

Certified Municipal Finance Officer (CMFO) Program Fact Sheet

There are 3 classifications and 2 subcategories of cities for the CMFO program.

		<u>Compliance Date</u>
Tier 1	Cities with over \$10 million in revenue	January 1, 2011
Tier 2	Cities with \$9,999,999 to \$5 million	January 1, 2012
Tier 3	Cities with Less than \$5 million (2 exceptions)	January 1, 2013
	Contract Cities with \$300,000 or less in revenues from all funds and \$300,000 or less in debt from all funds may contract with a qualified individual as described in the law to provide financial oversight.	January 1, 2013
	CEU Cities with \$100,000 or less in gross revenues from all funds and with debt of \$100,000 or less from all funds may employ an individual who fulfills the annual 24 hour continuing education requirement.	January 1, 2013

Most of the Tier 1 and Tier 2 cities completed the program in December 2010. The current CMFO class consists mainly of candidates from Tier 3 cities. There are additional candidates from Tier 1 and 2 cities who wanted to send more staff through the program. We also have some cities classified as Contract or CEU that chose to send an employee through the training program.

CMFO enrollees must attend the first course titled "Government Environment" however the statute allows candidates to study on their own and test out on the remaining 10 classes. Detailed testing rules are in a separate document posted on the MTAS website www.mtas.tennessee.edu/Training/CMFO/CMFO%20Policies%20on%20Testing.pdf

The following summary explains the process for enrolling in the CMFO program, naming a contractor or designating the city employee who will receive the continuing education:

1. Complete the on-line application on the Comptroller's website <http://www.comptroller1.state.tn.us/RA Upload/CMFOWelcome.aspx>
 - a. Follow instructions carefully
 - b. Tier 3 Cities must complete a "Statement Designating Municipal Chief Finance Officer" form and mail it to MTAS. This form requires the mayor to verify the employment of the individual designated as the city's Chief Finance Officer.
 - c. Any city in the Contract or CEU category that chooses to send an employee through the program must follow the same process as a Tier 3 city.
 - d. All individuals (including exempt, contract and CEU) must complete an application.
 - e. Contractors and CEU employees must complete a "Certified Municipal Finance Officer Program Designation Statement" form. This form requires the mayor to verify the employment of the individual fulfilling the CEU requirement or the contract with a qualified individual.
 - f. All required forms can be found on the application website.
2. Register for the classes through MTAS online registration system www.mtas.tennessee.edu
 - a. On the lower left hand side of the page under the heading MTAS Training, click on the Register for a Class link. Follow directions to log in to the Solution Point system. Call 865-974-0411 for assistance.

CMFO Fact Sheet page 2

Q & A:

Question: My city has over \$300,000 but less than \$5 million in revenue. Can we contract with a local CPA to act as the CMFO?

Answer: No. There are no exceptions for cities with over \$300,000 in revenue or debt. The city must have in their "employ" a CMFO or otherwise qualified exempt individual as specified in the law.

Question: We are a Tier 3 city and our recorder plans to retire next year. Can we wait until then to begin the program?

Answer: Your compliance date is January 1, 2013 and the city must have a CMFO or exempt individual in their employ by then. The law allows the Comptroller's Office to fine a city \$50/day for every day a city is not in compliance with the law. The program takes **two years** to complete if attending the classes provided by MTAS. Applicants must be enrolled in the program by April 2011 in order to complete by January 2013.

Question: Can we hire a local CPA **firm** to provide CMFO financial oversight?

Answer: No. The law states the employee must be a CMFO or qualified exempt individual. A CPA firm does not meet this definition.

Question: Why isn't our city exempt from the CMFO requirement since we have less than 1,500 in population?

Answer: The CMFO requirements are based on revenues and debt - **not** population. There has been some confusion with the Certified Municipal Clerk requirements which is based on population. The CMFO is a separate certification program and has no connection with the Certified Municipal Clerk certification.

Question: The city has employed (not contracted with) a CPA to provide financial oversight for the city. Are we in compliance with the CMFO requirements?

Answer: Only if the CPA holds an active CPA license and has 5 years of primarily government experience with 3 of those in Tennessee. If the CPA does not meet these requirements they are not exempt from the CMFO certification requirements and the city is not in compliance with the law.

Question: Can the classification (employee, contract, CEU) of my city change?

Answer: Yes. Once a city has revenue or debt that exceeds \$300,000 they are required to employ a CMFO or otherwise qualified exempt individual. The city may move forward (e.g. from contract to employee) as revenues or debt increase, but they may not move back as revenues or debt decrease. There are two additional rules that apply only to cities with \$100,000 or less in revenue and debt: 1) one-time grants are excluded in the determining the city's total revenue and 2) if they have a deficit total net assets, negative change in net assets for 3 years or are in default on any debt they will be required to hire or contract with a CMFO or qualified exempt individual.

Question: I no longer work for the city, can I continue in the CMFO program?

Answer: The CMFO program is open to anyone. The rate charged for individuals not employed by a Tennessee municipal government is higher and class space is limited to individuals from municipalities facing a legal compliance date. Participants have the option of self-studying and testing out on all but one part of the program. Attendance to the Government Environment class is mandatory.

CMFO Fact Sheet page 3

Question: *The designated employee for my city was late enrolling in the program. How can the city meet the deadlines described in the compliance section?*

Answer: Enrollees may “test out” on any CMFO class with the exception of *Government Environment*. In order to test out the student must obtain the study guide material for the topic, self-study, and take the required exam covering that material. Successful completion of these sessions will allow the city to meet the required compliance deadline of January 1, 2013.

Question: *The designated employee for my city was late enrolling in the program. How can the city meet the deadline if the employee missed the required Government Environment class?*

Answer: The *Government Environment* class will be offered twice during the two year program cycle for those students that may have missed the class during the first offering.

Question: *The city currently has employed a CMFO or a qualified exempt person. What are their continuing education requirements?*

Answer: CMFOs must complete 24 hours of CPE each year beginning in the calendar year after all certification requirements are met. Comptroller guidelines on CMFO continuing professional education can be found at www.comptroller1.state.tn.us/ma/CEUguidlines.asp.

Exempt individuals employed by a city must adhere with the continuing professional education requirements that apply to their specific professional certification to comply with the CMFO requirements.

1. An individual designated as a certified government finance manager (CGFM) by the association of government accountants.
2. An individual designated as a certified public finance officer (CPFO) by the government finance officers association.
3. An individual licensed as a certified public accountant (CPA) by the state board of accountancy and in active status that has a minimum of five (5) years of primarily governmental experience with at least three (3) of those years in this state.

Question: *Now that I am a certified municipal finance officer how do I obtain and report my continuing professional education credits?*

Answer: It is the responsibility of each CMFO to ensure that sponsors of events meet the established sponsor requirements and to review the agenda to determine if the content of the course is within the acceptable topics established by the Comptroller’s Office for CMFO continuing education. Keep in mind that all sessions at particular conferences may not fall within the approved topics as listed on the Comptroller website and the full CPE credits awarded for attendance may not be used to meet CMFO compliance. CMFOs should keep documentation of all CPE credits earned. The documentation will need to be submitted to the Comptroller’s Office if the individual is pulled for a CPE audit. The Comptroller’s Office is also working on an online CPE reporting system and CMFOs will be notified when it is operational.

Regarding MTAS classes, MTAS is an approved CPE sponsor however CMFOs should only take courses that relate to their specific job duties. For example, there are several supervisory training classes offered by MTAS but if the CMFO does not directly supervise employees the class will not count as CPE. A link to the MTAS training calendar is provided below, CMFOs should use their judgment regarding which classes will qualify as CPE because a topic may be applicable to one individual but not to another and MTAS has no way to make that determination.