



Chief Financial Officer (CFO) Knowledge Transfer

Ohio Fiscal Academy

Cohort # 6 2016 Team: Getting Good M.A.R.K.S.

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Executive Summary

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Without the proper tools or knowledge for the job, anyone from a mechanic to a financial professional cannot quickly reach their maximum potential. Both new employees and seasoned professionals can each benefit from knowledge management and transfer programs focused on providing and retaining job and agency specific information relating to all areas of operations. Our team is proposing to create a knowledge transfer program/curriculum targeted toward new Chief Financial Officers, in order to provide the tools for immediate success for these individuals consistently across the state. This case study will outline the research methodologies used, analyze and outline the findings, and provide our recommendations on the content, format, and mode of our Chief Financial Officer Knowledge Transfer program.

The topic for this case study was derived from CFO interviews required by the Ohio Fiscal Academy. These interviews left a very positive impression with each team member, thus CFO interviews became the foundation of our research. While one of the CFO's interviewed was new to the position, the rest had a range of several to over ten years' experience as a CFO. These interviews were designed to determine whether a new CFO would be interested in a knowledge transfer program; develop the best practices for a busy professional to obtain this knowledge; establish the topics of state operations to serve as the basis of the curriculum; and identify the people to help develop the details of the curriculum.

After the CFO interviews helped us develop the foundation for our project we reached out to multiple subject matter experts in the areas indicated as core competencies by the CFO's to develop the details of our curriculum. The Subject Matter Experts (SME's) were asked questions to determine the best method of knowledge transfer for each subject, the most important aspects of each fiscal area, and highlighting the important pieces of each area of operations that a new CFO would need to learn. Finally, SME's helped determine existing resources that a CFO could use to improve their knowledge.

Academic research and professional publications were also utilized to assess the answers from the CFO and SME interviews and surveys, establish if private sector best practices on this subject applied to the public sector, and discover methods of knowledge transfer to incorporate into our recommended curriculum.

There were very consistent responses among interviewed CFO's. Communication and internal controls were identified as the foremost skills to develop. Understanding the budget process and chart of accounts were also suggested areas for a new CFO to perfect. CFO job duties vary greatly between different agencies and organizational structures. Many of the CFO's interviewed indicated that they would support a knowledge transfer program for new CFO's and a few indicated they would use this program to sharpen their skills, if it was developed. Peer-based knowledge transfer and a combination of web based instruction and classes were the most popular methods suggested.

As anticipated, the SME's provided very specific and technical information. In a majority of the fiscal areas a curriculum or knowledge transfer program could be developed but the information was very agency (i.e. agency defined chart fields). Agency specific documentation of procedures and information could be helpful but most SME's suggested in person training and

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peer to peer knowledge transfer for our proposed project. The SME's also provided several existing resources new CFO's could also use to increase their knowledge base.

After analyzing our interview and survey results in addition to the academic research and publications, our team decided not to develop a curriculum as originally planned. Many CFO's and SME's revealed how important agency specific information was to a CFO's job performance and how a knowledge transfer program needed to include this information. Since many of the fiscal areas we researched involved agency specific details it was determined that developing a curriculum for every agency is not practical. In response to this finding, a three tiered approach to CFO knowledge transfer was developed.

Our team proposes to create an online forum exclusively for CFO's as a source of communication and peer to peer contact. Peer to peer knowledge transfer was indicated as the CFO's preferred method and this forum can provide the CFO to CFO communication and archiving ability. This forum would be a resource to new CFO's to reach out and post questions and comments to other state CFO's. Our second recommendation is for agency leadership statewide to promote the use of the Fiscal Knowledge Exchange for CFO's to post agency specific information for the use of current fiscal staff and future CFO's. The last component of our recommendation is to create and distribute a template for CFO transition documents that can contain both general operations and agency specific fiscal information. This multi-tiered approach should help our team achieve the goal of ensuring core competencies of new CFO's are consistent statewide.

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Introduction

The Wharton School published an article on the 'Forward Looking CFO' in 2013¹, noting that senior financial officers are moving beyond number crunching functions to playing a crucial role in strategic planning and development. Without a breadth of knowledge in agency-specific finance roles, newly selected CFO's in the State of Ohio may not be as well versed in certain areas of State operations, which may disadvantage their ability to serve in this strategic role for the State. Our group is proposing that, by implementing a standard curriculum that provides knowledge transfer, the Core Competencies of new CFO's will be consistent throughout the State of Ohio. Our group identified this potentially significant topic during Fiscal Academy interviews with an agency CFO.

This project addresses any opportunities for improvement and growth for CFO's both personally and professionally. Our group focused our curriculum on newly appointed CFO's while relying on stakeholders such as current CFO's, subject matter experts and other fiscal staff. In undertaking this project, we examined what areas are considered "Core Competencies". This was obtained through interviewing CFO's. Once we identified these Core Competencies, we polled various Subject Matter Experts throughout the State to develop the focus of the curriculum. In addition, several professional publications on the subject of CFO's relating to both the public and private sector were used to help develop the curriculum and methodologies.

Background

What is knowledge transfer?

Traditionally knowledge transfer is the movement of knowledge from one person or location to another². One of the most common examples is a student learning from a teacher or an apprentice from the master. Knowledge can be transferred from text books, journals and manuals, or other written materials to webinars and formal training or mentoring. It becomes significantly more complex in the professional world and is dramatically different between the private and public sectors. Knowledge transfer in organizations can be defined as the process through which one person, unit, department or division is affected by the experience of another³. In the context of this case study it is the knowledge of agency specific and overall financial operations needed for the CFO of a state agency to be successful.

The significance of knowledge transfer

Modern CFO's roles have changed from traditional financial analysis to helping to shape the direction of an entire agency. Targeted learning and development interventions are more necessary than ever in preparing senior financial managers to serve in this changing leadership capacity⁴.

¹ <http://knowledge.wharton.upenn.edu/article/the-forward-looking-cfo-linking-financial-rigor-with-leadership/>

² <http://km.brint.com/CBK/WorkingKnowledge5.pdf>

³ Organizational Behavior and Human Decision Processes, Vol. 82, No.1, May pp. 150-169, 2000

⁴ <http://knowledge.wharton.upenn.edu/article/the-forward-looking-cfo-linking-financial-rigor-with-leadership/>

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Many, if not all, of the CFO's across all state agencies, board, and commissions come to their positions with a substantial breadth of knowledge and experience befitting their position. However, this experience may not be with their current agency or was focused only in a limited number of fiscal areas. It then becomes necessary for a new CFO to acquire knowledge of agency-specific finance roles and all areas operations for their agency. This does not imply that a new CFO is destined for failure if they do not have all of the experience and understanding necessary when they start their position, only that the individual and agency could experience unintended "growing pains" until that person gets up to speed.

Current process of knowledge transfer

Some agencies have a formal set of procedures for knowledge transfer. An example of some of these procedures can be transition documents from the outgoing CFO or a transition period where the incumbent CFO stays on for a period of time to work with the new CFO. With most agencies this is not the case and CFO knowledge transfer is not consistent across the state leaving CFO's to learn on the job with little assistance. If a CFO has an issue or questions about a subject another resource is to reach out to other CFOs or discuss it at quarterly CFO meetings.

Results of current process

The current process or lack thereof for CFO knowledge transfer is not problematic, but could be improved upon. The level of performance and efficiency at the start of a CFO's tenure could increase dramatically. Eventually, through hard work and dedication, CFO's acquire the skills and knowledge necessary to perform at the highest levels. The mission and goals of the state and agency would be better served if a CFO was operating at their optimal level more expeditiously.

Purpose of CFO knowledge transfer case study

The objective of this case study is to develop a curriculum and formal methodologies or procedures for state agencies to provide the necessary knowledge and tools to new CFO's. It discusses suggestions of current CFO's and subject matter experts on the methods and content of the training and curriculum to improve CFO knowledge transfer statewide.

Research Strategies

Current CFO Interviews

The first step in the process was to determine the list of questions to ask the CFO of each team member's agency along with a newly appointed CFO from the Ohio Schools for the Deaf and Blind. We chose to interview our own CFO's because of the level of rapport that has already been established. In addition, considering our team members come from the Department of Administrative Services, Ohio Development Services Agency, Department of Medicaid, Department of Transportation, and the Office of Budget and Management, we felt there was a diverse sampling of small to large departments including central service agencies that

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represented many different areas of state operations. The questions and format were designed in a manner that enabled us to conduct an in person interview or use like a survey if scheduling became an issue. The next step was to conduct the CFO interviews.

The purpose of these interviews and questions were to gauge the level of interest in a CFO knowledge transfer program, determine the best methods for a busy professional to obtain this knowledge, establish the areas of financial and overall state operations to focus our curriculum on, and identify the subject matter experts to contact to develop the details of the curriculum. The following questions were used when interviewing the identified CFO's:

- If you were a mentor to a new State of Ohio CFO, what skills would you advise them to perfect?
- In terms of how you see your main job role, how would you describe it?
- What is the most difficult aspect of your job, and would a curriculum help address it?
- What is the most valuable skill you have gained while being CFO?
- Out of the following aspects of your fiscal office (budget management, procurement management, accounts receivable, grants management, accounts payable, contracts management, asset management, cash management, financial reporting, debt management, public speaking, interpersonal skills, strategic planning, and policy management), please rank the areas as high, medium or low importance. Why do you feel this way?
- Are there any other functional areas not listed above (both fiscal and non-fiscal) that you wish you had or desire to acquire that would improve your performance as CFO that could be part of a curriculum and knowledge transfer program for CFO's?
- How helpful would a curriculum or online training/best practice guides be to you, and how helpful would they have been when you were first selected for the CFO role?
- What would be the best way to get subject matter experts for various pieces of the curriculum?
- If a curriculum or a knowledge transfer program was developed by the State for the CFO position would you participate or actively pursue new knowledge and skills, and do you think others would be receptive to this? If so, what method of training would you prefer?
- Would you see this type of training material being maintained, updated, and shared from OBM or DAS (as a central service agency) or someone else?
- The role of the State of Ohio CFO is continuing to change. How do you see the State of Ohio CFO's role in five years?

Subject Matter Expert (SME) surveys

The CFO interviews helped to narrow the focus of the curriculum and provide recommendations on some of the SME's to contact. The CFO interviews/surveys identified the following areas to focus our curriculum: budget management, procurement management, accounts receivable, grants management, accounts payable, contracts management, asset management, cash management, financial reporting, debt management, strategic planning, policy management,

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Controlling Board, and revenue forecasting. The Deputy Director of State Accounting and Reporting at the Office of Budget and Management offered additional SME recommendations for contact. A total of 12 SME's were identified and of those several were selected to provide information for multiple areas of operations indicated above.

The next step was to develop the questions for the SME's. The following questions were used when surveying the identified SME's:

- What method of knowledge transfer do you think would be best for this subject?
- What are the most important aspects of this Fiscal area?
- Can you highlight some important pieces of this area that a new CFO would need to learn?
- Are you aware of any existing resources that a CFO could tap into for continued education in the area?

Academic research and professional publications

Academic research and professional publications were incorporated into the research strategies to evaluate the responses from the CFO's and SME's, determine if best practices on this subject in the private sector applied to the public sector, and help identify methods of knowledge transfer to implement our recommended curriculum.

In order to develop a knowledge transfer process, an interested party must have to have a better understanding of knowledge management. There are three components of knowledge management: knowledge generation- all actions that expose knowledge that is new to individual, to the group, and to the organization; knowledge codification- representation of knowledge so that it can be passed on to an individual or organization; and knowledge transfer-movement of knowledge or information⁵. This is directly pertinent to the case study, as it helped the group concentrate on the roles and duties of the CFO (and how to do them) that could be quantified and turned into a framework that could serve as a standardized knowledge transfer curriculum.

Findings

CFO Responses

If you were a mentor to a new State of Ohio CFO, what skills would you advise them to perfect?

Several CFO's indicated communication and internal control as the foremost skills to sharpen. The others focused their responses on more technical areas. Strong business intelligence (BI)/reporting acumen would enable a new CFO to gather the relevant information in order to make informed decisions. Chart of accounts, budget process, and payroll process and journals were the other areas suggested for a new CFO to master.

⁵ <http://km.brint.com/CBK/WorkingKnowledge5.pdf>

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In terms of how you see your main job role, how would you describe it?

The answers varied widely for this topic. Being the agent of cost saving strategies and the liaison for agency leadership to understand their budget was one CFO's response. Another reply was similar that their role was a very fact based position to provide senior management with the details about the financial status and forecasts for the department. One agency that has a large amount of federal grants indicated coordinating with and adhering to federal reporting requirements was a major part of their job. The central service agencies were focused on program and customer service delivery. Controlling and maintaining the budget and ensuring compliance in all areas were considered the main role according to other CFO's.

What is the most difficult aspect of your job, and would a curriculum help address it?

Managing expectations and telling people no due to lack of available funds was the most popular answer among the CFO's surveyed. Along the same lines, another CFO commented the hardest part of their job is developing relationships and helping them understand the finance section has to be involved early in the process. One CFO noted that for a person new to the job would find the state processes and inter-relationships very difficult along with the differences in the private and public sectors. All respondents were unanimous in their opinion that a curriculum would not address these issues.

What is the most valuable skill you have gained while being CFO?

Building relationships and general presentation skills are not often utilized at lower management positions, and several CFO's named these abilities among the most treasured assets they have acquired since assuming their position. Since the position is so challenging, it helped better develop the analytical skills of one CFO. Improved decision making was another ability mentioned because they had to continuously gauge impacts regarding their decisions and consider the repercussions. This was a suggestion for a potential curriculum/training opportunity that could teach people to broaden their perspective and think of more if not all of the impacts of a particular decision.

Out of the following aspects of your fiscal office (listed above); please rank the areas as high, medium or low importance. Why do you feel this way?

Budget management, financial reporting, and interpersonal skills were the only aspects that had unanimous votes for high importance due to the fiscal nature of the position and the need to work with and manage a lot of people. Procurement management, accounts payable and receivable, contracts management, cash management, strategic planning, and policy management received votes of either high or medium importance because depending on the size of the agency most CFO's do not deal with these aspects directly but they are still part of their responsibilities. Grants management, asset management, debt management, and public speaking received mostly medium to low importance votes. Asset management isn't as important in agencies with mostly personnel costs. Debt management is mostly handled by the

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debt section at the Office of Budget and Management. A lot of agencies do not receive grants so this aspect is not as important for these CFO's.

Are there any other functional areas not listed above (both fiscal and non-fiscal) that you wish you had or desire to acquire that would improve your performance as CFO that could be part of a curriculum and knowledge transfer program for CFO's?

The Controlling Board was a recurring item among several CFO's due to its importance in the budget process, combined with the relative lack of Controlling Board experience among agency financial professionals. Time management and investments were also mentioned as skills that are valuable to acquire. The Statewide Cost Allocation Plan (SWCAP) also made the list of desired skills/knowledge to possess. Another CFO indicated the importance of human resource management and understanding the vital role this aspect plays in state operations. It is important to properly classify your positions so you have the right type of positions and people to support the CFO. One CFO mentioned knowing the legal foundations of state financials and all of the Ohio Revised Code and Administrative Code that applies to your operations.

How helpful would a curriculum or online training/best practice guides be to you, and how helpful would they have been when you were first selected for the CFO role?

Most of the CFO's responded that this would be very helpful to a new CFO and only one indicated that they would use this information now as an experienced CFO. Two CFO's indicated that the potential curriculum would only be useful if it had a significant amount of agency specific material.

What would be the best way to get subject matter experts for various pieces of the curriculum?

Nearly every CFO gave a different answer for this question. One CFO suggested peer nominations by asking agency fiscal staff. Another CFO recommended polling current CFO's and experienced budget and accounting managers. Contacting the CFO advisory council was another idea. Contacting managers at the central services agencies like DAS and OBM could provide insight to the agencies that perform these areas well and the staff to contact.

If a curriculum or a knowledge transfer program was developed by the State for the CFO position would you participate or actively pursue new knowledge and skills, and do you think others would be receptive to this? If so, what method of training would you prefer?

The majority of CFO's indicated that they would participate if a curriculum or knowledge transfer program was developed. Only a few of the more experienced CFO's declined to participate. Several CFO's mentioned that they would prefer a peer knowledge transfer as the method of training. One CFO did not offer specific training recommendations but suggested anything that

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was not a large time commitment and could be done at their convenience would be preferable. Another answered that they prefer a combination of web based and classes. Classes are really important at building a network of peers and responsible parties; they could then be followed by a webinar. A new CFO that does not currently have a CFO knowledge transfer program to assist him revealed that he frequently refers to the SAFE manual.

Would you see this type of training material being maintained, updated, and shared from OBM or DAS (as a central service agency) or someone else?

Most CFO's believe it should be solely OBM's responsibility since they are the central fiscal training agency. Failing this, the CFO's felt that it could be handled by a combination of OBM and DAS. A central service agency made sense to them because they serve all agencies and would be better positioned to have the available resources or know the best SME's to provide training. One CFO indicated that neither OBM or DAS should maintain or be responsible for this and that it should be maintained on an open source site where information could be updated and shared.

The role of the State of Ohio CFO is continuing to change. How do you see the State of Ohio CFO's role in five years?

The answers to this question was among the most interesting because each CFO was tasked with taking an introspective look at how they see their role changing. One CFO envisions the five year changes in the role to focus on attracting and retaining talent that has less of a tactical emphasis in the organization to a more strategic importance. Another CFO foresees a continual movement towards automation and modernization in which thresholds, laws, and rules will catch up to match technology. Two CFO's agree that their role is becoming less process oriented and more analytical and providing a more in depth financial analysis versus an accounting only role. A newer CFO believes less processing staff will be needed as the traditional role changes as more processes transition to Ohio Shared Services and are centralized. One of the most experienced CFO's surveyed does not think the position has changed that much since they are still focused on the same core tasks but a dependence on technology has shifted the position from a control to a customer facilitator paradigm.

SME responses and analysis

This section of the case study will analyze the responses of the selected SME's by the functional area of operations. We asked all of the SME's the same four questions (mentioned above in the SME survey section of the research strategies).

Accounts Receivable

The SME's identified for accounts receivable are Melvin Striblin with the Office of Budget and Management and Glendara Clayton with the Ohio Development Services Agency.

When asked what method of knowledge transfer would be best for this subject, Melvin mentioned that it would be ideal to have accounts receivable documented for each agency.

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“There are agency defined chart fields that can make it unique and need to be explained whenever an agency elects to use them⁶.” He added that the most important aspects of accounts receivable are the agencies ensuring payments/deposits are posted correctly. Melvin suggested that budget errors, as they relate to deposits, would be an important aspect for CFO’s to know.

Deposits can have budget errors that cause lines within a deposit to not post. The system treats every line independently and is very difficult to see when there are multiple lines on one deposit. “This occurs most often with a refund of expenditure coding. An agency might have appropriation but cannot make a payment because they do not have cash in the fund⁷.”

Additionally, Melvin recommended that agencies review and reconcile their receivable balance in the ledger against open accounts receivable items. Finally, when asked if he was aware of any existing resources a CFO could turn to he mentioned the FIN manual. Also, besides the FIN manual, CFO’s could make use of the Fiscal Exchange website which OBM implemented in the spring of 2016. Melvin also suggested networking with other CFOs that can give you a different perspective.

Glendara suggested that there are two types of knowledge that resides in organizational members, tools, tasks, and networks: “The first is embedded knowledge which includes knowledge that resides in systematic routines, technology procedures, and other policy⁸”.

A lot of agencies utilize sub-systems for their daily operational activities, which must be compatible to OAKS. Sharing this knowledge could lead to a collaborative effort between agencies at a low cost. Agencies could also benefit by sharing the already existing portals⁹.

The second type of knowledge discussed is encultured knowledge. Glendara suggested that this type of commonly understood and customary language knowledge can only be transferred through interpersonal communication. “Once the CFO understands the tools OBM provides to carry out his or her job responsibility, this will empower to work smarter and more efficient and share with other CFO’s¹⁰.”

Glendara highlighted several other important aspects of this fiscal area. Notably, she concentrated on the importance for a CFO to understand the different types of revenue. Additionally, knowledge of Federal funds and knowing who the Grantor’s are is very important. Glendara offered two existing resources that a CFO could tap into: the United States Chief Financial Officers Council and the Carl Vinson Institute of Government.

⁶ Melvin Striblin Subject Matter Expert survey answer

⁷ Melvin Striblin Subject Matter Expert survey answer

⁸ Glendara Clayton Subject Matter Expert survey answer

⁹ Glendara Clayton Subject Matter Expert survey answer

¹⁰ Glendara Clayton Subject Matter Expert survey answer

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Accounts Payable

The SME identified for accounts payable is Stacie Massey with the Office of Budget and Management.

Stacie suggested following agency specific and OBM policies and procedures on accounts payable as the best way to transfer knowledge on this subject. The most important aspects of accounts payable, according to Stacie, were to follow policy, procedure, and law when processing payments. She noted that a CFO would need to become familiar with various governing laws and policy that surround payments; this includes the Ohio Revised Code (ORC) and the Ohio Administrative Code (OAC). In regards to existing resources that a CFO could tap into for continued education, Stacie reiterated use of the OBM Source for policy and procedures as they relate to Accounts Payable.

Revenue Forecasting

The SME identified for revenue forecasting is Fred Church of the Office of Budget and Management.

Fred noted that forecasting is not something that can be picked up from written materials alone, but that some formal training would be required. He suggested that web-based training could be used with videos of an instructor walking students through the material.

According to Fred, there are two important aspects of Revenue Forecasting: a technical, statistical aspect and a subject matter aspect. The technical aspect requires forecasters to have basic knowledge of statistics. He mentioned that forecasters should remember that designing a forecasting model is a prerequisite to doing any actual forecasting.

In real-world applications there is no single best forecasting model. “One has to try a number of approaches and choose among them, and sometimes combine parts of them, to develop a sound forecasting method that can be replicated and updated¹¹”.

The subject matter aspect focuses on the individual having a good understanding in the institutional foundations. Fred indicated that understanding the institutional framework means comprehending changes in law, technology, and other aspects that will impact the analysis. Fred mentioned that if a process has changed and is no longer a reflection of its history, then applying the same forecasting model, that was previously used, would not work. As an example: “A forecast of demand for printed court documents that failed to understand the shift from paper to digital documents would have been very inaccurate¹².”

Fred acknowledged that the amount of forecasting knowledge a CFO would need is largely based on the agency and not always limited to revenue forecasting. He cited specific examples: “DRC [the Ohio Department of Rehabilitation and Correction] must forecast the prison population to know its expenditure needs for both operating and capital. Medicaid must forecast

¹¹ Fred Church Subject Matter Expert survey answer

¹² Fred Church Subject Matter Expert survey answer

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eligible recipients by program and provider rates. Agencies with significant non-GRF revenue, like ODOT, need to forecast those revenues with a fairly small percentage error¹³.” In all cases, Fred suggested, that the CFO and his or her team need to have an understanding of the institutional framework, basic statistics knowledge, and research design in order to come up with several models.

In regards to existing resources that a CFO could utilize, Fred mentioned there may be some materials online, potentially The Institute for Statistics Education, but could not verify the legitimacy or quality of those guides.

Debt Management

The SME identified for debt management is Kurt Kauffman with the Office of Budget and Management.

Kurt recommended in person training to be the most effective way to transfer knowledge of debt management due to the importance of instructive dialog. “The fact pattern and circumstances associated with an agency and its capital project(s) can affect how that project is treated under State law and Federal tax law¹⁴.”

When asked about the most important aspects of debt management, and what a new CFO would need to know Kurt stated that it was vital to have knowledge about capital appropriations. Knowing how to appropriately use “tax-exempt bond proceeds to ensure that are spent only on qualified capital expenditures” is essential¹⁵. Kurt also noted that matters involving post-issuance compliance like restrictions on use of payments and restrictions regarding recordkeeping were important for all new CFOs to learn.

In regards to what existing debt management resources would be helpful for new CFOs, Kurt suggested the OBM Fiscal Academy training resources regarding debt management, and a Post-Bond Issuance Compliance training that is coordinated on every other year by Debt Management.

Policy Management

The SME identified for policy management is Stacie Massey. Stacie was identified as a subject matter expert in multiple areas but, this section of the case study will focus on her answers pertaining to policy management.

Stacie recognized the most effective way to transfer knowledge relating to policy management is to provide the links to the various policy resources (agency resources, OBM Source/Safe Manual, etc.) of current established policies.

When asked to identify the most important aspects of policy management Stacie discussed several aspects of importance. A CFO should be apprised of agency specific and state-wide

¹³ Fred Church Subject Matter Expert survey answer

¹⁴ Kurt Kauffman Subject Matter Expert survey answer

¹⁵ Kurt Kauffman Subject Matter Expert survey answer

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policies that impact their organization. The key aspect is not only understanding the policies that exist and where to find them, but communicating the policies to fiscal staff and other impacted parties within the agency to include senior leadership¹⁶. A CFO is responsible for keeping key senior leaders apprised of current policies, changes in policies, or the need for new policies.

Stacie conceded that transferring knowledge of Policy Management can be very difficult. This is due to the fact that policy management and the ability to communicate are skills that have to be developed. It is imperative for a CFO to be acquainted with the established policies and how they apply to their organization so they can develop the best methods to communicate this information to ensure total compliance.

Stacie did not know of any existing resources that new CFOs could tap into for continued education in the area of policy management, but she had some very helpful insight. CFO's should continue to stay current on issues and changes through active involvement in state meetings held by agencies such as OBM and DAS and through trainings through professional organizations such as the Association of Governmental Accountants¹⁷.

Strategic Management/Planning

The SME identified for strategic management and planning is Terry Moore with the Ohio Department of Medicaid.

When asked what method of knowledge transfer would be best for this fiscal area Terry responded that she felt a variety of methods should be used based on each CFO's individual learning style. Terry indicated that "written materials, manuals as well as an overview of the agency's bureau, table of organization, agency financials, latest audit report, and informal meeting with key directors" were all very important when transferring knowledge to new CFO's¹⁸.

According to Terry the most important aspects of fiscal strategic planning for a new CFO is an understanding of risk mitigation strategies, certified governmental expenditures, A133 compliance, and unaddressed audit findings. Additional key items for new CFO's to know about their organization are "dynamics of organization, communication preferences, contracting nuances, IT systems, data sources, and internal deadlines¹⁹."

Existing resources for new CFO's that Terry identified are the Ohio Society of Certified Public Accountants and the Ohio Chapter of the Association of Governmental Accountants.

Cash Management

The SME's identified for cash management are Stacie and Glendara Clayton. Both Stacie and Glendara were identified as subject matter experts in multiple areas but, this section of the case study will focus on their answers pertaining to cash management.

¹⁶ Stacie Massey Subject Matter Expert survey answer

¹⁷ Stacie Massey Subject Matter Expert survey answer

¹⁸ Terry Moore Subject Matter Expert survey answer

¹⁹ Terry Moore Subject Matter Expert survey answer

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When asked what method of knowledge transfer would be best for cash management, Stacie mentioned providing the new CFO with a listing of various revenue streams/cash sources and the policies, laws and procedures associated with them. Consistent with her answer for accounts receivable, Glendara indicated embedded knowledge and encultured knowledge for the best ways for subject transfer through personal contact or socialization within state government.

According to our SME's, the most important aspects of cash management are ensuring the agency is properly managing cash in accordance with the associated policy, procedure, and law and that appropriate internal controls exist; and the CFO should have knowledge of their appropriation authority, budget, revenue, grants management, talent and procurement process.

Both SME's highlighted several important pieces of cash management that a new CFO would need to learn. Ms. Massey mentioned that the new CFO would need to quickly become familiar with the various laws and policies surrounding the receipt of funds. If the agency receives federal funds, then the CFO needs to know the various compliance regulations with managing those funds and how to draw upon them. Additionally, understanding how to properly monitor and manage the cash within the agency is crucial in ensuring expenditures are processed in a timely manner²⁰. The CFO should admit he/she is learning and ask for help when needed; let their team know they are committed to their success, which in turn will ultimately be the success of the agency²¹. Finally, Ms. Clayton mentioned that the CFO should be transparent by developing technology portal's that can be shared by the team members.

Existing resources that a CFO could utilize for continued education in cash management are at various sites such as OBM Source; federal CFR; the Ohio Revised Code; the United State Chief Financial Officers Council; and the Carl Vinson Institute of Government.

Financial Reporting

The SME's identified for Financial Reporting are Linda Shook with the Office of Budget of Management and Andy Shaw with Ohio Development Services Agency.

The best methods of knowledge transfer for financial reporting according to these SME's are process documentation within the agencies and on the job training. Andy noted it would be difficult for someone to complete a financial report without having someone else who has completed that same report there to assist you. In addition, the person preparing the report should have a good understanding of the content of the report.

According to Linda, an important aspect of the fiscal area for financial reporting is assuring proper coding for OAKS transactions, and understanding the use of OAKS/FIN BI reports. Andy stated the person preparing the reports must have a strong understanding of the data that is being presented. Without knowledge of the data, the preparer will not be able to address any questions that may arise²². A 2008 white paper by CA Technologies agrees with this

²⁰ Stacie Massey Subject Matter Expert survey answer

²¹ Glendara Clayton Subject Matter Expert survey answer

²² Andy Shaw Subject Matter Expert survey answer

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assessment, noting that an understanding of the data is critical to mitigating the risk of misinterpreting the data in a report²³.

Both SME's had similar responses when it comes to the important pieces of what a new CFO would need to learn about in financial reporting. Linda states that it is important for each CFO to gain an understanding of the overall process flow of their respective agency's activities. When one person gains knowledge by years of experience in the same job, succession documentation is often not up to date or efficient for a new employee²⁴. Proper process documentation along with cross training employees will aid in more accurate transactions. The CFO should work closely with everyone in the budget area.

In regards to what existing financial reporting resources would be helpful for new CFOs, Ms. Shook and Mr. Shaw recommends a Power Point job aid provided by OBM to assist the CFO for SEFA reporting, the statewide Grants Management Group, and the OBM Training Academy.

Grants Management

The SME's identified for grants management are Stacie Massey and Glendara Clayton. Both Stacie and Glendara were identified as subject matter experts in multiple areas but this section of the case study will focus on their answers pertaining to grants management.

When asked what method of knowledge transfer would be best for grants management the response was that this may require an intense transfer since grants can relate to several facets within an agency. "On a smaller scale, a listing of the various grants managed along with their specific guidance. On a larger scale, understanding all the various procedures within the agency, and who is involved on the program side for coordination²⁵."

The responses were very similar relating to the most important aspects of grants management. Stacie notes that the agency should ensure that they follow the most restrictive guidance (federal vs. state); completes the required grant reporting guidelines; and manages their sub-recipients and contractors appropriately. Glendara indicated that it is very important for the CFO to understand the type of grant their agency administers (formula grant, project grant or cooperative agreement grant) and identify grants that are governed by the Cash Management Improvement Act. This act will guide the structure of how federal funds are received and disbursed in a timely manner. Importantly, the Auditor of State will test for compliance with this act and the agency will be issued a finding if found to be non-compliant²⁶.

An important piece of grants management that a new CFO would need to learn is the review of the Omni Circular to become acquainted with the various fiscal requirements along with the notice of awards. The notice of award will provide the other federal regulations such as the Federal Transparency Act, Cash Management Act and Improper payments Act.

²³ http://www.ca.com/us/~media/files/whitepapers/business_intelligence_wp_us_en_197626.aspx

²⁴ Linda Shook Subject Matter Expert survey answer

²⁵ Stacie Massey Subject Matter Expert survey answer

²⁶ Glendara Clayton Subject Matter Expert survey answer

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According to the SME's, the internet provides a wealth of existing resources to assist the CFO in continuing education in grants management. Vendors like Thompson and Management Concepts provide educational materials such as manuals and an interactive website where you can search topics and ask questions. Another source is the Ohio Grants Management Working Group and Association of Government Accounts and Management.

Procurement Management

The SME's identified for procurement management are Andy Shaw and Todd Gable with the Department of Administrative Services.

In response to the best method of knowledge transfer, Andy explained that he would prefer a mix of learning opportunities, for example, web based training or face to face learning. While it is acceptable to simply provide job-aids his concern is the reliance on the user to read and understand the paper. Todd believes that web-based training is acceptable but learning in a classroom setting is always beneficial.

According to both our SME's, procurement management is a small part of the global budget process. Procurement management is "one of the primary pillars within a Fiscal Office²⁷." They believe the budget process is the most important area in which all CFO's should be familiar.

The most important piece of procurement management that a newly appointed CFO should learn is how this all feeds into the budget process. It is imperative that the CFO understand how each section of the fiscal office contributes to one another. Another crucial part of procurement management is planning and timelines and the importance of working with Procurement Services in the beginning stages of budgeting.

The SME's recommended the OBM Training Academy as the best existing resource for training. There are many other training organizations that claim to teach governmental accounting, but none of them teach State of Ohio governmental accounting.

Asset Management

The SME identified for asset management is Fred Zabonik with the Department of Administrative Services.

For the best method of knowledge transfer, Fred recommends using the Knowledge Transfer SharePoint site to learn the best practices regarding asset management. He indicates that the single most important aspect of asset management is capital asset reporting for the annual CAFR.

To understand the aspects of the CAFR a newly appointed CFO must first understand general asset requirements and the definition of a capital asset. There is currently a handbook that is available on the AMS website.

²⁷ Todd Gable Subject Matter Expert survey answer

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Contract Management

The SME identified for contract management is Todd Gable. Todd is identified as a subject matter expert in multiple areas but this section of the case study will focus on his answers pertaining to contract management.

Todd did not identify the best method of knowledge transfer for contract management. He considers Contract Management an integral part of Procurement Management.

The most important piece of contract management, according to Todd, is to remember a good contract is a solution or a tool that establishes the terms of exchange; creates and ensures the standards, specifications and/or scope required; and protects both the buyer and the seller. They can be specific or broad, long or short term. They are the primary tool in establishing a robust reliable procurement management process.

Existing resources that a CFO could use for continued education in the contract management are the websites NIGP.org and COOPP.org. Todd notes that the majority of these websites are tailored to procurement management rather than focusing on how contracts play a role.

Budget Management

The SME identified for budget management is Peter King with the Office of Budget and Management.

When asked what method of knowledge transfer would be best for budget management Peter suggested a combination of approaches. He recommends web-based training and instructor-led classes to meet the new CFO's individual needs. Then one-on-one meetings with other CFO's for specific issues.

The most important aspects of budget management, according to Peter are budgeting and budget implementation; accounts receivable and deposits; procurement; accounts payable; fund management and reporting; and internal controls.

In regards to highlighting important pieces of budget management that a new CFO would need to learn, he offered an extensive list. These areas would include: general budget process and system; chart of accounts and their uses and controls (i.e. appropriation, fund, program, department and account, etc.); and procurement laws, processes and rules. An overview of how State Accounting and Ohio Shared Services work would also be helpful.

The FIN Source for Ohio, FIN Home of MyOhio, Fiscal Knowledge Exchange, OBM's website for specific instructions and applications, and the Fiscal Academy were the existing resources a CFO could use for continued education that Peter recommended.

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Conclusion

Recommendations

Our analysis of CFO and SME responses revealed a mix of support and suggestions for developing a CFO Knowledge Transfer program. Based on these findings we have developed a varied approach to our CFO Knowledge Transfer program.

We have decided not to develop a curriculum or training program because many respondents indicated how important agency specific information was to how the CFO's did their job and that it was imperative that a knowledge transfer program include this aspect. Developing a curriculum for every agency, especially since many fiscal areas we examined contained agency specific details, is not practical and would be extremely difficult to implement. Additionally, a curriculum may not receive a significant amount of CFO buy in due to the time commitment required. Many CFO's indicated they would prefer web based and peer knowledge transfer over traditional classroom training. As a result, we have developed a three tiered recommendation.

Our team proposes to create an online forum exclusively for CFO's (with all of the security to necessitate this) as a source of communication and peer to peer contact. This forum would be a resource to new CFO's to reach out and post questions and comments to other state CFO's. All of these communications can be archived so if a CFO has a specific question they could easily search to see if this issue has been discussed before and quickly obtain the answer they were seeking. This can provide an avenue for additional peer to peer knowledge transfer via skype and video conferencing. This forum could potentially be established by DAS's Office of Information Technology and maintained by OBM's training academy. This forum can provide the peer to peer knowledge transfer recommended by the surveyed CFO's while containing aspects of agency specific information.

The second and third tier of our approach focuses on the agency specific knowledge that can be most useful to a new CFO. OBM's Fiscal Knowledge Exchange is an existing resource that can be used to provide agency specific fiscal information. Agency leadership statewide should promote the use of the Fiscal Knowledge Exchange, which is a great resource, for CFO's to post agency specific information for the use of current fiscal staff and future CFO's.

The last component of our recommendation is to create and distribute a template for CFO transition documents that can contain both general operations and agency specific fiscal information. This document could be kept in a more secure location and CFO's may feel more comfortable detailing agency specific information that only individuals from their agency could access and control. We recommend that this template be created by the Training Academy since they are the leading authority on training in the state and it could provide a consistent statewide procedure for CFO knowledge transfer.

Our team feels this is a promising project that could positively impact the performance of Chief Financial Officers statewide and in turn improve the effectiveness of every state agency. For our final thought, we would like to end with a quote by Benjamin Franklin, "Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

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