CHARTING A COURSE THROUGH STORMY SEAS: STATE FINANCIAL EXECUTIVES IN 2012
# Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary</td>
<td>1</td>
</tr>
<tr>
<td>About the survey</td>
<td>3</td>
</tr>
<tr>
<td>Inefficiency and waste</td>
<td>5</td>
</tr>
<tr>
<td>Measuring performance</td>
<td>6</td>
</tr>
<tr>
<td>Timely financial reporting</td>
<td>9</td>
</tr>
<tr>
<td>State systems and the Cloud</td>
<td>14</td>
</tr>
<tr>
<td>Strategy</td>
<td>16</td>
</tr>
<tr>
<td>Structure</td>
<td>18</td>
</tr>
<tr>
<td>Culture</td>
<td>20</td>
</tr>
<tr>
<td>People</td>
<td>23</td>
</tr>
<tr>
<td>Top challenges</td>
<td>26</td>
</tr>
<tr>
<td>Conclusion</td>
<td>28</td>
</tr>
</tbody>
</table>

## About the National Association of State Auditors, Comptrollers and Treasurers (NASACT)

NASACT is an organization for state officials who deal with the financial management of state government. NASACT’s membership is comprised of officials who have been elected or appointed to the offices of state auditor, state comptroller, or state treasurer in the 50 states, the District of Columbia, and U.S. territories. NASACT has a headquarters office in Lexington, Ky., and a second office in Washington, D.C. The Association plans and manages training and technical assistance programs and handles numerous requests for information each year from state auditors, comptrollers, treasurers, and other government officials, as well as the private sector. NASACT monitors federal legislation and agency developments that have an impact on state government and acts as a liaison to federal regulatory bodies and Congressional committees on issues of interest to members. NASACT uses its expertise to provide responses to technical standards-setting bodies, helping to ensure the highest standards of government transparency, accountability, and integrity. For more information, visit www.nasact.org.

## About the Association of Government Accountants (AGA)

AGA, founded in 1950, supports the careers and professional development of public finance professionals working in federal, state, and local governments, as well as the private sector and academia. The association has more than 15,000 members, including professionals in accounting, administration, auditing, budgeting, consulting, grants management, fraud investigation, and information technology. AGA has been instrumental in developing accounting and auditing standards, and in generating new concepts for the effective organization and administration of financial management functions. The association conducts independent research and analysis of all aspects of government financial management. These studies, including the 2012 AGA Chief Financial Officers Survey and more than 30 independent studies supported by the Corporate Partner Advisory Group, make AGA a leading advocate for improving the quality and effectiveness of public fiscal administration and program accountability. For more information, please visit www.agacgfm.org.

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Executive summary

State government, and indeed every governmental unit in the U.S, has been surrounded by a storm of financial turmoil for some years now. The storms continue, and the years ahead may prove to be just as difficult as those they have just endured. It was in this environment that we surveyed state financial management executives and others engaged in governmental finance throughout the country. Our survey finds these financial professionals engaged, hard at work, and helping to guide their agencies through these perilous times.

Tackling inefficiency and waste is just part of the job
Government efforts to tackle and eliminate inefficiency and waste are not new. Since the dawn of the Republic, governments have taken steps to identify and reduce misuse of taxpayer dollars. But with the economic crisis, some suggest that such initiatives take on new momentum. Not the respondents in our survey, however. A majority of respondents say they have no “campaigns” to reduce waste. Most replied that such initiatives were a regular part of doing business. They say improving efficiency is “an ongoing process” or “part of our mission.” Even though few novel “campaigns” have been launched to root out inefficiency, things are being done and results are being achieved.

Measuring performance
Respondents to the survey have widely varying roles in their organizations’ performance management activities. While they agree performance management is an important activity, their roles are very different. Some are integral to the development, reporting, and use of performance information. Others are performing an audit or analysis role. Still others have no role at all. Even with the disparity of roles, a majority of respondents say they are involved at least sometimes in the setting of goals. Unfortunately, they are not as comfortable with their organizations’ ability to capture relevant performance data for use in performance reporting.

Timely Financial Reporting
State and local governments produce a Comprehensive Annual Financial Report (CAFR). To be useful to decision-makers, it must be produced timely, but some governments have had difficulty producing the report. We asked respondents how quickly they could produce a CAFR, and the majority of respondents believe they can produce a CAFR more quickly. The greatest impediment to a timelier CAFR is the components’ ability to produce financial statements in sufficient time. Not surprisingly, accounting errors are what respondents perceive as the greatest risk to producing CAFRs more timely.

State systems and the Cloud
Despite the clamor for the Cloud, the vast majority of our respondents do not currently manage their finances or financial reporting there. Their governments do not generally use the Cloud for other systems, either. The main barrier seems to be that they do not know much about the Cloud. Some do not know what it is. A vast majority do not know what savings to expect from moving to the Cloud. Implementation costs and security risks rank highest on respondents’ list of impediments to moving financial systems to the Cloud.

Driving performance
There are important elements of an organization that drive its performance. The strength of these elements can be major factors in whether an organization achieves its goals. We asked respondents about each of four important drivers: strategy, structure, culture, and people.
Financial executives have aligned their offices with state missions
Strategy is what focuses an organization. It is what entities choose to pursue to perform well. Respondents express the strong belief that they are aligned with their organizations’ strategy. But few are satisfied with the degree to which risk management and performance improvement are integrated into the strategy of their organizations.

Different views of leadership and trust
Structure refers to how the entity is organized. High performing entities are designed to support their people to work with each other and for their stakeholders. While respondents have high opinions of the make-up and organization of their offices, trust within their organizations is not where it should be. The fiscal storms hitting states have reduced revenues, frozen pay, and cut staffing, leaving the financial executives to pick up the pieces and find ways to continue to accomplish essential functions.

The finance culture is strong and supportive
Culture is what people believe about how work gets done. It is the thoughts and beliefs that drive behavior in the entity. Respondents think very highly of the culture in their organizations. They believe the people in their organizations are focused on the same values and priorities. They also believe their leaders are good at communicating and building culture. Their responses are more lukewarm when asked whether they have confidence that the state culture is well positioned to meet the challenges they face.

People are the key to success
People refer to how an entity recruits, develops, and retains the people who do the work of the organization. The ultimate resource of any entity is its people. Respondents believe they have people with the right mix of technical skills and attitudes, who understand the link between their work and their organizations’ objectives.

Storms will continue
Much like their federal counterparts, state financial executives have challenges ranging from personnel to budget to providing services to technology. They recognize that challenges and difficulties from external forces will continue, and they have plans and contingencies to deal with them. They want to continue their focus on their people so they can achieve results for their customers and stakeholders.

Conclusion
There is a storm out there. It is not a storm on the horizon; it is already here. It is driven by the continued poor performance of U.S. and global economies. It causes dropping revenues but continued high demand for government services.

While every government executive bears some responsibility for the government’s response to this storm, financial executives have a leading role because all state and local government operations require funding. They must motivate and lead their staffs who are overwhelmed by increasing workloads caused by staffing shortages, discouraged by years without pay raises, and battered by public denigration of their public service.

Throughout this survey, however, we see financial executives successful in spite of all that is thrown their way. They have been seasoned by the storms of the last few years. They have their priorities straight, and they can and will guide their offices and governments to a safe harbor.
About the survey

Since 1996, the Association of Government Accountants (AGA) and Grant Thornton LLP have jointly sponsored an annual survey of government chief financial officers (CFOs). In 2009, the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) joined with AGA and Grant Thornton to expand the reach of the survey to state financial managers, and in 2011, we began to issue two reports: the first focused on the federal government, and a second report based primarily on state government.

Our first 2012 report, AGA’s Annual Federal CFO Survey, issued in July 2012, focused on the federal Campaign to Cut Waste, measuring performance, and an assessment of CFO organizations using the recognized elements of high-performing organizations: strategy, structure, culture, and people. This 2012 state report touches on eliminating waste and inefficiency and measuring performance, but has unique sections on timely financial reporting in the Comprehensive Annual Financial Report (CAFR) and state systems in the Cloud. Like the federal report, it also included an assessment of state financial organizations using the recognized elements of high-performing organizations.

Our purpose for doing the surveys is to identify emerging issues in financial management and provide a vehicle for practitioners to share their views and experiences with colleagues and policy makers. This is one of the ways in which NASACT and AGA maintain their leadership in governmental financial management issues.

Anonymity
To preserve anonymity and encourage respondents to speak freely, these surveys of the financial community do not attribute thoughts or quotations to individual financial executives, nor do we identify specific input from any individual online respondent.

Survey methodology
With NASACT and AGA guidance, Grant Thornton developed survey instruments that included closed- and open-ended questions. NASACT also provided specific input on the questions related to timely financial reporting.
and state systems in the Cloud. When we released the survey, 40 senior NASACT members from 30 states and territories provided their assessments. We also obtained online participation from 180 state financial managers and 137 other financial managers working primarily in local government. Figure 1 shows the profile of non-federal online participants. We included local financial managers’ input in this survey since it is more closely associated with state financial management than federal financial management. Throughout the survey, we refer to these 40 senior NASACT members as “executives” and all of the others as “online participants.”

Figure 1:
Respondents’ level of government
Number responding: 317

The 40 NASACT members who responded to the survey included a wide range of position titles, including State Auditor, State Comptroller, and State Treasurer. Twenty-one of the position titles were related to accounting/treasury, and 17 were related to auditing. The states and territories they represented included:

1. Alaska
2. Arizona
3. California
4. Colorado
5. Georgia
6. Guam
7. Idaho
8. Illinois
9. Iowa
10. Kentucky
11. Louisiana
12. Maryland
13. Massachusetts
14. Michigan
15. Missouri
16. Montana
17. North Carolina
18. Nevada
19. New Hampshire
20. New Mexico
21. New York
22. Ohio
23. Oklahoma
24. South Dakota
25. Utah
26. Vermont
27. Virginia
28. West Virginia
29. Wisconsin
30. Wyoming

Copies of the online questionnaires can be found at www.grantthornton.com/publicsector.
Inefficiency and waste

Government efforts to tackle and eliminate waste, fraud, and abuse are not new. Since the dawn of the Republic, governments have taken steps to identify and reduce misuse of taxpayer dollars. But with the economic crisis, some have suggested that such initiatives take on new momentum.

The poor economy and resulting reduction in revenues hit state and local governments earlier than it hit the federal sector. Part of the federal response was the Campaign to Cut Waste, which was a major workload for federal CFOs. So, we began the state survey by asking whether states had been conducting their own campaigns to identify inefficiencies and waste. Figure 2 shows the results.

The next open-ended question asked respondents what results their campaigns had achieved. Whether they considered their efforts campaigns or not, respondents had many examples of results. Executives mentioned a number of audit-related results, as befits the roughly 40% of executives who were from the audit community. These included various performance audits and the occasional discovery of fraud. Other executive results included changing, streamlining, and eliminating work processes; more electronic payments; outsourcing some functions; and reducing staff. While one executive respondent noted, “Over $2 million in savings due to restructuring,” many respondents said that their efforts were still “a work in progress.”

The single most common result mentioned by online respondents was staff reductions. Some of these were labeled layoffs, but others were simply not filling vacant positions, which could indicate a less permanent reduction. One respondent said, “Jobs have been streamlined and positions eliminated.” This was interesting because only one executive noted staff reductions. The next most common result identified by online respondents was process re-engineering, consolidation, streamlining, or improvement. Respondents said it many different ways, but it was typically about re-engineering their business processes to be more efficient in the face of less staffing or funding. Sometimes it was about eliminating duplication or reducing redundancy. The third most common theme was the increased use of technology. Many online respondents mentioned efforts to go paperless. One respondent said, “We did a complete conversion of a large paper-based process to a paperless document management system.”

Overall, the respondents seemed proud of the results they had achieved to make their piece of government more effective and less costly. One respondent said, “We reduced operating expenses, increased dedicated receipts, and reduced general fund appropriations, resulting in improved accountability and cash flow.”

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>26%</td>
<td>46%</td>
<td>28%</td>
</tr>
<tr>
<td>Online</td>
<td>40%</td>
<td>54%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Only about a quarter of executives indicated that they had conducted “campaigns,” and most of those responding “other” indicated that the efforts they made at identifying inefficiencies and waste did not constitute a “campaign.” The fact that 40% of the online respondents indicated that they had conducted a campaign could indicate a less rigorous definition of “campaign.” It could also indicate that many were from local governments. Like the executives, the online participants who answered “other” explained that their efforts were continuous or ongoing. It would appear that states did not generally have campaigns focused on identifying inefficiencies and waste, though all of them included efforts like this in their regular workload.
Measuring performance

Many federal CFOs are responsible for performance management in their agencies, especially implementation of the GPRA Modernization Act (GPRAMA) of 2010, one of whose key requirements is the identification of priority goals. However, this is not true of state financial executives. Executives and online respondents to this survey had widely varying roles in their organizations’ performance management activities.

“Depending on the management style of the elected officials, we are either included in setting priorities or are flat-out told what priorities are the most important.”

Roles
In this section of the survey, we first asked respondents an open-ended question about their role in performance management for their state or entity. From the executives’ responses it seems clear that most of them did not have responsibility for the statewide performance management function. A number of them stated that they had limited or no responsibility. Some mentioned that they were only responsible for the performance of their offices’ functions. A few seemed to indicate that the office responsible for budgeting was responsible for statewide performance management. This is not particularly surprising because auditors, comptrollers, and treasurers are not usually the executives responsible for entity-wide performance management.

Among the online participants there was more diversity in their responses, possibly because many of them worked in offices other than auditing, accounting, and treasury, or they worked in local government. Many did indicate that they had limited or no responsibility and many others discussed their responsibility for the performance of their offices’ functions. However, a number of them indicated that they were responsible for strategic planning, performance metrics, and/or entity-level performance reporting. Overall, it appears that, unlike their federal counterparts, the state and local online participants are not as involved in entity-level performance management.

Our next question asked how much respondents’ offices participated in helping set agency priority goals for their entity. Figure 3 shows the results.
Perhaps because the executives were not generally responsible for the statewide performance management function, few of them indicated any role in setting state goals, as indicated in Figure 3. Many mentioned that the goals were set by the governor and his cabinet. Some indicated that they were involved only when the goals related to financing decisions or debt. One executive noted, “Mostly the priorities of the state are set at the top and flow down.”

The online respondents had a somewhat different view, as can be seen in Figure 3. Some of the online respondents had comments similar to the executives, including the notion of top down guidance, but many others were involved in goal-setting. In some cases, this may have been because they worked in local government. One respondent said, “The finance department works closely with the mayor’s office to set citywide goals.” A number of online respondents also mentioned that working with the budget put them in a position to influence goals. Overall, it appeared that the respondents’ role in goal-setting was influenced by the specific individuals involved. One respondent noted, “Depending on the management style of the elected officials, we are either included in setting priorities or are flat-out told what priorities are the most important.”

**Data**

Performance management is data-intensive, so the survey asked how satisfied respondents were with their current capabilities for capturing data relevant to performance management. Figure 4 shows the results.

### Figure 3:
How much does your office participate in helping to set priority goals for your agency?

<table>
<thead>
<tr>
<th></th>
<th>Executives</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>Seldom</td>
<td>34%</td>
<td>18%</td>
</tr>
<tr>
<td>About half the time</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Usually</td>
<td>21%</td>
<td>28%</td>
</tr>
<tr>
<td>Always</td>
<td>11%</td>
<td>26%</td>
</tr>
<tr>
<td>Does not apply</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Figure 4:
How satisfied are you with your office’s current capabilities for capturing relevant data for performance measurement?

<table>
<thead>
<tr>
<th></th>
<th>Executives</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very dissatisfied</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>22%</td>
<td>14%</td>
</tr>
<tr>
<td>Neither satisfied nor dissatisfied</td>
<td>24%</td>
<td>31%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>38%</td>
<td>29%</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Does not apply</td>
<td>0%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Figure 4 appears to show that executives are slightly more satisfied than dissatisfied with their data collection capabilities, and about half of the executives provided additional comments. A few of those indicated that there were limited or no collection capabilities, but more of the comments were positive about current or evolving capabilities, even when there were constraints. One respondent noted, “We easily capture financial information, which is relevant but often incomplete for performance management.”

According to Figure 4, the online respondents seemed to be even more satisfied than executives, and their comments tended to support this. Their comments roughly fell into four categories: satisfied, dissatisfied, continuing to improve, and other issues. A number of respondents commented that they had the data they needed to do the job, including mature systems, data warehouses, and access. One respondent said, “Data is available, automated, valid, and reliable.”

Slightly more online respondents commented that they were dissatisfied with their capabilities. Some indicated that it was difficult to get the various reporting offices to “get on board”; others mentioned the lack of systems support, difficulties in measuring, and a lack of metrics. One respondent said, “We have antiquated systems coupled with questionable measures that are generally selected only because they make us look good.”

More respondents than in either of these two categories commented on continuing improvements in data collection. Their comments were typically along the lines of “things are OK, but we can do better” or “we are continuing to improve.” These respondents had some good capabilities, but they were still not satisfied.

The final category included respondents who noted the difficulty of setting quantifiable goals or agreeing on what should be measured, and the difficulty of identifying funding to procure new systems. Some noted that their offices or agencies were not really committed to “the idea of accountability through performance.” One respondent noted, “Our office does not feel that performance measures would help us function more efficiently.”

About a quarter to a third of the respondents selected “neither satisfied nor dissatisfied.” If this middle choice is viewed as a surrogate for “I don’t know/I don’t care,” it is disturbing that so many have this attitude about performance data collection, especially when additional work in this area appears to be indicated.
Timely financial reporting

State and local governments produce CAFRs. Accurately capturing financial information is always a critical function for state financial executives and managers, but it is also critically important that the resulting information be timely if it is ultimately to be useful to decision-makers.

CAFR timing

The survey asked respondents how timely a CAFR should be to be useful for decision-makers, and Figure 5 shows the results.

At first glance, it appears that executives leaned more toward the 6 month standard. Actually, 43% of them chose 6 months and 43% chose 2, 3, or 4 months. Thirty percent of online respondents chose 5 or 6 months and 56% chose 2, 3, or 4 months.

There are a number of issues related to the CAFRs, which are typically issued 6 months after the close of the fiscal year. This means that most non-federal governments issue their CAFRs around January 1st. Federal entities (departments, agencies) issue their year-end financial reports on November 15th, 45 days after the close of the federal fiscal year. Some question why states and others cannot complete their CAFRs within 45 days. However, federal agency financial reports are not CAFRs in that they typically do not include revenue or debt. Those are handled solely by the U.S. Department of the Treasury. For a state to issue its CAFR, it requires its various departments and component units to complete their financial reports before it can issue the statewide CAFR.
Executives indicated that issuing CAFRs sooner than is currently done would be good, but they also recognized that it would not be easy. One respondent noted, “Three months would provide decision-makers with the opportunity to consider the CAFR prior to formulating their budgets.” However, several respondents had comments similar to one who said, “I am not aware of any legislators or state managers who use the CAFR for decision-making.” At the federal level, there were similar comments from financial executives about the usefulness of federal agency financial statement data.

The online respondents offered many perspectives similar to the executives. Some treated the CAFR as a historical document whose accuracy was more important than its timeliness. A number of respondents discussed the need for the CAFR to influence the budget, although some focused on budget preparation, which occurs about 3 months after the close of the fiscal year, and others focused on budget approval, which occurs more than 6 months after the close of the fiscal year. Other respondents noted that CAFRs provided information relevant for investors in state and local government debt. Like the executives, some commented on the possible uses of CAFR data, including one respondent who said, “The CAFR is not used by local government managers. It is typically used by those analyzing information for bond ratings and issuances.” While many respondents thought a timelier CAFR would be more useful, they also wondered about the cost-benefit of more timely production. However, one respondent said, “There is no excuse for the delay with today’s technology.”

We also asked whether it was actually possible to issue a CAFR as quickly as they thought was necessary. Most thought that whatever timeframe they had selected (2 to 6 months) was possible, but some who wanted it more quickly than they were currently producing it foresaw major problems. Most executives thought the current requirements and available staffing resources would preclude a quicker CAFR. One respondent said, “If GASB [Governmental Accounting Standards Board] guidance was streamlined, we could do it quicker.”

The online respondents had similar responses. Some pointed out that the size of the governmental entity had a lot to do with the possibility of a quicker CAFR. Other online respondents emphasized the difference between assembling the CAFR and getting the audit completed. One respondent said, “We could prepare the CAFR in 3 months, but we can’t get it audited in 3 months.” Finally, one respondent focused on the requirements and said, “We could do a ‘reduced’ or ‘simplified’ CAFR much more quickly.”
Impediments and risk

Next, the survey asked respondents to comment on some possible impediments to the timelier issuance of a CAFR. Figure 6 shows the results.

The results shown here seem to indicate that just about everything is an impediment to someone. Almost three-quarters of executives focus on the ability of component units to complete their audited financial statements. Online participants probably did not rate this as highly because they are the component units. Instead, the online participants focused on the inability to get the accounting records closed or the audit completed. About 40% of each group noted the role played by staffing shortages. The lack of pressure for more timely CAFRs produced the fewest choices from the online participants and the second fewest from executives. In other comments, some noted the increasingly complex guidance. One executive noted, “GASB standards are getting to the point of almost ridiculous.” But some wondered if it was all just making excuses. One online respondent said, “It just seems like we can’t do it in less time because we are all resistant to change.”

Next, the survey asked about the risks associated with issuing the CAFR more quickly. Figure 7 shows the results, including substantial unity between the opinions of the executives and online respondents in most categories.
One executive noted a risk of wasted effort because “a faster process will not increase the use of, or reliance on the CAFR.” Other executives noted that “accuracy usually trumps timeliness” when it comes to CAFRs. One executive said, “Auditors interpret the standards to mean that CAFRs must be perfect.”

A number of online respondents discussed the increased use of estimates, with most believing that the risk of using them was not great. One online respondent said, “We may need to use more estimates, but untimely data is completely useless to decision-makers.”

The next open-ended survey question asked what GASB could do to remove obstacles that impede the production of a more timely CAFR. Executives generally suggested that ceasing pronouncements would be the most beneficial thing GASB could do. They also had some specific complaints about current pronouncements. One particularly precise obstacle identified was complexity driven by investor users. One respondent said, “Reduce the reliance on the investing community as the primary users of financial statements.”

Some of the online respondents professed their satisfaction with GASB, but most simply wanted GASB to stop making pronouncements. Some suggested that GASB declare a hiatus and allow the government to catch up. Some of the specific suggestions to reduce impediments were more guidance on the use of estimates including setting minimum materiality levels, reducing the minimum requirements for a CAFR, and, similar to the executives’ responses, stop catering to special interest groups like investors. One respondent said, “Simplify the standards and require less information, but more pertinent information.”

**Popular reports**

Some have suggested that states should produce a timely, less technical report for those who do not require all the details included in the CAFR. The survey asked respondents about impediments to such a report, and Figure 8 shows the results.

**Figure 8:**
What are the impediments to your state issuing a timely popular financial and performance report followed later by the CAFR and Service Efforts and Accomplishments (SEA) reporting? (please select no more than two)

<table>
<thead>
<tr>
<th></th>
<th>Percent responding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Respondents</strong></td>
<td></td>
</tr>
<tr>
<td>Executives</td>
<td></td>
</tr>
<tr>
<td>Online</td>
<td></td>
</tr>
<tr>
<td>Takes away effort that needs to be spent on CAFR/SEA reporting</td>
<td>69%</td>
</tr>
<tr>
<td>Do not have the data necessary to issue the reports sooner than the CAFR/SEA reporting</td>
<td>41%</td>
</tr>
<tr>
<td>There is no interest in these reports</td>
<td>25%</td>
</tr>
<tr>
<td>Lack of staff availability</td>
<td>9%</td>
</tr>
<tr>
<td>Conflicting priorities</td>
<td>25%</td>
</tr>
<tr>
<td>Would require additional effort in the CAFR/SEA to explain why their amounts might be different from the popular reports</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>
Executives’ choices focused on taking away from CAFR/SEA production and the lack of data. The online respondents focused first on the lack of staff to do the work, but they spread their choices around pretty evenly. The executives were clearly uninterested in a popular report, citing a lack of interest, no support, possible confusion, and no interest in publishing unaudited data. One executive said, “We’re not sure there would be any interest in this report.” Online respondents had similar comments, including a lack of interest and concern about too many reports.

One form of a popular financial and performance report is the Citizen-Centric report. We asked respondents whether their state published such a report, and Figure 9 shows the results.

About two-thirds of both categories of respondents did not have these reports. For those who answered “no,” we asked them why not. The executives split their responses into three simple categories: it is not a priority, there is no support for the report, and we tried it before and it did not work. Online respondents touched on these categories, but their overwhelming response was “I don’t know why we don’t do one.”

**Figure 9:** Does your state publish a Citizen-Centric report?

<table>
<thead>
<tr>
<th></th>
<th>Executives</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning to</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Yes</td>
<td>69%</td>
<td>65%</td>
</tr>
<tr>
<td>No</td>
<td>6%</td>
<td>0%</td>
</tr>
</tbody>
</table>

“Auditors interpret the standards to mean that CAFRs must be perfect.”
State systems and the Cloud

The next section of the survey dealt with the use of the Cloud for state systems. Despite the clamor for the Cloud, the vast majority of respondents did not currently manage their finances or financial reporting there. Their governments did not use the Cloud for other systems either. The main barrier seemed to be that they did not know much about the Cloud. Some did not know what it was. A vast majority did not know what savings to expect from moving to the Cloud.

We started by asking how many respondents used the Cloud for financial or other systems in their states. Figure 10 shows the results.

Executives indicated very low use of the Cloud for state systems, whether they were talking about financial systems or other systems. Those executives who answered “other” had partial use. Few online respondents were aware of Cloud use for financial systems, but slightly more of them knew about other state systems in the Cloud. Still most of them knew that their states did not have financial or other systems in the Cloud. Most of the online respondents who answered “other” explained that they did not know.

We asked a series of questions about having a strategy to move agencies to a shared services environment, with or without the Cloud; having the necessary capabilities to manage a
shared services or Cloud environment; having centralized or decentralized information technology functions; and whether respondents thought financial systems in the Cloud would be less expensive than maintaining their own systems. The responses from both executives and online respondents indicated that most did not have much experience with or knowledge of these issues. While many knew of the issues, they viewed these questions as ones to ask of the information technology office. One respondent said, “There’s been lots of talk, but not a lot of action.”

We gave respondents a list of possible impediments to moving state financial systems to the Cloud, and asked them to identify those that were applicable. Figure 11 shows the results.

Both categories of respondents made choices across the board, and many percentages were similar by impediment. Both categories of respondents gave their highest scores to “security issues,” and relatively lower scores to “portability issues,” “lack of proven success in other states,” and “legislative/statutory.” We had a follow-up question for executives about whether their states understood the risks of moving to the Cloud, and whether they were willing to assume those risks. Most indicated that they had not yet fully assessed the risks, but they believed that data security was the paramount risk. One respondent said, “We have not yet fully assessed the Cloud risks, but we know very well the risks of staying with our current, antiquated approach.”

Figure 11: What are the impediments to moving your state’s financial system to the Cloud? (please select all that apply)

<table>
<thead>
<tr>
<th>Impediment</th>
<th>Respondents</th>
<th>Percent responding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative/statutory</td>
<td>Executives</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>20%</td>
</tr>
<tr>
<td>Political</td>
<td>Executives</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>25%</td>
</tr>
<tr>
<td>Security issues</td>
<td>Executives</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>50%</td>
</tr>
<tr>
<td>State IT maturity</td>
<td>Executives</td>
<td>36%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>26%</td>
</tr>
<tr>
<td>Portability issues</td>
<td>Executives</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>13%</td>
</tr>
<tr>
<td>Unacceptable level of risk</td>
<td>Executives</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>28%</td>
</tr>
<tr>
<td>Implementation costs</td>
<td>Executives</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>37%</td>
</tr>
<tr>
<td>Lack of proven successes in other states</td>
<td>Executives</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>16%</td>
</tr>
<tr>
<td>Other</td>
<td>Executives</td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>Online</td>
<td>30%</td>
</tr>
</tbody>
</table>
Strategy

There are important elements of an organization that drive its performance. The strengths of these elements can be major factors in whether an organization achieves its goals. We asked respondents about each of four important drivers: strategy, structure, culture, and people.

Strategy is what focuses an organization. It is what entities choose to pursue to perform well. The survey’s strategy questions related to mission, budget, monitoring, and risk.

Getting results
We began consideration of strategy by asking what results the respondents wanted that they were not getting. This was an open-ended question rather than a scale or multiple choices, so the responses covered a lot of material. One executive and about 15% of online respondents indicated that they were achieving the results they wanted. However, the other respondents identified many results that were not being achieved. Executives had almost no duplication in their topic areas; almost everyone had unique results they were not getting. The only results with a few multiple mentions were better audits, timelier reporting, and better strategies and procedures. Online respondents covered an even broader range of topics, but because there were so many of them, we did have a few more multiple mentions. Timeliness, especially in standard reporting, received the most mentions. Also like the executives, online respondents had multiple mentions of better audits, strategies, and procedures. A number of online respondents mentioned lack of results that represented staff shortages. The final common result not achieved related to management support and recognition for staff.

Alignment
We asked respondents how aligned they were in assisting their agencies in achieving mission objectives, and Figure 12 shows the results.

Both categories of respondents have very similar responses, with executives having a slightly higher rate in “very aligned,” and online respondents having a slightly higher rate in “aligned.” In their supporting narrative statements, both executives and online respondents noted that staying in alignment during political transitions was very difficult. Both groups also noted that finance and audit functions were support activities with little direct connection to the mission objectives of their entities.

Risk and performance
Because the question of risk management is receiving increasing attention as agencies struggle to achieve results, we asked how satisfied respondents were with the integration of risk management and performance improvement in their agencies. Figure 13 shows their responses.
Both groups of respondents have similar scores for less than satisfied, but there is a major difference in those selecting “satisfied.” On a percentage basis, twice as many online respondents selected “satisfied” as did executives. As noted elsewhere, this could reflect the fact that many online respondents came from local government and smaller organizations within state government where such integration is easier to attain. Also, some online respondents equated risk assessment with investment ratings. However, the real surprise in this question is the percentage selecting “neither satisfied nor dissatisfied.” If this middle choice is a surrogate for “I don’t know/I don’t care,” it would appear that more than one-third of online respondents and over one-half of executives do not really know (or perhaps care about) the integration of risk management with performance improvement. Supporting this assumption, the few narrative comments from online respondents revealed some lack of knowledge about what risk management was, and how it was related to performance management or performance improvement. One respondent said, “We do not effectively have any risk management.”

Executives had a final question about ways their states could use risk management information to contribute to performance improvement. A few executives offered suggestions relating to internal controls and investments. One executive said, “Risk assessment should be part of the overall internal controls in state agencies.”
Structure

Structure refers to how the entity is organized. High performing entities are designed to support their people to work with each other and for their stakeholders. Structure considers leadership, the organization chart, trust, and teamwork. It deals with issues about whether your organization is put together and works in a way that fosters success.

Roles and people

The first question under structure asked whether respondents were satisfied that their offices had the right people in the right roles, including in management positions. This dealt with issues of whether the organization had defined the right roles and then staffed those roles with the right people. Figure 14 shows the responses.

Executives were more satisfied that they had the right people in the right roles, with 67% of them choosing “satisfied” or “very satisfied,” versus only 49% of online respondents. However, the narrative comments of the two groups could not be more different. Executive comments are almost exclusively positive, like one who said, “We have a very capable and dedicated staff.” The only downside executives mentioned was staffing levels, losing people to better wages in other organizations, and finding new qualified staff.

Figure 14:
How satisfied are you that your office has the right people in the right roles, including in management positions?

<table>
<thead>
<tr>
<th>Executives</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very dissatisfied</td>
<td>7%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>10%</td>
</tr>
<tr>
<td>Neither satisfied nor dissatisfied</td>
<td>17%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>47%</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>20%</td>
</tr>
<tr>
<td>Does not apply</td>
<td>0%</td>
</tr>
</tbody>
</table>
On the other hand, online respondents’ comments were mostly negative, with comments like, “Sometimes our managers are clueless,” and “The director is not respected by his staff.” In our companion 2012 federal CFO survey, this question elicited the most irritated negative responses from federal online respondents. Online respondents in this state financial executive survey were not quite that negative, but they were definitely not happy. It would appear that employees at all levels of government who work in field locations or outside of headquarters operations are very dissatisfied with people in management roles.

**Trust and teamwork**

We asked respondents to assess the level of trust and teamwork in their agency, and Figure 15 shows the results.

Although executives and online respondents had similar rates for “very low” and “low,” that is where the similarity ended. Almost half of executives and over one-quarter of online respondents selected “neutral,” that middle choice that avoided an opinion. It is unpleasantly surprising that so many executives could not or would not assess the level of trust and teamwork in their states. On the other hand, almost half of online respondents selected “high” or “very high” levels of trust and teamwork versus 33% for executives. Once again, the fact that many online respondents are from local government or smaller state organizations and offices might account for their positive responses.

Interestingly, the narrative comments from both groups did not support the numbers for this question. Executives had more than twice as many positive statements as negative ones. Some of them also identified their only trust problems as those involving the legislative branch. About 40% of online respondents’ comments were negative, 30% were positive, and 20% were mixed. The mixed comments were like one respondent who said, “There is a high level of trust and teamwork among upper management and executives, but a lack of trust at the middle management and staff levels.”

Other comments from both groups addressed how competition between individuals and offices eroded trust and teamwork, how individuals and offices with their own agendas created problems, and how the lack of collaboration and teamwork bred low levels of trust.

The differences in opinions between executives and online respondents could indicate potential problems ahead. Since many of the state online respondents are probably in the chain of command under executive respondents, there is some important work ahead for state financial executives.

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**Figure 15:**

Assess the level of trust and teamwork in your state.

<table>
<thead>
<tr>
<th>Executives</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>7%</td>
</tr>
<tr>
<td>Low</td>
<td>13%</td>
</tr>
<tr>
<td>Neutral</td>
<td>47%</td>
</tr>
<tr>
<td>High</td>
<td>33%</td>
</tr>
<tr>
<td>Very High</td>
<td>0%</td>
</tr>
</tbody>
</table>
Culture

Culture is what people believe about how work gets done. It is the thoughts and beliefs that drive behavior in the entity. Culture looks at the level of engagement, alignment, and energy in the organization. A good culture can play a significant role in achieving strategic results.

Office culture
Our first question in this section was an open-ended question that asked respondents how they would describe the culture of their office, and whether it was different from that of their state in general or entity.

Executives were overwhelmingly positive in describing the culture of their offices. Only one executive had a negative comment. The most commonly used word was “professional.” Other terms used included hard-working, competent, customer service focused, and teamwork. They were often balanced in their descriptions, like one executive who said, “We also have fun in the process.” About half of the executives addressed the second part of the question about whether their office culture was different from that of their state, and 70% of them thought it was different.

Online respondents were also very positive, with only 17% of comments being negative. The words they used most frequently were: professional, friendly, ethical, and family. Other terms used included: high energy, hard-working, supportive, participatory, communicates well, values staff, and takes pride in their work. One respondent said, “It’s very much a family culture, more open, more ‘hair-down.’” Over a third of the online respondents’ comments addressed whether their office culture was different from that of their entity, and 72% of them thought it was different. So, while both groups thought highly of their own culture, about three-quarters of each group did not believe their state or entity cultures were as good.

We asked executives about the effect of their culture on their offices’ performance. Most indicated that their positive culture was a key contributor to their offices’ performance success. A couple suggested that their high levels of professionalism sometimes created conflict when other state offices believed they had set the bar too high, but they seemed proud of even this issue. One executive said, “Our culture strongly contributes to our effective performance.”

Staff alignment
Our next question was based on the assumption that, in an ideal world, a staff that is aligned has people who are focused, pull in the same direction, and understand core values. Figure 16 shows the results.
Executives were more satisfied than online respondents, with 77% selecting either “satisfied” or “very satisfied” versus 54% of online respondents selecting these choices, although both groups seemed to be quite satisfied. It is a little troubling that a quarter of online respondents did not feel capable of choosing. The executive’s few comments were basically positive with one noting, “Achieving alignment is a continuous process due to the many variables involved.” Online respondents’ comments were a little less positive, and a few offered comments similar to one who said, “We have a good group, except for one person who is close to retirement.”

Communicating and building culture

The next question asked how effective senior managers and executives were at communicating and building culture in the respondents’ offices. Figure 17 shows the results.

There were some clear differences here, and some of it might be accounted for by the fact that many of the executive respondents were the “senior managers and executives” about whom the question was asked. As befits the high ratings, executives offered few comments. Most of the few online respondent comments were negative. One respondent said, “You cannot express your opinion in my office without fear of retribution.” Another online respondent said, “They talk the talk, but they don’t walk the walk.”
**Meeting challenges**

The final question in this section dealt with the ability of the office culture to meet the challenges of the next 2 years. The question also asked about the likely ability of the state culture to meet the challenges. Figure 18 shows the results.

Both executives and online respondents were similarly more satisfied about the appropriateness of their offices’ culture than the state’s culture, and their ratings for states are very similar. As we have seen in a number of questions, there was a large amount of uncertainty expressed when a third or more of each group chose the middle category. On the other hand, executives were more satisfied with the appropriateness of their offices’ culture than the online respondents. Both groups offered few comments to support their choices, but one online respondent resignedly said, “We will get it done; it’s what we do.”

In sum, executives and online respondents both generally believed that their own offices had good cultures which would help them to weather the coming storms.

**Figure 18:**

How satisfied are you that the culture of your office is appropriate for meeting the challenges of the next 2 years? What about the culture of your agency?

<table>
<thead>
<tr>
<th></th>
<th><strong>MY OFFICE</strong></th>
<th></th>
<th><strong>MY STATE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Executives</td>
<td>Online</td>
<td>Executives</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>0%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>20%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Neither satisfied nor dissatisfied</td>
<td>47%</td>
<td>20%</td>
<td>38%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>30%</td>
<td>44%</td>
<td>38%</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>3%</td>
<td>18%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Legend: Very dissatisfied, Dissatisfied, Neither satisfied nor dissatisfied, Satisfied, Very satisfied
People

People refer to how an entity recruits, develops, and retains the people who do the work of the organization. The ultimate resource of any entity is the skills and attitudes of its people.

Technical skills

The first question in the section asked whether the respondents’ offices had the right mix of technical skills to meet the financial challenges of the next 2 years. Figure 19 shows the results.

Both groups exhibited high degrees of satisfaction, with 70% of executives selecting “satisfied” or “very satisfied” and 58% of online respondents selecting these categories. However, over twice as many online respondents as executives chose some form of dissatisfaction. Executive comments discussed ongoing problems in maintaining the right mix of technical skills; one executive said, “The new 150 hour requirement for accounting students is going to make it difficult for government to recruit accounting majors.” Online respondents discussed a range of issues including budget and staffing shortages, the impact of pending retirements, and the difficulty of keeping up with changing technology. One respondent noted, “Our folks had technical expertise when they were hired, but our culture did not encourage professional development.”

Figure 19:
How satisfied are you that your office has the right mix of technical skills to meet the financial challenges of the next 2 years?

<table>
<thead>
<tr>
<th></th>
<th>Very dissatisfied</th>
<th>Dissatisfied</th>
<th>Neither satisfied nor dissatisfied</th>
<th>Satisfied</th>
<th>Very satisfied</th>
<th>Does not apply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>7%</td>
<td>17%</td>
<td>47%</td>
<td>23%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Online</td>
<td>2%</td>
<td>15%</td>
<td>21%</td>
<td>42%</td>
<td>16%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Attitude
Technical skills were very important for success, but the workforce’s attitude also played a critical role in achieving success. Financial executives did not get to decide whether the workforce would get pay raises, but they were still responsible for motivating them. While the previous question addressed the right mix of technical skills, the next question addressed whether the respondents’ offices had the right attitude to meet the challenges of the next 2 years. Figure 20 shows the results.

The responses for the right attitude are very similar to the responses for the right mix of technical skills for both groups of respondents, though executives have even more satisfaction that their offices have the right attitude. With the high satisfaction rating, executives had few additional comments, but one executive noted, “Our staff embraces change and enjoys new challenges.” Many online respondent comments addressed the reasons for not having the right attitude. One online respondent said, “When you have too many standards, not enough time, and too little budget, attitude problems begin to surface.” Another said, “Constant change has taken its toll.”

Linking to agency objectives
The next question asked whether the respondents’ staffs understood and linked the agency’s
objectives to their own work. Over 90% of executives responded positively, as did about three-quarters of online respondents. Neither group of respondents provided much additional information.

For executives, the survey had a follow-up question about how they motivated their staffs to make the link between agency objectives and their own work. Much as we found in the 2012 federal CFO survey, many executives emphasized the role of communications in motivating their staffs to make the linkage. The other often-mentioned practice was involving the staff in setting their own goals to match agency objectives, and tracking their performance against those goals. Other points that executives mentioned were leading by example and staff recognition. One executive said, “The key is clear, consistent messaging and genuine two-way communication.”

**Work environment**

We next asked executives how they managed performance and created a work environment within their offices that inspired and enabled their staffs to do their best. The executives’ responses about how they managed performance can be summarized around four points: having a formal process with clear expectations and high standards, recognizing achievement, ensuring access to training and professional development, and focusing on progress toward goals and continuous improvement. One executive said, “We provide timely performance feedback and address performance issues promptly.”

Executives covered a wide range of topics in their responses about creating a good work environment in their offices. Multiple executives mentioned communications, including listening, and using a team approach. Other topics were staff engagement and interaction, empowering staff with challenging work assignments and other opportunities to succeed, mutual respect, personal interest in the staff, leading by example, and allowing staff to maintain a work-life balance with the flexibility to address personal needs. It is easy to see how these executives are achieving success.

**Financial executive skills**

The final question in this section asked executives whether state government was attracting the right personalities and skill sets to senior financial executive positions. Only about 50% of executives chose to respond to this question. Their comments were generally positive, but with concerns about the ongoing difficulty of continuing to attract good people. One executive said, “Our dilemma is that state government is complex enough that private sector folks don’t transition well, but we aren’t developing enough internal folks to move into senior positions.” It appears that this will be an ongoing problem for states.
Top Challenges

As is usual with our surveys, our last question asked about the top challenges that survey respondents faced. We asked them what their top three challenges were, and how they would focus their limited resources to address these challenges in the short term.

**Executives**

Most executives were happy to give us their challenges. While they said it in many different ways, executives primarily identified four areas:

- Personnel – 29%
- Providing services to customers – 24%
- Budget –21%
- Technology issues – 18%

These four challenges were also the top four mentioned by CFOs in our 2012 federal CFO survey, although budget was the number one challenge for the CFOs and providing services to customers was the number four challenge. Some of the executives’ challenges covered more than one issue. For example, one executive said, “Finding the funds to upgrade our systems.”

Our question also asked respondents how they would use their limited resources to address these challenges. About half of the executives’ responses addressed options for real change, such as:

- Reorganizing and downsizing their offices
- Reducing report content
- Reducing or eliminating lower priority activities
- Implementing e-government services
- Implementing alternative tax filing and tax payment methods
- Implementing fee-based services
- Using NASACT’s networking opportunities to see what other states are doing

Other executive responses were not as specific, such as “Do more with less,” “Work with the legislature to promote realistic expectations,” and “Pray for motivation and hope that a positive attitude can help.”

**Online respondents**

Like the executives, online respondents seemed happy to offer ideas, and they gave us quite a mix of challenges in their 595 responses:

- Personnel – 23%
- Budget – 18%
- Technology issues – 10%
- Providing services to customers – 8%
- Training – 6%

These five challenges were also among those most often mentioned by the online respondents in our 2012 federal CFO survey. However, the most common challenge in the CFO survey was management/leadership, including authority, motivation, and trust - mentioned by 95% of the federal online respondents. The state and local online respondents only mentioned these types of challenges occasionally, and they did not rise to the level of the top five. State and local
online respondents do have problems with their working environment, but these challenges were not as significant as other challenges.

As with the executives, our question also asked online respondents how they would use their limited resources to address these challenges in the short term. Online respondents provided a wide variety of responses which could be classified into three groups: those that did not require additional funding, those that did require additional funding, and those that were more hopeful than actual.

Responses that did not require additional funding were those that online respondents could implement to reduce costs or increase revenues. While all of these required some form of approval, and some were fairly radical, they represented realistic responses to the challenges the online respondents faced. These included:

- Revise the strategic plan to reduce goals and objectives
- Eliminate or reduce programs to provide fewer services or provide them less often
- Re-engineer business processes to require fewer resources
- Reorganize to consolidate offices and reduce staffing needs
- Consolidate facilities and excess unneeded property
- Reduce staffing through attrition, early retirement, or reductions-in-force, and reassign remaining people
- Seek out no-cost training opportunities
- Implement fee-based services

Online respondents also offered up a number of responses that could only be implemented with additional funding. It was not clear whether they thought additional funding would be available in the future or whether funding was not a consideration for them. These included:

- Fill vacancies with qualified hires
- Authorize more overtime
- Improve employee benefits, compensation, and awards
- Provide more employee recognition
- Hire more consultants
- Automate more processes
- Provide all required training

Finally, there were some online respondent responses that could only be classified as more hopeful than actual. These included:

- Budget wisely
- Identify more efficiencies, increase productivity, and reduce unnecessary expenditures
- Do more with less; have staff work longer and harder
- Implement time-saving measures; find simple solutions at low costs
- Use teambuilding exercises to improve morale
- Lobby the legislature for more funding
- Keep trying

Both executives and online respondents listed personnel issues as their biggest challenges, indicating that taking care of your staff was always a key requirement. Without a sufficient number of qualified hires who are satisfied with their working conditions, it is difficult for government to function. Both groups also identified challenges relating to providing services to customers, which is typically the problem that results when you do not have such a staff.
Conclusion

State and local finances continue to be pummeled by fierce storms. The continued poor performance of U.S. and global economies impacted all levels of government, but states were hit the earliest and have still not recovered. The drop in their revenues occurred at just that point when citizens had an increased need for social services such as unemployment benefits. At the same time, the public continued to demand more effective and more efficient government services.

All government leaders bear some responsibility for government’s response to this storm, but financial executives and managers have a leading role because all state and local government operations require funding. It is a simple equation: less money means fewer services. Financial leaders must chart the course for their staffs, and ultimately all of state and local government to find their way through the storm and achieve measurable results for their citizens. They must understand the rules of engagement, including relevant state statutes, financial reporting regulations, investment rules, and stakeholder interests, and how these rules of engagement influence their programs. They must chart the course of budgets through the legislature, allocate and monitor appropriated and other funding, prepare financial reports based on numerous complex requirements, and audit funds and programs to ensure integrity.

Tax revenues will not rebound overnight, nor will unemployment rates drop quickly. Federal assistance will not return to previous levels any time soon. State financial executives and managers know this, but they still must motivate and lead their staffs, already overwhelmed by increasing workloads caused by staffing shortages, discouraged by years without pay raises and increased costs for retirement and health benefits, and battered by public denigration of their public service.

State and local governments are looking to their financial managers to help figure out how best to use shrinking resources to get the best results for their citizens. And they are succeeding. They have put personnel at the top of their list of concerns because they know that without good people behind them, they and their states cannot succeed. They know that people did not choose to work in government to get rich, but going years without pay raises while household expenses increase creates an environment where even the most dedicated government employees must consider other options.

The storms of the last few years have seasoned today’s state and local government financial leaders. They are taking care of their staffs and collaborating with other states and other local governments to share costs and best practices. They have their priorities straight, and they will help guide their governments to a safe harbor. As one executive said, “I’m going to keep trying to do whatever I can.”
Additional Information

If you would like more copies of this survey, or an opportunity to hear more about its content and the challenges facing the federal CFO community, please contact NASACT or AGA at the addresses below:

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