MTAS POLICIES FOR CERTIFIED MUNICIPAL FINANCE OFFICER PARTICIPANTS AND MUNICIPAL OFFICIALS

The purpose of this manual is to document the requirements for Tennessee municipal governments and policies for program participants.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>History</td>
<td>1</td>
</tr>
<tr>
<td>Municipal Requirements</td>
<td>2</td>
</tr>
<tr>
<td>Role of the State of Tennessee Division of Local Government Audit</td>
<td>2</td>
</tr>
<tr>
<td>Continuing Compliance Requirements</td>
<td>3</td>
</tr>
<tr>
<td>Role of MTAS in the CMFO Program</td>
<td>4</td>
</tr>
<tr>
<td>Class Registration Process</td>
<td>4</td>
</tr>
<tr>
<td>Test-Out Option</td>
<td>4</td>
</tr>
<tr>
<td>CPE-only Cities and CMFOs Repeating Classes for CPE</td>
<td>5</td>
</tr>
<tr>
<td>Course Fees</td>
<td>5</td>
</tr>
<tr>
<td>Timing of Entry in the Program</td>
<td>5</td>
</tr>
<tr>
<td>Sensitivity and Security of Participant Grades and CMFO Exams</td>
<td>5</td>
</tr>
<tr>
<td>CMFO Student Status Reporting</td>
<td>6</td>
</tr>
<tr>
<td>Materials</td>
<td>6</td>
</tr>
<tr>
<td>Classroom</td>
<td>6</td>
</tr>
<tr>
<td>Grading</td>
<td>7</td>
</tr>
<tr>
<td>Retests</td>
<td>7</td>
</tr>
<tr>
<td>MTAS Continuing Education Opportunities</td>
<td>7</td>
</tr>
</tbody>
</table>
Introduction

The Certified Municipal Finance Officer (CMFO) program is designed for municipal finance and accounting personnel who have some prior knowledge of government accounting and financial reporting. The CMFO courses are currently open to anyone who obtains approval from the Comptroller's Office.

The CMFO courses are offered in various locations across the state. The classes are opened for registration approximately one month prior to the class date at which time materials will be made available. In the event that space is limited, participants will be allowed in a class according to the priority located in the Class Registration section of this document.

History

The Municipal Finance Officer Certification and Education Act of 2007 (Act), as passed by the Tennessee General Assembly, requires most municipalities to have in its employ a chief financial officer who is either a Certified Municipal Finance Officer (CMFO) or an individual who is exempt from the educational requirements leading to the CMFO designation by December 31, 2012.

The legislation was amended in 2013 and provided an alternative for cities with $500,000 or less in gross annual revenues (excluding one-time non-recurring grants) AND $500,000 or less in outstanding debt. Only cities with revenue AND debt below the threshold are granted the exception from employing a certified or qualified exempt financial person. These cities are not required to have in their employ a CMFO or qualified exempt person but must send a city employee to 24 hours of qualifying continuing professional education (CPE). All incorporated cities that do not meet the exception noted above must employ a CMFO or qualified exempt person as specified in the law. The amendment also specified certain conditions which would cause a CMFO to lose the certification.

The program consists of topics as specified in the state statute and MTAS delivers the topics in eleven classes as listed below.

1. Government Environment
2. Municipal Budgeting
3. Internal Controls and Auditing
4. Governmental Accounting I
5. Governmental Accounting II
6. Financial Reporting I
7. Financial Reporting II
8. Cash Management
9. Debt Management
10. Payroll, Personnel and Pensions
11. Municipal Purchasing
Municipal Requirements

Every incorporated municipality has a responsibility to comply with the CMFO law. Municipalities fall into two categories:

1. Required to employ a CMFO or an exempt qualified individual.
2. Required to designate a city employee to attend 24 hours of continuing professional education in accordance with state statute.

A municipality must designate a Chief Financial officer (CFO). This is the employee with financial oversight over municipal operations, which in many cases is the city recorder. The CFO designation should be recognized by the governing body and documented in the official minutes. The mayor, city manager, city administrator or the city recorder must verify the designation of the CFO in the state Contract and Report System (CARS) as described below. A municipality has the responsibility to report any changes in the designated CFO to the Comptroller’s Office.

The category of a municipality may change based on the exemption criteria. If the municipality is no longer eligible for the exemption it has 2 years from the date the audited financial statements were submitted to the Comptroller’s Office to have a CMFO or qualified exempt individual employed. Likewise when a CFO (CMFO, qualified exempt individual or CPE-only position) is vacated the municipality has 2 years from the date the position was vacated to replace the CFO. The state is authorized to assess a penalty for noncompliance with the CFMO Act of $50 per day.

The municipal official who designated the employee as the CFO has a duty to assess the progress of the CFO in the CMFO program in order for the municipality to avoid non-compliance penalties.

Role of the State of Tennessee Division of Local Government Audit

Once a city has designated an employee as chief financial officer or has approved an additional employee to enter the program, the individual must first complete the online approval process with the Tennessee Comptroller of the Treasury using the Certified Municipal Finance Officer Act System (CMFOAS) located on the Division of Local Government Audit’s website. The CMFO program is open to any individual who wishes to enter the program and is approved by the state. The process listed below is being revised and new information will be released as soon as possible.

The following information is located on the Division of Local Government Audit website and contains step by step instructions for program participants for creating an account, applying for the CMFO program and selected a Designee.

Guide to Certified Municipal Finance Officer (CMFO) Act Compliance

Step 1 Assign a qualified employee who is the chief financial officer (CFO). The CFO is an individual who has “…oversight responsibilities regarding financial operations.”

Step 2 Ensure that both the Mayor and the City Recorder (or equivalent) have
signed up for a Contract and Report System (CARS) account. This can be accomplished by going to CARS and signing up for an account. (If you currently have a CARS account for signing contracts, you may sign the designee form through that account.)

**Step 3** Watch for the email that notifies you that your account has been approved.

**Step 4** If the municipality has had a Financial Oversight Designee (FOD) in the past, you must select “Manage Designation Forms” and edit the last entry to include an expiration date.

To create a new designation form, “log in” to the CARS account and create a designation form, by selecting “Create a Financial Oversight Designee Designation/Exception Form.”

Both the Mayor and City Recorder (or equivalent) will have to sign the one new designation form. Each person will have to sign into their account to electronically sign the document. Only one (1) person can be active in the form at a time.

Once the one form has been signed by both parties the Comptroller’s Office be notified. Once the designation form has been acknowledged, an email will be sent to the municipality.

*Note: steps 1 – 4 do not apply to participants who are not municipal employees or who are not designated as the primary CFO for the city.*

**Step 5** The individual who has been designated (FOD) must either create an account or log in to an existing account in the Certified Municipal Finance Officer Act System (CMFOA). This can be accomplished by going to Comptroller CMFO Welcome Page. If a new account is created, watch for the email that notifies you that your account has been approved.

**Step 6** Depending on the qualifications of the FOD, different types of applications are available. The appropriate application must be completed by the designee in the CMFOA System and approved by the Comptroller’s office.

**Step 7** If the application is for (1) an exempt individual; or (2) for a CPE-only exception; once the application has been approved, no further action is required by the municipality as long as the individual complies with the CPE requirements. (*If there are any changes with the FOD the mayor or city recorder must notify the Division of Local Government within 10 days of the change*).

Once the application is approved the individual seeking CMFO certification must enroll in the education program through MTAS (Current Training Schedule).

**Step 8** The CMFO candidate must pass all the courses in the program.

**Step 9** The CMFO candidate who has passed all courses must log into their account in the Comptroller’s CMFOA system and complete the request application for certification. IMPORTANT!! A copy of the MTAS transcript (transcript is required because it has all the class dates) must be uploaded into the online system by each CMFO candidate.

**Continuing Compliance Requirements**

All CMFOs and CPE-only designated employees must attend at least 24 hours of qualified continuing education hours. Qualified CPE is training that meets the requirements as established on the Comptroller’s Website. It is the responsibility of each individual to exercise judgment in attending various training events. Sponsors of training events must meet the criteria established in the requirements and topics must fall into one of the categories listed. The requirements limit the number of CPE hours...
classified as “Other” to 8 of the 24 hours. Up to 24 hours of CPE may be carried over to
the following calendar year.

Role of MTAS in the CMFO Program

Class Registration Process

Persons wishing to become certified in the CMFO program must first be approved by
the Division of Local Government Audit using the steps outlined above. To register for a
specific CMFO class customers may use the online registration system Solution Point at
http://www/solutionpoint.tennessee.edu/MTAS or call Michelle Buckner at 865.974.9851
or MTAS at 865.974.0411. A registrant will receive an invoice if they do not pay via
credit card.

When a customer has registered for a class or a test-out (opting to take an exam
without attending class), Michelle will email the appropriate materials

All participants are expected to register in advance of the classes. All participants
enrolled in the program for certification and CPE-only cities that need to meet state
requirements should register early. All participants entering the program at the
beginning of the program cycle will be guaranteed a seat for the remainder of the
program.

Participants will be accepted in the following priority:

1. Municipal employees designated as the primary CFO for a city seeking
certification.
2. Municipal employees required to obtain 24 hours of CPE.
3. Additional municipal employees seeking certification.
4. Other government employees seeking certification.
5. Other non-government participants seeking certification.
6. CMFOs repeating classes for CPE can fill the remaining seats on a first-
come first-serve basis.
7. Any other individuals may enter the program after the classes have started
   as space permits.

Test-Out Option

Participants may opt to test-out of any course with the exception of “The Government
Environment” class. The participant needs to contact Michelle Buckner to pay for and
receive the course materials and arrange a time for taking the test. One CPE hour is
awarded for a test out.

Test-outs are given only in an MTAS office location and can be proctored only by an
MTAS employee. If there are two or more participants testing at the same time, an
MTAS Finance and Accounting Consultant may proctor the exam or arrange for another
MTAS employee to do so. If there is only one participant testing, the exam must be
proctored by an MTAS employee other than an MTAS Finance and Accounting
Consultant. Please contact the person listed in the Retests section in your area of the
state.
CPE-only Cities and CMFOs Repeating Classes for CPE

ALL participants attending CMFO classes must take the exam. CPE-only cities and CMFOs repeating classes for CPE do not have to pass the exam to receive CPE credits but must take it. If an exam is not taken, 0 (zero) hours will be awarded. Total CPE credit awarded for each CMFO class is 8 hours.

MTAS has no authority to classify any training events except for those MTAS staff develop or are involved with. The responsibility to attend adequate and eligible continuing education classes is the responsibility of each CMFO and CPE-only individual. The Comptroller’s Office has the authority to determine whether any training attended is acceptable through their established CPE audit process. Please refer any questions about CPE that is not sponsored by MTAS to the Division of Local Government Audit. CPE rules in TCA 6-56-404 apply to both CMFOs and CPE-only individuals.

Course Fees

Course fees are structured where municipal employees pay the lowest fee and the fees increase for other government and non-government participants. Test-out and re-test fees are the same for all participants. The current fee schedule can be located on the MTAS website. [http://www.mtas.tennessee.edu/web2012.nsf/Web/Fee+Schedule](http://www.mtas.tennessee.edu/web2012.nsf/Web/Fee+Schedule)

Timing of Entry in the Program

Customers are strongly encouraged to enter the program in January when the first of the 11 courses are taught. The first course is “The Government Environment” and classroom attendance is mandatory for this course only. Alternative entry into the program can easily take place in August if space permits. Participants are strongly discouraged from starting the program between April and July unless they have a strong background in government accounting and financial reporting.

Sensitivity and Security of Participant Grades and CMFO Exams

Participants will be notified of exam results on a pass/fail basis. Participant grade security is of major importance to the CMFO program. Scores are confidential. Participants can print a transcript using the Solution Point system at any time. The transcript shows hours of classes and whether completed. No scores appear on transcripts.

All electronic versions of the exams are located in a secured location within the MTAS organization. Printed copies of exams are handled with extreme care by the MTAS finance consultants and exam proctors. At the end of each course, all copies of exams are returned to the instructor who then disposes of the exams by shredding them after all exams have been graded.

In certain circumstances a city mayor or city manager may request the status of an employee who is participating in the CMFO program on the city’s behalf. Employers are entitled to obtain a status of the enrolled employee upon request. Requests for a participant’s status shall be made in writing either in a letter or an email to the MTAS Finance and Accounting Program Manager. The Manager will determine if the request
is reasonable and, if so, forward the request and participant transcript to the Information Specialist for the Institute for Public Service (IPS) 865.974.6621. The Information Specialist will consult with the UT General Counsel’s Office and either gain permission or denial for the request. If permission is granted, an official response is sent to the person requesting the information with a copy sent to the Finance and Accounting Program Manager. The State Comptroller’s Office is charged with compliance of the CMFO program and as such is entitled to the status of municipal participants. MTAS will provide participant status information upon request by the Comptroller’s Office, Division of Local Government Audit. The transcript will list all courses taken and the status of the course (Passed/Completed or Failed). Note that courses are not deemed completed until they are paid in full. Exam scores are not provided to participants or city officials.

**CMFO Student Status Reporting**

When a participant is enrolled on behalf of a municipality, attends classes on the employer’s time or is otherwise required to go through the program, employers are entitled to obtain a status of the enrolled employee upon request. CMFO students are obligated to provide a transcript obtained in the MTAS online training system detailing their progress when requested. The State Comptroller’s office may also request a transcript from a student and a student is obligated to produce that document.

**Materials**

Materials will be provided once a participant’s class registration is received. Participants are expected to study the materials prior to arriving for the class. Additionally, for the four classes covering governmental accounting and financial reporting participants are encouraged to study the corresponding sections of the Government Finance Officers Association (GFOA) publication, *Governmental Accounting, Auditing and Financial Reporting* (The Blue Book). The Comptroller’s Office has the authority to set accounting practices for local governments and the Blue Book is required practice for each municipality in Tennessee. Copies of the Blue Book may be ordered from the GFOA website www.gfoa.org. Additionally, the sample audit which is Appendix A for the two Financial Reporting classes must be brought to class.

**Classroom**

Participants are expected to adhere to the following classroom rules:

1. Arrive at least 15 minutes before class begins
2. Sign in prior to class beginning
3. Stay on the premises during lunch and breaks
4. Access to all personal items will be prohibited during the exam, no cell phones, purses, notebooks, etc.
5. Once an exam begins a participant may not leave the room and return. If an emergency occurs the participant can make up the exam at a later date.
6. Sign out when exam and answer sheet are turned in.
Grading

Grading for the CMFO program is handled in the Knoxville office and all exams are graded electronically. A passing grade of 74 on each class exam is required. Exam results are only given on a pass/fail basis. No scores will be distributed. Exam results will be communicated to participants within 5 working days of the exam date by email from one of the training staff in the Knoxville office. Those participants enrolled in the program to be certified who receive less than 74 may register for the next class but are encouraged to make up the failed class as soon as reasonably possible. Participants are encouraged to obtain additional training or tutoring for a class they have failed.

Retests

If a participant scores below 74 on any exam, they must retest on that topic. Participants must contact one of the following people to arrange an exam appointment:

- Michelle Buckner- Knoxville 865.974.0411
- Michelle Terry – Nashville 615.532.6827
- Christine Anderson – Jackson 731.423.3710

Retests shall be handled in the same manner as the test-out scenario.

If a participant fails a CMFO exam, they will be sent an email with the exam analysis from the test software attached which indicates the percentage passed by learning objectives. This will give the participant an idea about which topics they need to study. If the participant needs assistance interpreting the exam analysis report they should contact their assigned MTAS finance consultant.

NOTE: Participants testing out or retesting need to provide a photo ID and are expected to follow the examination procedures noted above in the Classroom section of this document steps 2, 4 and 5. Participants are allowed 1 hour for each exam additional time is allowed for Accounting I and II and Reporting I and II, however total exam time for these 4 parts shall not exceed 1.5 hours.

MTAS Continuing Education Opportunities

MTAS as part of the University of Tennessee complies with the CPE sponsor requirements as established by the Comptroller’s Office. Classes which qualify as CPE are generally categorized as Municipal Administration Program (MAP) classes in the MTAS training system. However, other class offerings may meet CPE requirements and should be classified in the class description in the MTAS online system and training catalog. MTAS continues to develop and add new training options for our municipal customers.
CMFO Program Contacts Information:

Michelle Buckner, Administrative Specialist
P.J. Snodgrass, Training Consultant

Kay Stegall, Finance and Accounting Consultant
Program Manager
Sharee Brewer, Finance and Accounting Consultant
Ralph Cross, Finance and Accounting Consultant
Brad Harris, Finance and Accounting Consultant
Al Major, Finance and Accounting Consultant

michelle.buckner@tennessee.edu
pj.snodgrass@tennessee.edu
kay.stegall@tennessee.edu
sharee.brewer@tennessee.edu
ralph.cross@tennessee.edu
brad.harris@tennessee.edu
al.major@tennessee.edu