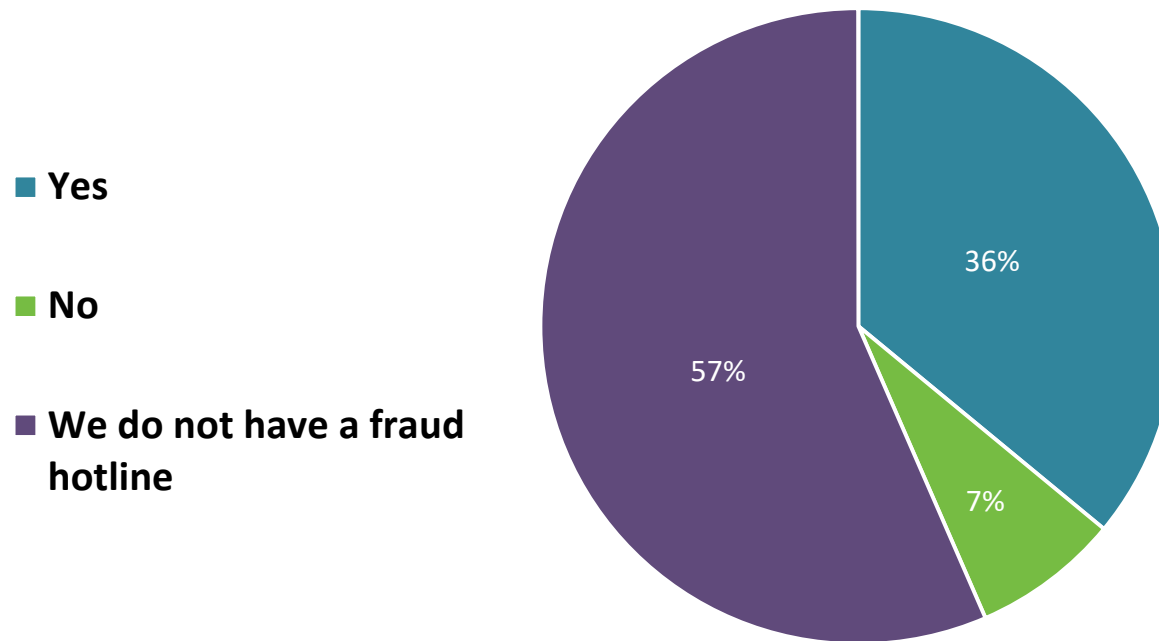
Risk Assessment & the Audit Process

If a fraudulent event occurred at your entity in the last year, how was it caught?

- ■ Internal auditors

- ■ Fraud hotline

- ■ Another employee

- ■ I am not aware of any fraud that has been perpetrated against our entity in the past year

4%
4%
14%
78%

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Risk Assessment & the Audit Process (continued)

Is your fraud hotline an effective tool in detecting fraud and abuse?

- Yes
- No
- We do not have a fraud hotline

36%

7%

57%

Risk Assessment & the Audit Process (continued)

Does your entity have an internal audit function? *(by revenue)*

≤$50 million
- No: 36%
- 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: 17%
- Yes, it reports to management: 19%
- Yes, it reports to the governing body: 64%

Legend: ■ No ■ Yes, it reports to management. ■ Yes, it reports to the governing body.

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Debt Structure

Debt Structure

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

Chart: Does your entity have debt? (by revenue)

Revenue	No	Yes
>$250 million	16%	84%
$50-$250 million	21%	79%
<$50 million	16%	84%

Legend: ■ No ■ Yes

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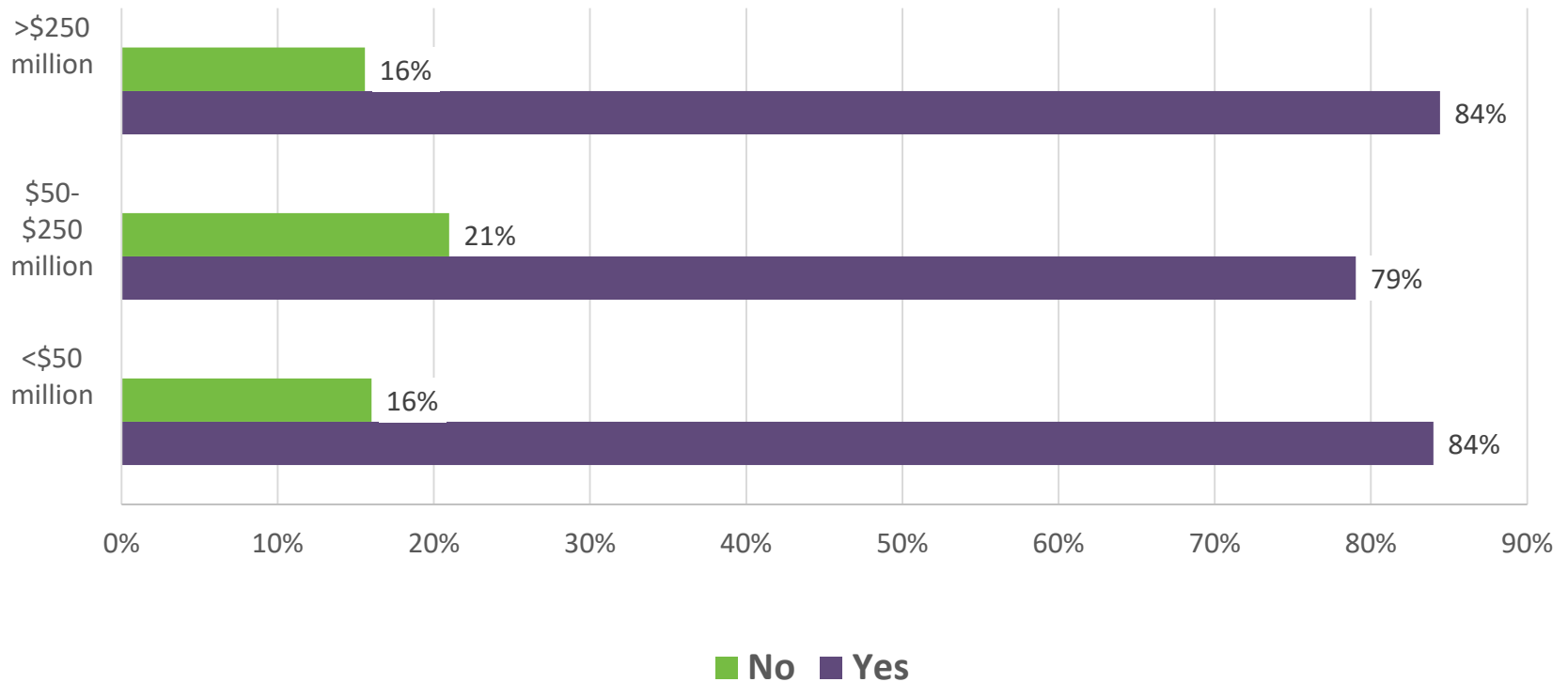
Debt Structure (continued)

When do you plan to incur debt?

	Within the next year	In 1-3 years	No time in the foreseeable future
2017	46%	22%	32%
2018	41%	22%	37%
2019	36%	32%	32%

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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%

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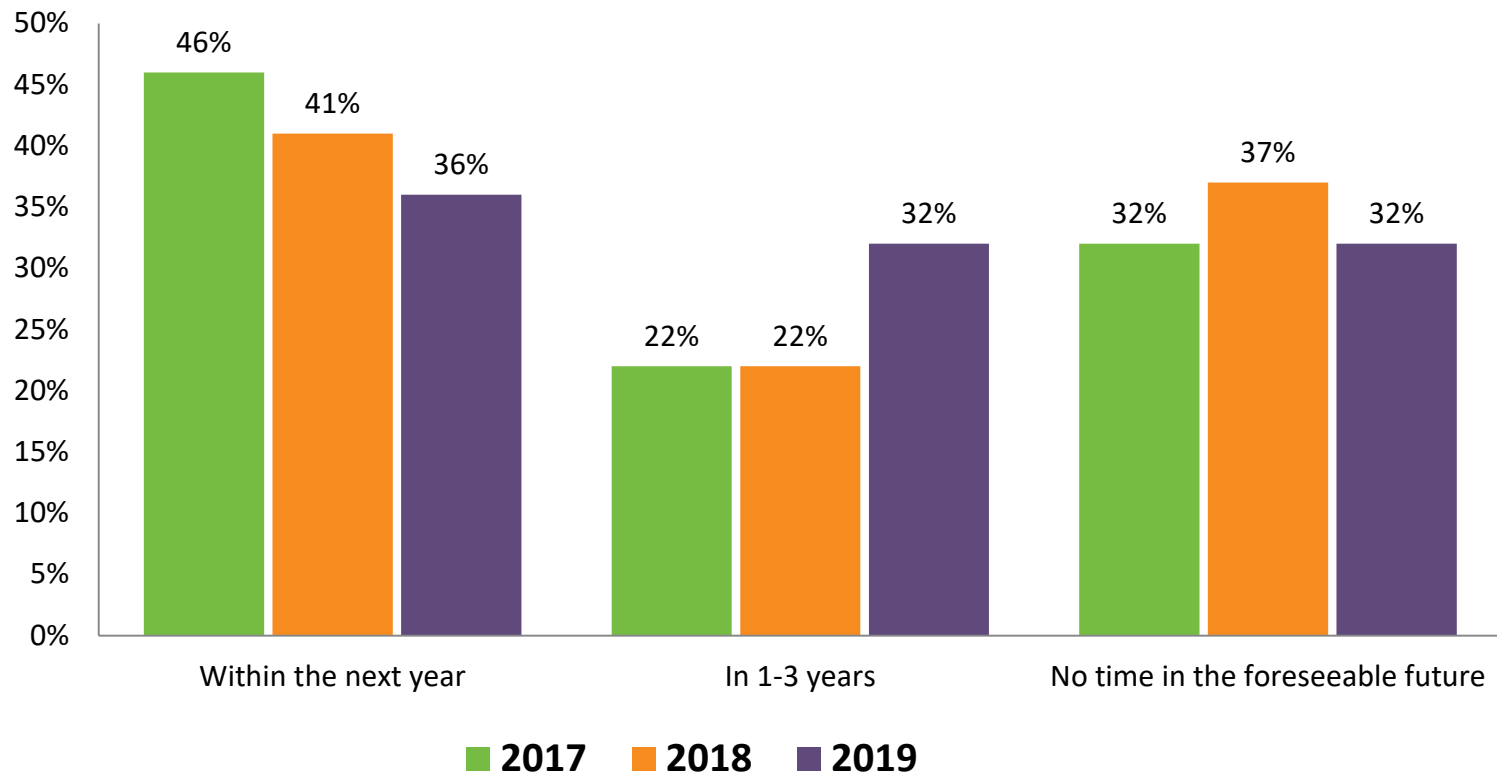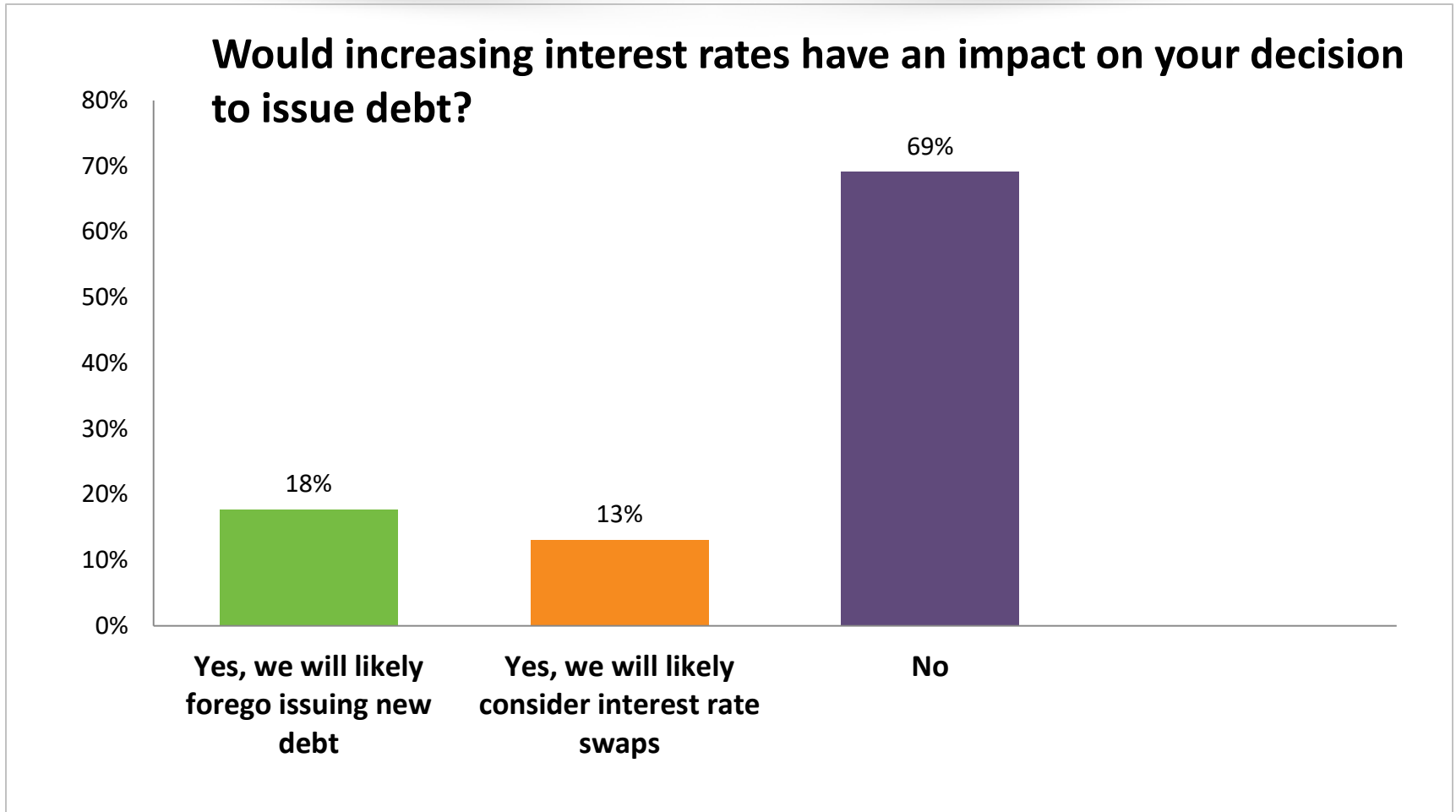
Data & Dollars

Data & Dollars

Does your entity transact in cryptocurrency?

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

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