

## Considering the GFOA's Certified Public Finance Officers Program

By Joan Jadali

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The Certified Public Finance Officers Program (CPFO) reached a milestone in summer 2012, when the 500th person completed the requirements to be a CPFO. The Government Finance Officers Association's CPFO certification program is designed to prepare government employees for financial leadership positions in local and state government. This self-study program provides a broad overview of five major disciplines in public finance: treasury and investment management; governmental accounting, auditing, and financial reporting; operating and capital budgeting; retirement and benefits, risk management, and procurement; and debt management. Obtaining the CPFO designation is an important step in a finance officer's career.

### HOW IT WORKS

Candidates have three opportunities a year to test their knowledge in the area they are studying; eventually, they are tested in all five disciplines. Many state associations host the CPFO testing as part of their annual conferences. For example, the GFOA of Missouri offers a testing session in all five exam areas at its annual spring conference. In addition, the GFOA now allows individuals to take the test in local jurisdictions, after pre-registering. To maintain the certification, CPFOs participate in 60

hours of continuing education every two years. The continuing education requirement keeps CPFOs up to date on current trends and innovations in government finance.

The CPFO designation says that an individual has demonstrated competencies in the major disciplines of public finance. One CPFO said this was the only program she had found that helps candidates learn the specific and practical aspects of governmental accounting. This certification gives finance professionals a large volume of resources to use in delving into and strategizing in areas they doesn't normally address. Another CPFO noted that the broad spectrum of knowledge gained through the study process is invaluable, regardless of one's position in government finance.

### THE EXAM AREAS

Each examination requires individuals to demonstrate knowledge of specific subject matter. The treasury and investment management examination is arranged around three main topics: investing, managing banking services, and general treasury management. Recommended reading material for these core areas provides important information on processes for establishing an investment policy, investment economics (such as the yield curve, strategy, monitoring financial markets,

and interest rates), and bank depository and custodian selection. Other topics in this category are cash flow forecasting, short-term borrowing methods and instruments, internal controls, and use of technology. In my own experience, this core area provided a more comprehensive understanding of investment policies and parameters that helped me improve the investment policy for the City of Webster Groves, Missouri.

The governmental accounting, auditing, and financial reporting category focuses on three main areas for testing: accounting and internal control, auditing, and financial reporting. The main source of reading material is *Governmental Accounting, Auditing, and Financial Reporting*, also known as the Blue Book. More specific topics include evaluating control-related policies and procedures, internal control and fraud prevention, auditing standards, independent auditor's reports and findings, fund accounting and fund financial statements, measurement focus, and basis of accounting. Mastering this material means a candidate thoroughly understands the required components of the comprehensive annual financial report (CAFR). Applying what I learned as a CPFO candidate definitely helped me with preparing the City of Webster Groves' CAFR, which has earned a certificate from the GFOA's CAFR Program for a number of years.

The operating and capital budgeting study materials address budget process and organization, linking budget to long-range planning and assessment, budget and financial policies, the operating budget, revenue forecasting and

analysis, and preparing and adopting the capital improvement program and budget. The reading material helps candidates understand the relationship between operating and capital budgeting and the relationship between budgeting and accounting, as well as performance measures and benchmarks, financial policies related to budgeting, types of budgets (including line item, program, performance, and zero-based budgets), and forecasting methodologies. The material in this section gave me a framework for presenting a budget to stakeholders and preparing budgets that have earned more than one GFOA's Distinguished Budget Presentation award.

The retirement and benefits, risk management, and procurement area highlights general issues of retirement and benefit administration, the role of risk management, tools for managing risk, and procurement processes (including competitive procurement, source selection, contract types, and cooperative purchasing). I was able to use the information presented in this section to create the City of Webster Groves' first written purchasing manual, which now serves as a reference to existing seasoned staff while providing detailed policies and procedures for newly hired staff.

The debt management examination covers topics including an overview of the municipal bond markets, capital financing methods, types of municipal debt, structuring and sizing an issue, bond sales, and managing outstanding debt. I learned a great deal about the process of issuing debt and its impact on the finance function, particularly

how the city could improve its credit rating. To that end, once I completed my testing in this area, I started implementing some of the recommended items and learned how to look at the city's financial position and assets with the eyes of an investor — I added value to the city's management team by learning how to present what we had to others. As a result, Webster Groves earned a rating upgrade.

## CONCLUSIONS

When the CPFO program was introduced in 1997, Jeffrey Esser, Executive Director of GFOA, said, "For the first time, a finance professional anywhere in the United States will be able to objectively demonstrate his or her knowledge of government finance. The national scope of the GFOA certification process should help the profession define the core finance knowledge and, thus, lessen reliance on subjective factors in evaluating the finance function." Participation in the CPFO program helps participants increase their levels of training and expand their knowledge of the finance area beyond the daily demands of their jobs. ■

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*The GFOA's Certified Public Finance Officers Program receives technical and administrative support from the Radford University Governmental and Nonprofit Assistance Center and is governed by the GFOA Council on Certification. More information is available at <http://www.gfoa-cpfo.org/>.*