

William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

MEMORANDUM

November 13, 2019

TO: CSMFO Certification Program Working Group

FROM: Bill Statler 

SUBJECT: TELECONFERENCE FOLLOW-UP: CERTIFICATION PROGRAM
PHASE 1B ASSESSMENT KEY ISSUES

OVERVIEW

The following provides a summary of the outcome from the teleconference on November 5, 2018 regarding key issues discussed in the “Phase 1B Assessment: Key Issues ” report.

The Short Story: While follow-up comments are welcome on any issue that surfaced in the report or teleconference, the following are two key issues where further discussion is needed.

Program Eligibility. In short, should there be education/experience pre-requirements to begin the program; or if not at the front end, before certification after exams have been passed?

Core Subject Areas. There was consensus on seven core areas:

- Accounting and financial reporting (including interim as well as annual reporting)
- Operating and capital budgeting
- Cash management/investments
- Debt financing/management
- Fiscal policies and long-term financial planning
- Revenue management: taxes, assessments and fees
- Pensions and retiree health care

Accounting and Financial Reporting

Concerns with including this as a “core” topic surfaced in the discussion: since most standards are national, with few “California-special” issues, does it make sense to require seasoned professionals and CPA’s to take courses in this area?

It was noted that certification under the proposed program (see Issue A.2 below) is solely based a passage of the examinations: like the Texas and Florida programs, study guides and courses are just tools to help with passage, but they are not required. With this clarification, consensus emerged to include this as a core area.

However, there was further discussion of adding an eighth program that would focus just on ethics or a broader “financial management” topic (as previously proposed) that would include ethics, purchasing (both of which tend to be aligned topics) and perhaps other topics. I suggested that if there was an interest in staying with seven topics, that ethics could be handled as it is Florida, where passing a test on ethics is a prerequisite. On purchasing, one Working Group member noted that it was not a “core” responsibility for many finance division/departments, and as such, may not be a strong candidate for inclusion. For “best practices” on purchasing, another member mentioned that CAPPO (California Association of Public Procurement Officials) might be a better resource for this. (Note: CAPPO has its own certification program (<https://www.cappo.org/page/Certification>)).

Approach to Issue Resolution. The suggested approach for resolving these two issues is for Working Group members to email me any comments and suggestions that they have and see if a consensus emerges. If not, then a follow-up teleconference will be scheduled. Please email me any comments or suggestions by Wednesday, November 27.

TELECONFERENCE DISCUSSION

The teleconference agenda was organized into three topics:

1. Overview
2. Key Issues and Recommendations
 - A. Confirmation of foundation elements
 - B. Program content
 - C. Program administration
 - D. Budget
3. Wrap-up: Where to from Here

Overview

I provided a brief overview of the project background and proposed process for working through key issues. I also touched briefly on the schedule, noting that presenting Phase 1B findings to the Board at its January 28, 2020 meeting was possible based on the tentative schedule provided in the report. However, this would depend on the Working Group’s disposition and timing of key issues.

Key Issues and Recommendations

A. Confirmation of Key Program Elements

Consensus was reached on four of the five key foundational program elements as the basis in moving forward with the Phase 1B Assessment:

1. **Working with the GFOA.** Since the Board authorized moving forward with Phase 1B in assessing a CSMFO-sponsored program: no further consideration of this option.

2. **Examinations sole basis for certification.** Successful passage of comprehensive examinations in core subject areas should be the sole basis for earning certification.
3. **Examination preparation assistance.** Based on the benefits in other state programs and survey results, preparation should include both on-line study guides and focused courses that are offered both on-line and on-site. (Note: These are just assistance tools. Per A.2 above, course attendance is not required to earn certification.)
4. **Only form of recognition.** Since passing examinations is the sole basis for certification (course attendance is not required), a “certificate of completion” option does not make sense.

As noted above, the following issue of program eligibility is an area where there were divergent opinions.

5. **Prerequisites to participate in the program or take examinations.** The report recommendation was that there should be no prerequisites for participation other than completing an application package and a reasonable fee for enrollment (Texas charges \$100 and Florida \$50). Enrollment will then provide on-line access to the study guides. Additionally, following the Florida model, applicants should certify that they have read and accept the CSMFO Code of Ethics.

Outstanding Issue: As discussed above, should there be education/experience pre-requirements to begin the program; or if not at the front end, before certification after exams have been passed?

(Note: This second approach would be consistent with CPA requirements, where applicants may take the test – if they meet minimum education requirements – and then complete at least 12 months of professional general accounting and 500 hours of assurance work, under CPA supervision, to become certified.)

B. Program Content

Consensus was reached on three of four program content issues:

1. **Program name.** Follow Texas and Florida’s lead and call this program “Certified Government Financial Officer” (CGFO).
2. **Integrating curriculum and examination development.** To ensure proper integration, the study guides, training sessions and examination questions (per subject area), should be developed by the same person(s), agency or institution.
3. **Selecting curriculum and examination development partners.** Rather than creating new, “freestanding” courses, the Working Group agreed to build on training programs already in place, modifying them as appropriate. However, while recognizing that this will mean working with current course partners to develop study guides and examination questions, the Working Group wanted to hold-off in

contacting them about their interest in doing so, since some of the programs are under review.

If we hold-off in doing so until after the January 28, 2020 Board meeting, and just focus on the broader recommendation to build on programs already in place, this significantly improves the likelihood of presenting a complete Phase 1B report to the Board at that time.

However, if we delay contacting current (or likely partners) but want to assess their interest before presenting a report to the Board, this is unlikely to happen before the January 28 Board meeting.

In considering these two approaches, I believe it would work to focus on just the broader recommendation to build on programs already in place at the January 28 Board meeting; and assuming Board approval at that time, then reach-out to current partners on their interest in doing the added work needed (for a fee) in developing study guides and examination questions. On the other hand, without soliciting interest from the most likely partners before the January 28 meeting, it will not be possible to develop a more detailed budget than the one provided in my November 3 report.

Along with any other issues, Working Group comments and suggestions on the timing of reaching out to partners on their interest in developing study guides and examination courses, along with any training program modifications that would be required for alignment, would be greatly appreciated.

As noted above, the following issue of subject areas to be covered in examinations is an area where there were divergent opinions.

4. **What should be the subject areas covered by examination?** Based on programs in other states, importance of unique revenue constraints in California, pension challenges that will be on forefront of financial issues in California for many years to come and priorities identified in the membership survey, consensus was reached on the following seven core areas:

- Accounting and financial reporting (including interim as well as annual reporting)
- Operating and capital budgeting
- Cash management/investments
- Debt financing/management
- Fiscal policies and long-term financial planning
- Revenue management: taxes, assessments and fees
- Pensions and retiree health care

Outstanding Issue: As discussed above, no consensus was reached on whether other topics should be added; and so, what they should be.

C. Program Administration

We were not able to discuss these topics (for context and ease of reference, I have provided my initial recommendation for each one below). As suggested above, please email me any comments or suggestions you have on these issues and we'll see if a consensus emerges. If not, then a follow-up teleconference will be scheduled, focusing only on unresolved issues.

1. How often and where should onsite courses be provided?

Recommendation. Continue to provide training courses with the same frequency as they are currently at locations throughout the State. That said, on-site courses should be offered at least twice per year. Based on demand, this may need to be increased.

2. How should on-line training be provided: live webinars, pre-recorded downloads or other methods?

Recommendation. Conduct further research on this, including Virginia's approach to on-line training and thoughts that prospective trainers may have.

3. How should the tests be administered and how often?

Recommendation. Use on-line testing that is proctored on-site at least six times per year, following procedures like those in Texas.

4. What happens if an applicant fails an exam? Should they be allowed to retake it? And if so, under what conditions (ie, waiting period)?

Recommendation. Follow the lead of the other state programs and allow failed tests to be retaken, without restrictions such as a waiting period, other than paying a new test fee and passing all exams within the prescribed timeframe (see next topic).

5. What time limits should there be (if any) between passing the first examination and the last one?

Recommendation. Follow the Florida model and allow five years to pass all examinations after registration. (Note: Texas limits this to four years.)

6. Should there be continuing education requirements?

Recommendation. Follow the Texas model and require continuing education of 75 CPE credits spread over three years; use CPA criteria for qualifying training.

7. Should there be grounds for revocation of the certification?

Recommendation. As the program develops, establish criteria under which certification could be revoked. While the Florida program provides guidance, this will require thoughtful consideration.

D. Budget

We were also not able to discuss this topic (for context and ease of reference, I have provided my initial recommendation below). As suggested above, please email me any comments or suggestions you have on the “high-level, reconnaissance” budget presented in the November 3 report. We’ll see if a consensus emerges. If not, then a follow-up teleconference will be scheduled, focusing only on unresolved issues

Recommendation. Fund development costs with general purpose CSMFO sources and fund ongoing costs through participant fees.

Wrap-Up: Where to from Here

Please email me your comments and suggestions by Wednesday, November 27. I will summarize the results and identify areas of consensus. For any unresolved issues, a follow-up teleconference will be scheduled.

As part of this consensus building process in ensuring we are all on the “same page” on issues going forward, attached is a form (Confirmation of Consensus Outcomes) to confirm your concurrence with the consensus outcome for the seven issues in this report. If you do not believe this was the case, the form provides space for your comments. Return of this form by November 27 is requested of all Working Group members.

WORKING GROUP MEMBERS

- Mary Bradley*
- David Cain*
- Scott Catlett*
- Will Fuentes*
- Dennis Kaufman
- Brent Mason*
- Margaret Moggia*
- Laura Nomura*
- Stephen Parker*
- Dave Persselin

* Participated in November 5, 2019 teleconference

ATTACHMENT

Confirmation of Consensus Outcomes

