

Public Sector Priorities

Transforming Public Value



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The time is now for the
public sector to focus on
Transforming Public Value.

Introduction

From staffing shortages and budgetary constraints to outdated technology infrastructures and fraud, public sector organizations are navigating a unique landscape of industry pressures impacting their ability to effectively meet the needs of residents, customers, and communities. At the same time that organizations are asked to do more with smaller budgets and fewer employees, they face rising demands to provide stronger outcomes, greater fiscal resilience, and increased public trust.

It's clear that a practical path forward is needed—one that keeps the people these organizations serve at the center, modernizes key operations, and provides measurable outcomes for communities.





Introduction

What's next for the public sector?

Forvis Mazars deeply understands these challenges that organizations—ranging from U.S. state and local governments to utility providers and airports—face every single day, and we are committed to helping the sector identify practical, action-oriented ways that they can build resilience to embrace change.

As public sector entities reflect on the obstacles they have overcome and look ahead to the year to come, Forvis Mazars has identified five core priorities to help prepare the industry for what's next:

Core Priorities



Addressing Staffing Shortages & Their Impacts



Enhancing Financial Reporting Capabilities



Prioritizing Cybersecurity Compliance



Unlocking Government Potential With Operational Assessments



Embracing Hyperautomation & AI in the Public Sector

Addressing Staffing Shortages & Their Impacts



Addressing Staffing Shortages & Their Impacts

In its second annual *Public Finance Leaders Survey*, released in September 2025, HilltopSecurities found that labor and staffing issues are the biggest challenges facing respondents, with budget and pension coming in a close second.¹ With Baby Boomers (born between 1946 and 1964) hitting retirement age, the demand for state and local public finance workers is far outstripping the incoming supply from colleges and universities, straining the familiar talent pipelines. What does this mean for public entities today? How can they continue serving their community missions while complying with requirements and performing daily administrative functions?

“The workforce challenge in public finance isn’t approaching—it’s here, and it’s reshaping operational realities. Essential positions across all aspects of accounting, finance, IT, etc., remain vacant for months on end, creating systemic vulnerabilities across many governmental entities. With each week that passes, lean teams absorb more pressure and burnout risk escalates. Addressing the staffing shortages and talent crisis is no longer optional—it is leadership imperative.”



Rachel Ormsby
Partner & Public Sector Industry Leader
Forvis Mazars

Addressing Staffing Shortages & Their Impacts

As CPAs are aware, there are rigorous requirements for taking the CPA exam, and these demands may be keeping some students from moving into public accounting. Many states, including Ohio, Virginia, Minnesota, Alaska, Maryland, and Utah, are reducing the required credit hours (from the traditional 150-credit hours) and, in most states, adding a relevant experience requirement. These changes are designed to mitigate concerns over the talent shortage, but they will not solve the immediate and urgent needs for qualified public finance professionals. As noted by Lightcast and the Government Finance Officers Association (GFOA), a key structural distinction between public finance at the state and local levels and private sector finance is the comparatively limited presence of managerial roles in the public sector.² The reduced availability of leadership positions may contribute to perceptions of constrained upward mobility, potentially prompting

experienced and high-performing professionals to pursue career opportunities outside the public sector. Beyond retirements and fewer people entering the accounting profession, GASB continues to create and update standards, which requires more work than people available to do it within entities. This could be contributing to the decline in the number of winners of the Certificate of Achievement for Excellence in Financial Reporting (COA), which has decreased by approximately 5% from 2019 to 2023.³ As bond ratings are based on the issuer's financial condition, debt levels, and management practices, delays in issuing audited financial reports may lead to lower ratings and increased borrowing costs. This employee shortage, coupled with growing demands for transparency, compliance, and efficiency, creates an environment where public finance professionals must manage increasing responsibilities with fewer resources.

Preparing for What's Next

There are a variety of strategies an entity can take to recruit, hire, and retain workers. But having the luxury of extending the workforce may not be in the cards for your organization this year, and reporting tasks continue to pile up. Take comfort in the fact that you are not alone in prioritizing bill payments while letting some reporting slip. In March 2025, the National League of Cities provided 10 questions and answers on handling noncompliance with *American Rescue Plan Act State and Local Fiscal Recovery Funds* (ARPA SLFRF). Complying with reporting isn't easy, "... and understandably the reporting requirements and compliance obligations have come with a learning curve."⁴

In the short term, [Government Outsourced Accounting Services](#) offers immediate relief while setting up the organization for long-term sustainability.

Addressing Staffing Shortages & Their Impacts

You may have a well-trained team to address the ongoing needs of payroll and billing. But year-end reporting with its nuances, intricacies, and ever-changing standards is where outsourcing can take a load off and help you with compliance. Outsourcing helps organizations access professionals in areas like financial reporting, reconciliations, and compliance without expanding internal teams or burdening existing staff.

Adopting innovative tools, such as [The Reporting Solution](#) (TRS) from Forvis Mazars, can further enhance efficiency by streamlining the reporting process. TRS is a web-based platform that allows multiple users to work simultaneously to prepare an Annual Comprehensive Financial Report (ACFR) or Annual Financial Report. TRS can help public sector organizations achieve operational improvements, navigate compliance, and improve resource allocation.

When you're feeling overwhelmed, it may be difficult to know where to begin. Consider asking yourself a few questions:

- ✓ Do we need assistance implementing GASB Statement No. 101, *Compensated Absences*, or other new standards?
- ✓ Do we have trouble responding to audit requests or having PBC items ready on time?
- ✓ Are there management letter comments, significant deficiencies, or material weaknesses that we need help addressing?
- ✓ Can we reduce the number of audit adjustments?
- ✓ Do we need help preparing annual reports or applying for awards?
- ✓ Do we issue audited financial statements later than we would like?

The public finance sector's workforce challenges will not be resolved overnight, but professional help in the interim may be a way to get caught up and help your organization identify future hiring needs. By aligning professional outsourced experience with a deep understanding of institutional goals, state and local governments can remain agile and effective in serving public interest.



Enhancing Financial Reporting Capabilities



Enhancing Financial Reporting Capabilities

Public sector financial reporting continues to face persistent challenges that hinder transparency, efficiency, and compliance. Many governmental entities still rely on fragmented systems and manual processes, which delay reporting timelines and increase the risk of errors. These often result in only a small handful of individuals having the capability to handle the year-end reporting, further delaying the output of reports. The complexity of adhering to evolving GASB standards and GFOA requirements further strains limited staff resources, especially in smaller governmental entities. These issues not only affect audit readiness, but also compromise the ability to make timely, data-driven decisions.



Enhancing Financial Reporting Capabilities

Preparing for What's Next

Looking ahead, the future of public sector reporting is promising. Innovations in automation, real-time data integration, and collaborative platforms are transforming how financial teams operate.

Offerings like [The Reporting Solution](#) (TRS) are leading this shift by enabling dynamic, database-linked reporting that updates financial statements and footnote disclosures simultaneously. This helps reduce manual effort, improve accuracy, and foster consistency across all reporting outputs.

TRS is uniquely positioned to address the sector's pressing needs. It supports complex reporting requirements and provides for customization, while also offering built-in project management tools to track tasks and deadlines. With the ability to allow an unlimited number of users (both internal and external) access to the software with specific permissions, entities can involve others

across the organization, further streamlining the annual financial reporting process. Its read-only auditor access feature enhances the audit process, allowing auditors to view mappings, calculations, and adjustment histories without disrupting workflows. These capabilities not only boost transparency but can also foster trust between finance teams and external reviewers.

Moreover, TRS aligns closely with compliance standards. The platform was developed by professionals who serve as volunteer reviewers for GFOA's COA Award Program, meaning that its features support best practices in governmental financial reporting. Its scalability across municipalities, counties, school districts, and other governmental entities makes it a versatile tool for organizations of various sizes. As public sector teams continue to navigate staffing shortages and increasing demands, TRS helps provide a path forward that is both sustainable and effective.

While public sector financial reporting faces significant hurdles, the emergence of platforms like TRS offers a clear and actionable road map for improvement. By embracing technology and streamlining processes, governmental entities can enhance their reporting capabilities in a timely and accurate manner, meet compliance standards in accordance with GASB and regulatory agencies, and ultimately deliver greater value and transparency to their communities.

Prioritizing Cybersecurity Compliance



Prioritizing Cybersecurity Compliance

Cybersecurity compliance has become the cornerstone of operational resilience, public trust, and fiscal stewardship in the public sector. State and local governments face mounting pressure to secure sensitive data and meet evolving regulatory demands, all while managing limited resources. For CISOs, CIOs, and CFOs, success hinges on three key priorities: right-sizing IT compliance scope, building sustainable IT compliance routines, and managing emerging artificial intelligence (AI) risks. These three pain points present both challenges and strategic opportunities for public sector organizations.

1 Right-Sizing IT Compliance Scope

2 Building Sustainable IT Compliance Routines

3 Managing Emerging AI Risks

Right-Sizing IT Compliance Scope

Addressing the breadth of compliance demands in the IT risk and cybersecurity space can often lead to a sense of “compliance fatigue.” Just determining the scope of work to be done can be burdensome for many organizations. Yet, a right-sizing approach, which involves tailoring compliance scope to system-specific risk profiles, can be a useful strategy to help leaders address IT compliance challenges, reduce “audit fatigue,” and improve compliance outcomes.

Rather than applying every National Institute of Standards and Technology (NIST) control universally, entities can adopt a risk-based approach to right-size their compliance activities without compromising security. This strategy helps reduce “compliance creep” and improves collaboration between auditors and internal teams. According to the Government Accountability Office (GAO), overlapping cybersecurity regulations and duplicative audits are a growing concern across

critical infrastructure sectors.⁵ Automated tools can assist by mapping controls to system boundaries and validating applicability based on real-time system attributes, helping entities free up their resources and focus on other strategic matters.

Building Sustainable IT Compliance Routines

Across organizations of different sizes and structures, leaders are juggling numerous strategic priorities. With the volume of responsibilities facing CISOs, CIOs, and CFOs, IT compliance is often handled in an *ad hoc* manner, leading to one-off compliance activities that aren’t built into organizational processes.

Compliance, however, should be a routine process, not reactive. Entities that establish monthly, quarterly, and annual governance cycles are better prepared for audits and more resilient to threats. Proactive compliance allows

Prioritizing Cybersecurity Compliance

organizations to be a lot more organized and feel more confident in their security. Building compliance structures and creating routines lead to stronger programs and better outcomes.

But how do organizations get there in an efficient manner? For starters, automation plays a key role, monitoring for control failures, policy violations, and configuration drift. These routines support alignment with NIST SP 800-53 and the Cybersecurity Framework (CSF) and reduce manual effort. Research shows that organizations using automated compliance processes experience 3.2 times fewer violations than those relying on manual methods.⁶ By operationalizing compliance, entities can improve visibility, reduce audit burden, and free up resources for strategic planning.

Managing Emerging AI Risks

AI is the hot topic of the day, and many organizations are in the early stages of figuring out where they

can leverage AI tools to innovate and improve processes, while managing potential vulnerabilities in the future. Specific to cybersecurity compliance, AI and automation can help organizations build stronger programs and potentially reduce compliance fatigue. Yet, as AI becomes embedded in cybersecurity operations, from threat detection to decision support, it introduces new risks. AI systems can be vulnerable to adversarial inputs, model poisoning, and data leakage.

The federal government's AI Action Plan emphasizes governance and risk management as essential to safe adoption.⁷ Entities are increasingly adopting the NIST AI Risk Management Framework to ensure transparency, accountability, and alignment with mission objectives. Managing AI risk requires not only technical safeguards but also governance structures that monitor performance, validate outputs, and help ensure ethical use.

Preparing for What's Next

Cybersecurity compliance is no longer a checklist; it's a continuous, strategic function. By right-sizing NIST scope, embedding compliance into daily routines, and [proactively managing AI risks](#), public sector organizations can reduce operational strain while strengthening their security posture. These efforts can improve audit outcomes, regulatory alignment, and cross-functional collaboration. With the right tools, governance, and mindset, state and local governments can build resilient, future-ready cyber programs that protect their communities and uphold public trust.

Having tools and resources is one thing, but having the support where it matters most is critical. Our experienced [IT Risk & Compliance](#) professionals at Forvis Mazars stand ready to assist with your cybersecurity needs.

Unlocking Government Potential With Operational Assessments



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The current landscape of operational demands on local government entities reflects a mix of financial pressures, service expectations, technological transformation, and regulatory compliance.

With more than 90% of many local government budgets allocated to essential services like public safety, infrastructure, and waste management, balancing rising service expectations against limited revenue growth is a practical challenge. These financial pressures, combined with decentralized operations, can inadvertently create opportunities for fraud, waste, and abuse (FWA)—ranging from procurement and accounts payable irregularities to the misuse of grant funds, and more. In addition, local government entities are experiencing increasing complexity and risk. As governments adopt digital platforms, integration across departments remains an obstacle, and increased digitization has made local systems more vulnerable to ransomware and data breaches than ever.

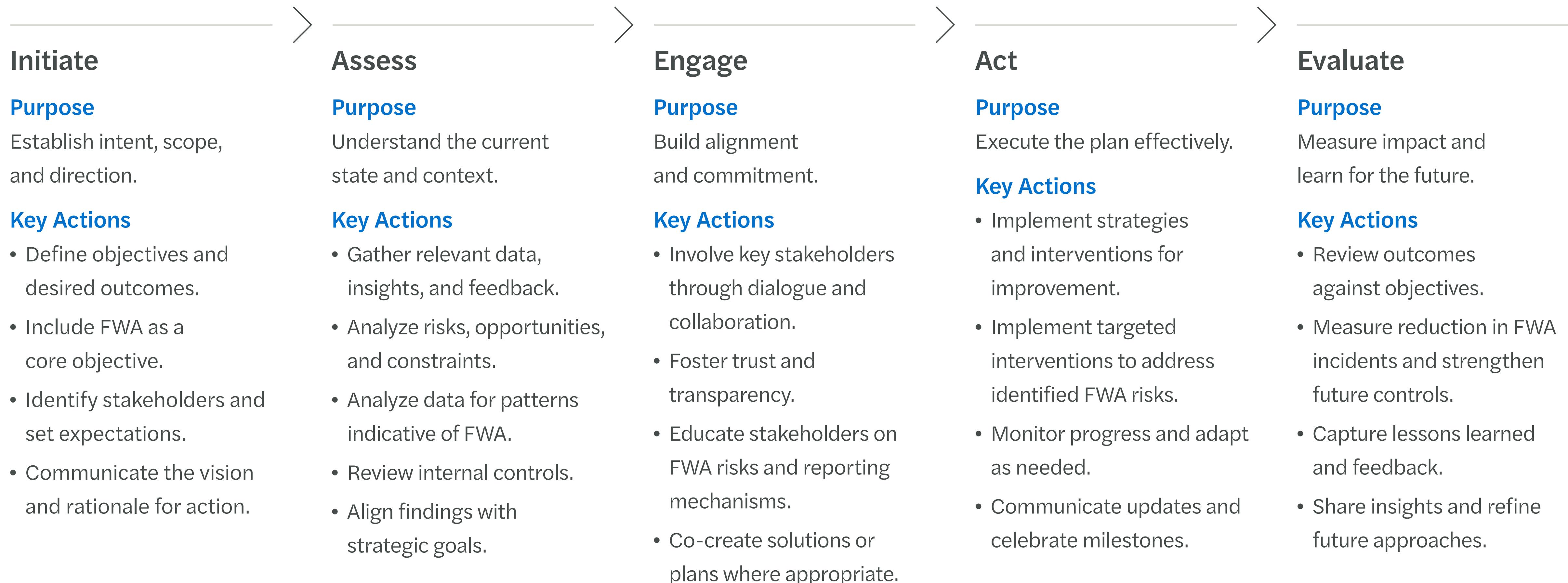
Beyond budget overruns or service delays, operational inefficiencies often carry hidden costs. Financial waste can occur through unnecessary overtime, redundant processes, or poor procurement practices, while opportunity costs emerge when staff spend valuable time on inefficient tasks instead of focusing on innovation or higher-priority services. In addition, operational inefficiencies contribute to employee burnout and high turnover, and compliance and legal risks when inefficient or outdated systems cause noncompliance with laws or audits. These challenges lead to fragmented or inaccurate data, which undermines strategic decisions—stifling innovation and leaving little room for new ideas—and only magnify during public crises, where rigid, underperforming frameworks hinder agility in response efforts.

But what if public sector organizations could do more with less—without compromising safety, service, or strategy? Would that allow entities to devote time, effort, and resources to important strategic initiatives?



Unlocking Government Potential With Operational Assessments

An operational assessment (OA)—as a structured, data-driven review of processes, systems, and performance focused on identifying gaps, risks, and opportunities—is a critical tool for public sector organizations aiming to enhance their performance and service delivery while combatting FWA. The following graphic outlines five key steps in the OA process:



Unlocking Government Potential With Operational Assessments

Local governments have had success in implementing OAs for smarter operations and reduced FWA, including streamlining permitting processes, enhancing emergency response coordination, and reducing procurement cycle times. In each of these examples, process mapping can identify delays and redundancies in workflows, while performance metrics and stakeholder surveys help highlight pain points and underperforming areas. For instance, in one OA, process mapping revealed unauthorized vendor payments, leading to improved procurement controls and cost savings. Another OA identified patterns of overtime abuse, resulting in new approval protocols and reduced payroll fraud. Leveraging technology, such as integrated platforms, data analytics, and automation/hyperautomation tools, is effective

in mitigating manual inefficiencies. These tailored interventions can improve transparency and identify FWA, as well as enhance service delivery, helping to ensure governments can respond to today's demands while preparing for tomorrow's challenges.

Preparing for What's Next

OAs not only address hidden costs but also help build public trust, empower employees, and create a foundation for long-term resilience. Defining clear objectives, engaging relevant stakeholders, and prioritizing data quality while taking organizational culture into account are essential for success. By setting measurable goals, fostering collaboration, and maintaining a balance between qualitative and quantitative insights, local governments can improve operations without compromising on innovation.

Our [Public Sector Advisory Services](#) bring a unique blend of experience, insight, and data-driven methodologies to operational assessments to help empower public sector organizations to achieve measurable, sustainable results. By leveraging performance measurement, advanced analytics, and proven management strategies, we help government entities identify inefficiencies, strengthen internal controls, and implement practical improvements. Our approach is tailored to each client's mission to help ensure compliance, reduce costs, and enhance service delivery—all while safeguarding against fraud, waste, and abuse.



Embracing Hyperautomation & AI in the Public Sector

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Public entities are under sustained pressure to deliver more with less, including modernizing services, improving responsiveness, and strengthening accountability, despite budget and staffing constraints. Hyperautomation—the coordinated use of AI, robotic process automation (RPA), and workflow automation using low/no-code tools—has moved from pilot to program in government, with momentum expected to increase through 2026 as entities prioritize process automation to help improve mission delivery.

There are critical challenges that hinder the public sector from optimally performing services. From police and fire departments to parks and recreation divisions, animal control, utilities, and more, municipal government workers deal with inefficient, wasteful processes that take away time and resources from service delivery. This can stem from poor system integration, bottlenecks, redundancy in workflows, lack of insights, and silos.

Hyperautomation offers the opportunity to address these challenges by transforming tedious tasks. This process may not only help save workers hours of time, but it can also help staff operate at the highest level of resourcefulness, which is imperative to overall success.



Increased Efficiency

Automate redundant tasks and find more time in the day for higher-value work.



Improved Accuracy

Reduce errors in data entry and processing.



Data-Driven Decisions

Access timely and accurate information to help inform policymaking.



Cost Reduction

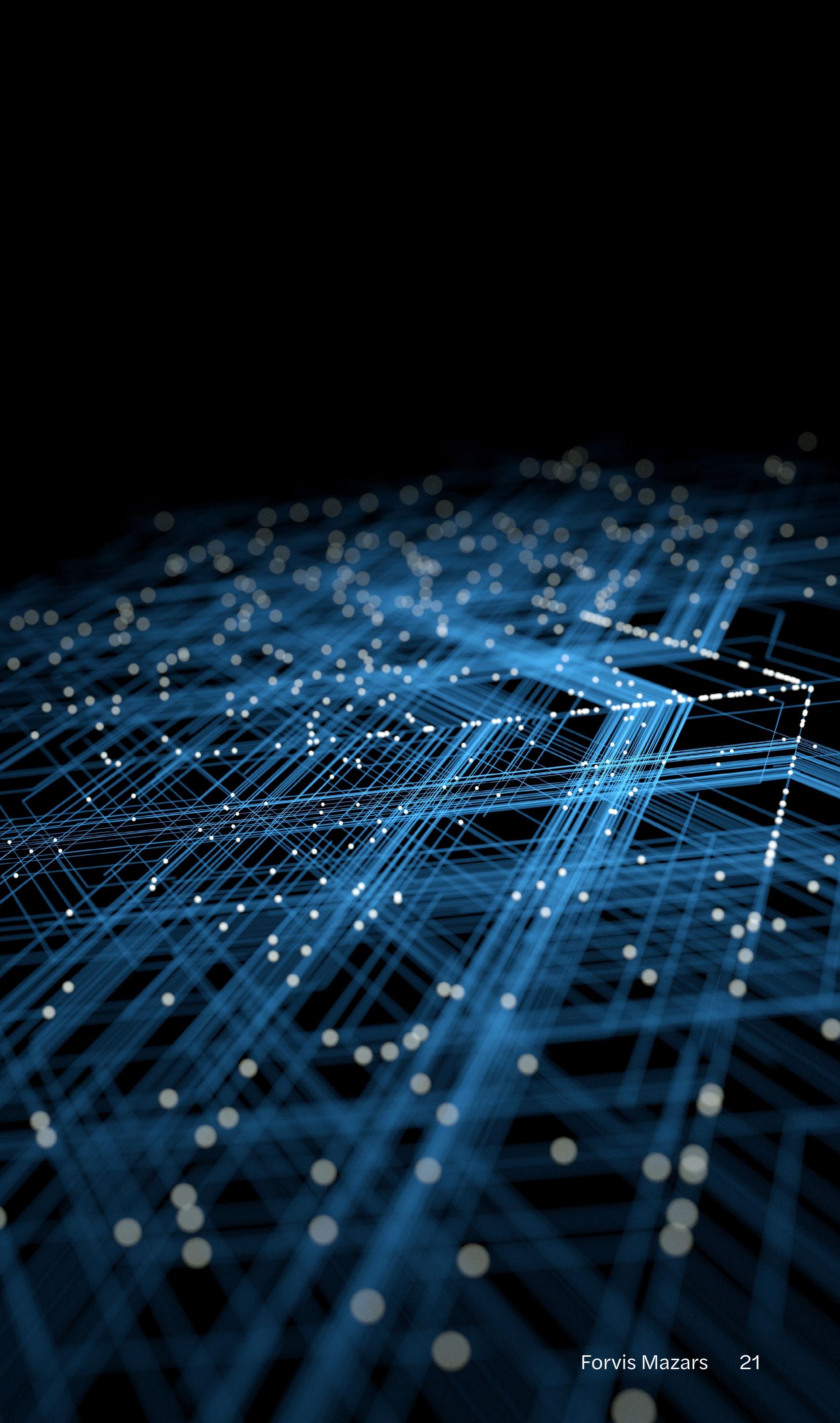
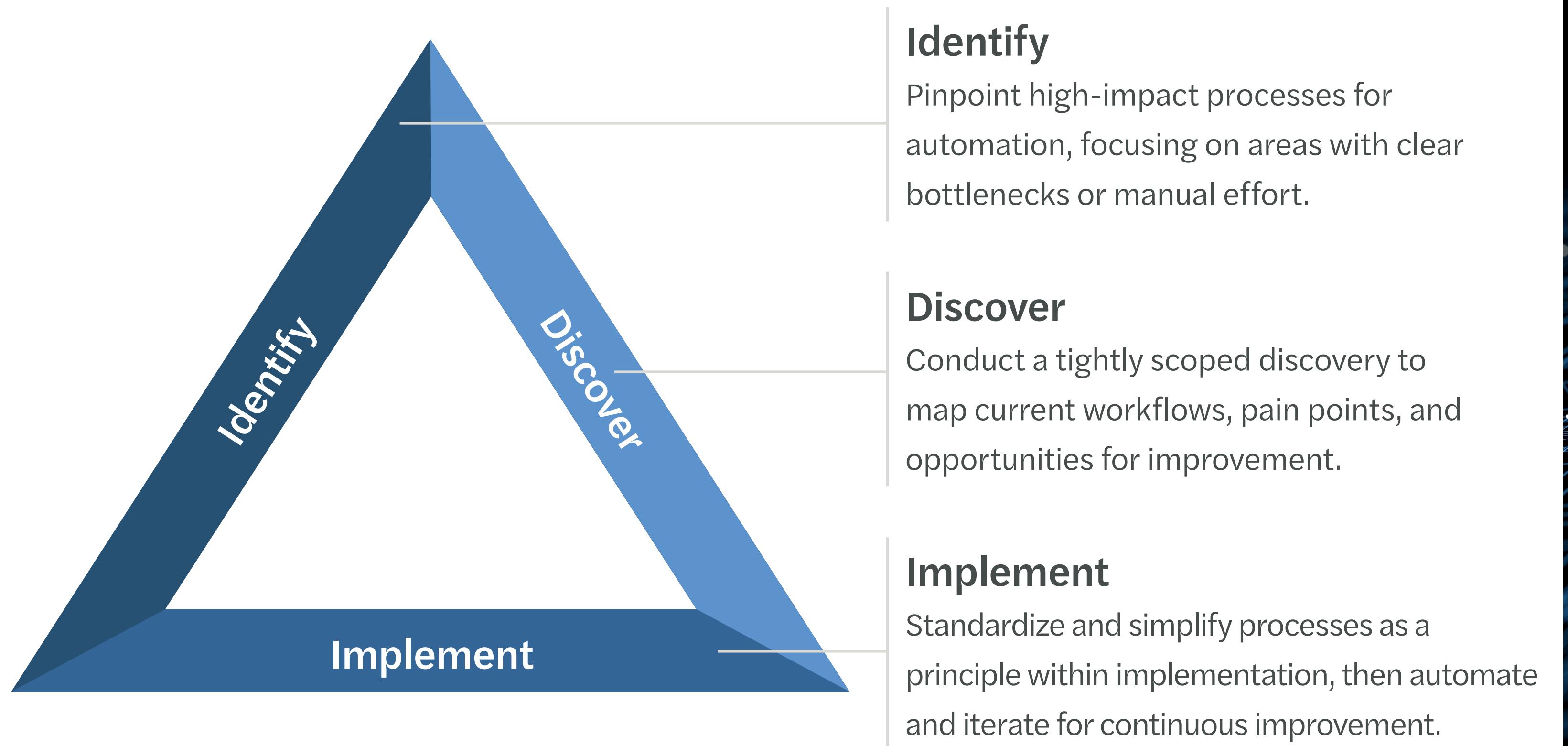
Prioritize resource allocation and help reduce operational expenses.

State and local governments, as well as higher education and other public entities, are targeting high-volume, rules-based work, e.g., case intake, eligibility checks, grant administration, and record-to-report, and pairing automation with analytics for better transparency and faster cycle times. Independent trends point to a sustained push to scale AI and automation in the public sector to help reduce red tape, improve frontline service, and unlock workforce capacity.

Entities adopting low-code automation platforms report material time savings, fewer manual errors, and faster handoffs across finance and operations. For example, Forrester's The Total Economic Impact™ Of Microsoft Power Automate report documents strong multiyear performance metrics that align with what professionals at Forvis Mazars are seeing on transformation programs, particularly when teams standardize processes first, then automate.⁸

Embracing Hyperautomation & AI in the Public Sector

Successful programs generally follow a phased path often anchored in this triad⁹:



Embracing Hyperautomation & AI in the Public Sector

Annual reporting is a cornerstone of public sector transparency. One proven automation method is streamlining the ACFR process, an effort that often suffers from manual data handling and long turnaround times.

In one municipal finance engagement, the automation team at Forvis Mazars helped accelerate the ACFR update cycle by automating data loads and financial statement assembly. The team paired this with targeted training and a repeatable annual service model, enabling updates to be completed in days instead of weeks.

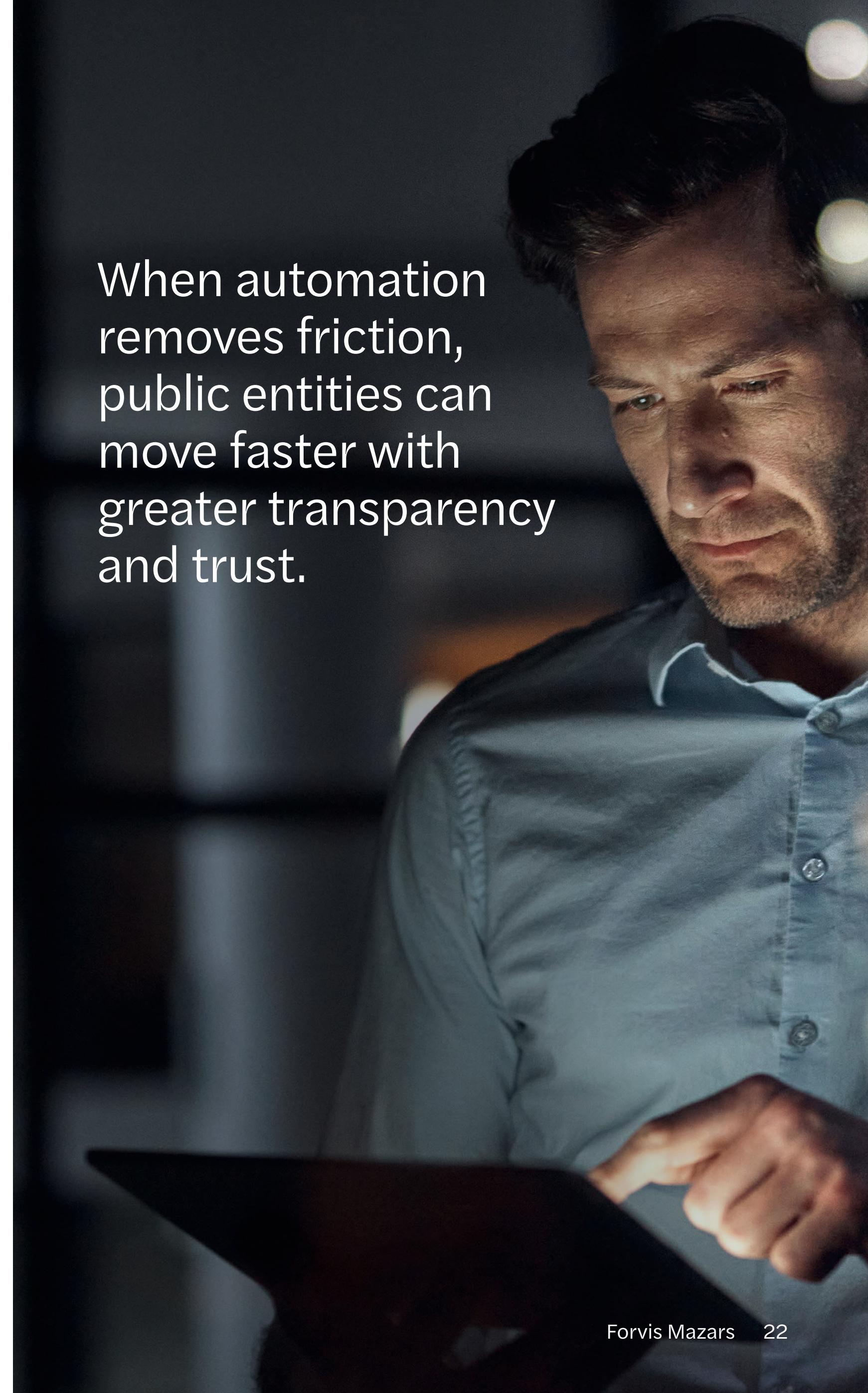
As your entity operationalizes AI and automation, embedding governance, controls, and human-in-the-loop oversight is essential for responsible scaling and sustainable results.

Preparing for What's Next

Looking ahead to 2026 and beyond, expect more entities to deploy AI responsibly while upskilling staff. The focus will shift from experimentation to sustainable delivery, with automation programs designed to help improve service quality and build public trust.

To help entities take the first step, Forvis Mazars offers a 40-hour [hyperautomation quick start program](#). Talk with our public sector and automation professionals to identify high-impact use cases, quantify performance results, and launch a program that can deliver measurable outcomes.

When automation removes friction, public entities can move faster with greater transparency and trust.



Conclusion

The time is now for state and local governments and other public sector entities to enhance resilience through automation, efficiency, digital transformation, and talent management. By addressing pain points such as staffing challenges and adopting a forward-thinking approach to modernization and cost efficiencies, organizations will be better prepared to navigate uncertainty and change and build capacity for tomorrow.

Transforming Public Value is an aspiration that requires public sector organizations to position their outlook toward the future.





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