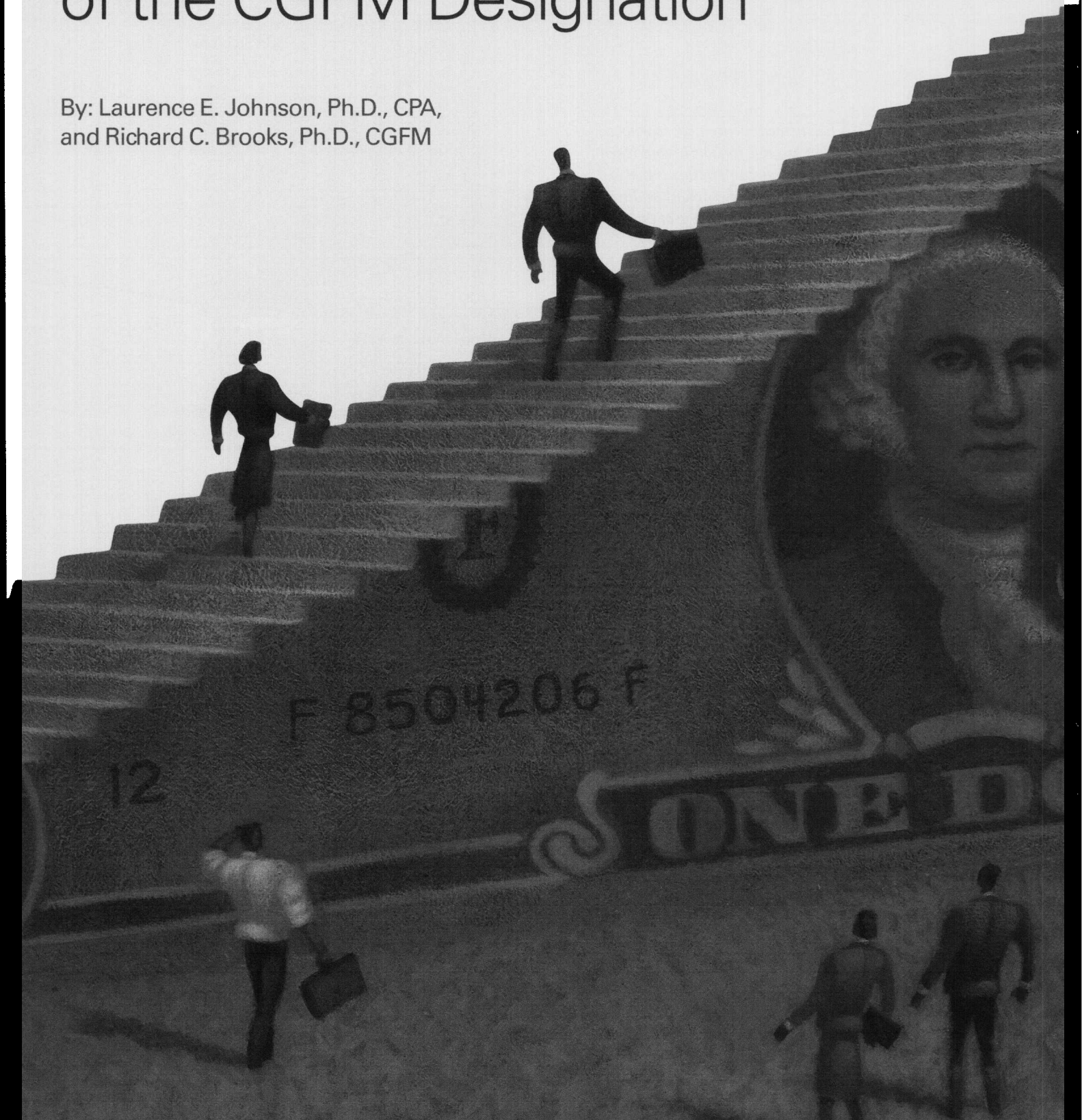


Assessing the Value of the CGFM Designation

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Editor's Note: Since the CGFM designation is sponsored by the Association of Government Accountants, which publishes *The Journal*, it is important to note that this research was not commissioned by the Association nor was this article solicited. However, the Association is supportive of the findings put forth by the authors since they are reflective of what our members and CGFMs have reported.

Professional certifications have been available for practicing accountants for many years, but until recently, the only certifications available had a distinctly private-sector orientation. True, state and local government accounting principles are part of generally accepted accounting principles and, as such, are addressed to some extent on the Certified Public Accountant (CPA) exam. Nonetheless, it is fair to say that, on the whole, neither the CPA nor the Certified Management Accounting (CMA) certificate is closely identified with government accounting practice.

A nationally recognized professional certification specific to government financial management became available in 1994. In that year, the Association of Government Accountants (AGA) inaugurated the Certified Government Financial Manager (CGFM) designation to recognize individuals knowledgeable about government accounting and finance. From 1994 to 1996, AGA awarded the CGFM based on educational and/or experience requirements. In 1997, AGA added to the requirements three examinations covering

- *The Governmental Environment;*
- *Governmental Accounting, Financial Reporting and Budgeting;* and
- *Governmental Financial Management and Control.*

The newly available CGFM designation raises two interesting questions: first, to what extent have government accounting professionals attained this designation? Second, and more importantly, are holders of the CGFM rewarded with additional compensation? Prior research in the private sector suggests that holding a professional certification such as the CPA or CMA is worth an estimated \$7,807 in additional annual salary.¹

Do Holders of the CGFM Also Command Higher Salaries?

A nationwide study of local-level government chief finance officers (CFOs) was conducted to address these questions. In brief, the study finds that as of 1999 about 6 percent of the 233 respondents hold the CGFM, while about 7 percent more have the CGFM in addition to a CPA certificate. Moreover, the results indicate that the employment market does indeed value the CGFM. The average annual salary for CFOs holding the CGFM is almost \$6,000 higher than the average salary of CFOs that hold no certifications, and more than \$1,500 higher than the average salary of CFOs having a CPA certificate alone. The remainder of this article describes the study method, explores the findings in more detail and presents a conclusion.

Method

Five hundred twenty CFOs from cities and counties with populations of 50,000 and above were randomly selected from Carroll's Municipal/County Directory to participate in the study.²

A survey instrument was sent to each CFO selected. Respondents were asked to indicate the amount of their 1999 annual salary and provide the following demographic information:

- gender,
- type of employing government,
- government population,
- state in which located,
- total years of accounting experience,
- years of governmental accounting experience,

- years in their present position,
- whether the respondent reports directly to the chief executive officer,
- academic degrees held and
- professional certification(s) held.

Respondents were not asked to identify themselves on the survey instrument, therefore, their responses were anonymous. Returned surveys were subjected to analysis (as discussed below) to provide insights regarding the prevalence and monetary value of the CGFM.

Results

Usable responses were received from 227 CFOs (a 44 percent usable response rate). The average population of the employing government is 172,746. On average, respondents have 22 years of accounting experience, 16 years of government accounting experience and have been in their current position for eight years. The overall average salary is \$78,210. *Figure 1* presents the study findings.

Type of Government

One hundred seventy-nine (79 percent) of the responses were from CFOs in municipalities while 48 (21 percent) of the respondents represent counties. According to the data, city CFOs earn, on average, \$15,894 more in salary than their county government counterparts.³ The difference may be partially due to cities employing CFOs with more governmental accounting experience. A recent study by the International City/County Managers Association (ICMA) also finds that city CFOs earn more than their county counterparts.⁴

Gender

Seventy-three respondents (32 percent) are female and earn an average salary of \$75,879; the 154 male respondents (68 percent) report salaries averaging \$79,315. On average, male CFOs earn approximately \$3,436 more than their female counterparts. This difference, however, is not statistically significant ($p = 0.2143$). This finding suggests that, in the marketplace for CFOs, gender does not affect salary in a statistically significant manner. The higher salaries earned by males may be partially due to the finding that males have, on average, two more years of government accounting experience and tend to work for larger governments, which are more likely to pay higher salaries. It is interesting to note

that the percentage of males versus females in the public sector accounting market is similar to that found in the private sector accounting market.⁵ Therefore, in terms of gender, the private sector and public sector marketplaces look quite similar.

Organizational Status

One hundred sixty-nine (74 percent) of the respondents report directly to the chief executive officers (CEOs) of their respective governments; their average salary of \$79,655, exceeds the \$73,999 for the 58 CFOs who do not report directly to their governments' chief executive. The salary differential of \$5,656 is statistically significant ($p = 0.0279$). This finding is logical since reporting directly to the CEO of an organization tends to indicate that one is a member of the top-level management team and these top managers tend to command higher salaries. Note that the mean population of governments in which the CFO does not report directly to the CEO (287,488) exceeds the population of governments in which the CFO reports directly to the CEO (133,367). This finding is also logical since larger governments are more apt to have an intermediate level of management (such as director of administrative services) between the CFO and the CEO.

Education

In this category, nine respondents (4 percent) have no college degree, 127 (56 percent) hold bachelor's degrees (only) and 91 (40 percent) have a master's degree. As expected, the average salary bears a direct relationship with the level of formal education. The average salary for CFOs with no college degree is \$58,975; a bachelor's degree provides, on average, a statistically significant ($p = 0.0067$) increase in salary of about \$17,000 (to an average of \$75,931). A master's degree increases the average salary to \$83,293. Therefore, on average, a master's degree provides a statistically significant ($p = 0.0026$) salary enhancement of approximately \$7,362 above that earned by someone holding only a bachelor's degree.

These results are consistent with the notion that additional formal education is typically valued in the CFO market. The number of years of government accounting experience is highest for those CFOs without a college degree, and lowest for those with a masters degree. This finding is logical since the pursuit of an academic degree typically delays one's entry into the work force. The pursuit of a master's degree would tend to cause a delay of an additional year or so.

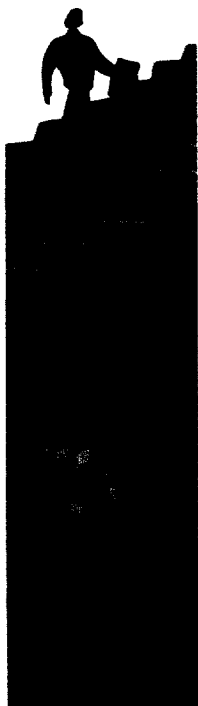


Figure 1: Descriptive Statistics N=227

	N	Average Salary	Average Population	Years of Government Accounting Experience
Government type				
Cities	179	\$81,571	168,329	17
Counties	48	\$65,677	189,216	15
Gender				
Females	73	\$75,879	121,327	15
Males	154	\$79,315	197,120	17
Reports directly to CEO?				
Yes	169	\$79,655	133,367	17
No	58	\$73,999	287,488	16
Education				
No college degree	9	\$58,975	113,743	20
Bachelor's degree	127	\$75,931	207,394	17
Master's degree	91	\$83,293	130,288	16
Census Region				
North Central	83	\$73,324	143,814	16
Northeast	23	\$78,496	412,914	15
South	62	\$77,206	145,057	17
West	59	\$86,028	148,917	17
Certification				
None	124	\$76,009	128,349	18
CPA only	74	\$80,449	263,635	14
Both CPA and CGFM	16	\$81,837	135,095	17
CGFM only	13	\$82,001	125,188	17

Geographic Region

Respondents were categorized by geographic region according to regional definitions used by the U.S. Bureau of the Census.⁶

The data show that, on average, CFO salaries are lowest in the North Central region (\$73,324) and highest in the West region (\$86,023), with salaries in the Northeast and South regions in between. Statistically, the average salaries of the North Central, Northeast and South census regions do not differ from one another. In contrast, the average salary in the West region is significantly higher ($p = 0.0166$). The observation of highest salaries in the western United States is consistent with results reported in the ICMA salary survey.⁷

Certification

Figure 1 shows that a slight majority (124 or 55 percent) of respondents hold no professional certification. As one might expect given its longevity, the CPA is the more prevalent professional certification reported by respondents (74 or 32 percent). In contrast, the CGFM is somewhat sparsely represented; this is not surprising since it had been available for only five years as of 1999. Thirteen respondents (6 percent) hold the CGFM alone while another 16 (7 percent) hold both the CGFM and the CPA, for a total of 29 (13 percent) CGFMs in the data set.

It is interesting to note that mean salaries for respondents holding the CGFM, the CPA or both are comparable to one another and are considerably above the average salary for respondents having no professional certification. Indeed, the highest mean salary is reported by individuals holding the CGFM (\$82,001), followed in order by those having both the CPA and the CGFM (\$81,837), the CPA (\$80,449) and, finally, no certification (\$76,009). The difference in mean salaries between the CGFM and no-certification categories is \$5,992 and is statistically significant ($p = 0.0645$).

According to the data, holders of the CPA certificate alone tend to work in larger governments. Also, CPAs tend to have, on average, three to four years less government accounting experience. This finding may be partially explained by the fact that many CPAs spend two to four years working in public accounting before taking a position in either the private sector or in government.

Summary and Conclusions

This article reports on the prevalence of the Certified Government Financial Manager (CGFM) designation among local-level government chief financial officers (CFOs) and whether holding that

certificate and/or the CPA certificate enhances the salaries paid to CFOs. A survey of 520 randomly selected CFOs from cities and counties around the U.S. yielded 227 respondents. The results indicate that about 13 percent of the respondents have the CGFM, alone or with the CPA.

According to the results, the incremental value of the CGFM, in terms of personal compensation, tends to exceed that of the CPA. That is, a CFO who acquires the CGFM appears to enhance his or her annual income by approximately \$6,000; the corresponding increment for the CPA designation is approximately \$4,450. These findings are particularly striking given that, as of 1999, the CGFM certificate was only five years old at the time of the survey! From the standpoint of both statistical and practical significance, the evidence suggests that attaining the CGFM is a solid career move that pays. ■

End Notes

1. Reichardt, K., and D. Schroeder, "IMA 1999 Salary Guide," *Strategic Finance*, June 2000, pp. 28-41.

2. "Carroll's Municipal/County Directory," Carroll Publishing Company, 1995.

3. Statistical significance is determined via a t-test which compares the average salaries for two groups. The p-value reported represents the significance level or probability that the two means are equal. A p-value of less than 0.10 indicates that there is a less than 10 percent chance that the means are equal.

4. Moulder, E., "Salaries of Municipal Officials, 1999," *The Municipal Yearbook 2000*, International City/County Managers Association, 2000.

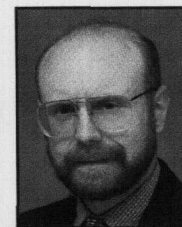
5. Reichardt, K., and D. Schroeder, "IMA 1999 Salary Guide," *Strategic Finance*, June 2000, pp. 28-41.

6. The geographic regions are defined as follows: Northeast—CT, MA, ME, NH, NJ, NY, PA, RI, VT; North Central—IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD, WI; South—AL, AR, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, WV; West—AK, AZ, CA, NM, NV, OR, UT, WA, WY.

7. Moulder, E., "Salaries of Municipal Officials, 1999," *The Municipal Yearbook 2000*, International City/County Managers Association, 2000.



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