

INCORPORATING ACTIVITY-BASED COSTING/MANAGEMENT INTO THE RESULTS- BASED BUDGETING TECHNIQUE: A BULLETPROOF ANTI-CORRUPTION MANAGEMENT CONTROL TOOL: A CASE STUDY

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Abstract

The World Bank declared political corruption as the “single greatest obstacle to global development.” It has become one of today’s most pressing global and ethical problems.

Results-Based Budgeting (RBB) is a technique, which has recently become a popular tool in order to enhance transparency and accountability. Particularly among governments and not-for-profit institutions. Recent international and local government corruption ratings have alerted their respective communities on the need to hold public officials, civil servants, and directors of companies and organizations accountable for their decisions made, and even those not made, but should have been made.

Activity-Based Costing/Management (ABC/M) is a technique, which has demonstrated its effectiveness in managing, controlling, and reducing overhead costs/expenses. Instead of managing costs vertically, ABC/M promotes cost management horizontally, i.e., based on activity costs consumption, not allocation.

This paper proposes an original model, which incorporates (ABC/M) into the RBB. This model represents an effective management control tool, which intends to prevent collusion among the various parties; thus, reducing corruption. Furthermore, this model sponsors “lean management,” e.g., sponsors effectiveness and efficiency in these organizations.

Through a specific example this study develops a model, which clearly identifies the value-added and non-value-added activities in pursuing the missions of government and not-for-profit institutions.

Keywords: anti-corruption techniques, anti-collusion techniques, results-based budgeting, activity-based costing/management, government institutions, not-for-profit institutions.

I. Introduction

The “single greatest obstacle to global development,” as declared by The World Bank, political corruption has become one of today’s most pressing global and ethical problems (Everett et al., 2006). This is already a widespread agreement, which is reflected, for example, in the Convention Against Corruption created in 2004 by the United Nations as the first global legally binding international anti-corruption instrument. Corruption may be defined as an action to secretly provide a good or a service to a third party so that he or she can influence certain actions which benefit the corrupt, a third party, or both in which the corrupt agent has authority (Senior, 2006). For purposes of this study corruption is limited to a Private-to-Public context. That is, a private party (a citizen or a corporation) who pays money, or equivalent, to a public party (a politician or a public official) in order to obtain an advantage or avoid a disadvantage.

Transparency and accountability are two of the core values that any non-corrupt government or organization needs to adhere to. These two core values are crucial in preventing some corruption damaging effects such as: the undermining of good governance, extra costs to businesses that engage in bribery, lost opportunities for those who do not engage in bribery, distortion of standards of merit, and lack of respect for the law (Caiden et al., 2001). As such, corruption leads to unnecessary higher public investments (in dollars amount), lower quality of infrastructure, and holding back political and economic advance.

The propitious conditions, for corruption to take place include: wide authority, little accountability, easiness of collusion, perverse incentives, lower salaries, rewards for performance, employment security, low education level, low professionalism level, etc. In short, corruption seeks a personal gain over and above the collectivity wellbeing or gain, even to the detriment of the collectivity. Corruption interferes with the progress of the collectivity: economic, cultural, education, spiritual, etc.

Results-Based (or Performance-Oriented) Budgeting (RBB) is an approach that emphasizes outcomes (performance) as opposed to outputs, inputs, or processes. One of its objectives is to foster transparency and accountability. In the recent past, many governments have attempted to implement such an approach with the understanding that public sector accountability must shift from inputs to measure the results of what an agency does, and to tie incentives to achieving those results (Osborne, 1993).

Activity-Based Costing and Management (ABC/M) is a technique developed in the early 1980s by Cooper and Kaplan (Cooper and Kaplan, 1988) with the aim of managing, controlling, and reducing overhead costs, or indirect expenses (OH expenses). These expenses represent a group of miscellaneous expenses with no specific nomenclature. Hence, the particular difficulty to control them. The proportion of OH expenses, with respect to the budget, has been significantly increasing lately. This makes them incredibly attractive for corrupt public officials to exercise their profitable activities.

The purpose of this paper is to develop a model, which incorporates ABC/M into the RBB technique. The latter focuses on the impact of the government program budgets (the building), while the former represents the bricks. This model posits to discourage collusion among management members since the activities (the bricks) often times take place in several departments. Thus preventing collusion. Furthermore, this model also pursues cost reduction as a result of an effective cost management. This is different from cost reduction. The former reduces costs as a result of an intelligent cost management. The latter requires flexible ethics.

The remainder of this paper is organized as follows: section II reviews relevant literature, and places this study within it. Section III develops and presents the Model. Section IV summarizes its results. Section V concludes the paper with a summary and offers a discussion of future research and application(s).

II. Literature Review

Collusion in Corruption

Corruption may be defined as an action to (a) secretly provide (b) a good or a service to a third party (c) so that s/he can influence certain actions which (d) benefit the corrupt, a third party, or both (e) in which the corrupt agent has authority (Senior, 2006). It includes: bribery embezzlement, extortion, influence peddling, unlawful gratuity favor or commission, nepotism, illegal political contribution, etc. Corruption requires collusion between at least two parties: the corruptor (the bribe provider) and the corruptee (the bribe receiver).

Fraud is defined as deriving undue benefit by bypassing some controls or bending some rules. It includes: asset misappropriation, financial statement irregularities, corruption, etc.

Fraud Schemes are used to commit corrupt activities. Unlike corruption, fraud can be performed by an individual, i.e., there is no need to collude with other parties.

Bratsis (2003) presents two interrelated assumptions within the modern understanding of corruption: (a) that mutually exclusive public and private interests exist and (b) that public servants must necessarily abstract themselves from the realm of the private in order to properly function. It is, in fact, the subversion of the public good by private interest what drives corruption forward. As knowingly described by Nye (1967), corruption is the “behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or state gains; or violates rules against the exercise of certain types of private-regarding influence”.

Transparency International (TI), a non-profit organization formed in 1993 publishes an annual Corruption Perception Index (CPI) report. A key factor on which the CPI is based is bribe taking by public officials. According to the most recent CPI report (Transparency International, 2013), the countries with the highest corruption levels are situated in Eastern Europe and Central Asia (with 95% of the countries with a score below 50 – indicating a serious corruption problem), in the Sub-Saharan Africa (with 90% of the countries below 50), and in the Middle East and North Africa (with 84% of the countries below 50). From this result, it becomes evident that the most corrupt areas are the ones whose countries impose greater barriers on trade and foreign investment, which implies that their governance and market structures do not demand transparency and accountability in financial transaction and political measures.

The U.S. Agency for International Development (USAID), through the Center for Democracy and Governance (1999) states that corruption arises where public leaders and/or officials have wide authority, little accountability, and perverse incentives. Hence, the more activities public officials control or regulate, the more opportunities exist for corruption. Additionally, the risk that corruption will take place is derived from detection and punishment inability. Furthermore, the lower the salaries, the rewards for performance, the security of employment, and the professionalism in public service, the greater the incentives for public officials to pursue self-serving rather than public-serving ends. From the above, the USAID discusses that efforts to fight corruption include institutional reforms to reduce government authority, increase accountability, and align official incentives to public ends; three of the pillars and achievements of an efficient implementation of RBB and ABC/M.

As the most fundamental economic and social causes of corruption, it is usual to find conditions of low income, weak rule of law, and lack of free press (Yadav, 2011). However, the list of potential motivators of political corruption extends to consider a diverse range of factors, such as: size of unofficial economy (Lambsdorff, 1999), political stability (Treisman, 2000; Coviello & Gagliarducci, 2010), domestic economy and trade openness (Wei, 2000), public sector recruitment and wages (LaPorta et. al., 1998; Treisman, 2000), and collusion in public procurement procedures (OECD, 2010). The latter being one of the typical domains in which fighting corruption has been an issue of particular concern.

Public procurement involves the acquisition by the government of goods and services necessary for the effective functioning of the state. The main purpose of this procedure is to ensure the best value for public money. However, fund management objectivity and efficiency for public procurement are considerably distorted by the involved parties tendency to collusion.

Collusion and corruption may be different problems, but when it comes to public procurement, they are directly related and have a mutually reinforcing effect. Collusion is an agreement among bidders involved in a procurement process, who conspire to eliminate the element of open competition; while corruption is the misuse of public office for private gain, for example, by accepting a bribe in exchange for granting a contract. However, the effect of collusion and corruption is the same: a public contract is not awarded based on merit assessed in a context of fair competition, so the value of public money is not maximized. Thus, strategies to tackle collusion are also aimed directly at tackling corruption (OECD, 2010).

Between 1999 and 2004, over 70% of project contracts for steel bridges were awarded by the Japan Highway Public Corporation (JHPC) to 47 companies belonging to two bid-rigging associations. The Japanese Fair Trade Commission (JFTC) ordered the JHPC to improve its contract procurement process, arguing that about 20 public officials were involved in bid-rigging practices to ensure future jobs in 45 of the 47 companies. This has been one of the biggest cases corruption involving collusion in the history of Japan (OECD, 2014).

The three major French construction companies (Bouygues, Suez-Lyonnaise and Vivendi) were involved in a corruption scandal named “an agreed system for misappropriation of public funds” (Le Monde, 1998). The companies paid a 2% fee on all contracts to the major political parties of the Ile-de-France region in exchange for awarding tenders for infrastructure work that came to exceed four billion Euros.

An opinion poll of 1000 respondents carried in 1998 by the Centre for the Study of Development and Democracy in Jakarta found that 78% of Indonesians are certain that bribery is necessary when dealing with government offices for any procedure, from registering the birth of a baby, to obtaining a compulsory identity card (Robertson-Snape, 1999). Transparency International’s Corruption Perception Index places Indonesia as one of the most corrupt countries under the criterion of the necessity for a company to offer bribes to bureaucrats, politicians or government officials to achieve official approval for specific goals (Transparency International, 1998).

The Hungarian press has reported in recent years that the bidding process for road construction projects have become a favorable scenario for corruption, and that illegal gains have been an important source of political campaigns funding. The Hungarian competition authorities recently imposed an antitrust fine of approximately 27.7 million Euros in one of the most important cases of bid rigging. It was found that the bidders of a road construction contract worth 630 million Euros previously agreed among themselves about who would win the bid. Additionally, an agreement was also detected on the competing bidder to which the contractor would offer a subcontract in the construction work (OECD, 2010).

The majority of important cases of political corruption in the history of Canada have demonstrated the lack of transparency and accountability of its rulers. The beginning of the contemporary history of political corruption in Canada can be traced back to the early 1870’s with the famous Pacific Scandal (1872 - 1874), where Prime Minister Sir John A. Macdonald and his Conservative Party were facing difficulties to be re-elected in 1872. Macdonald turned to Hugh Allen, president of the Canadian Pacific Railway Company, who was bidding for the contract to construct the transcontinental railway. Macdonald’s campaign received one-third of a million dollars from Allen, a substantial sum at the time, in return for the guarantee that his company would be awarded the contract (CBC News in Review, 2004).

Other famous cases of political corruption in Canada include: the Customs Scandal (1925), where Prime Minister Mackenzie King and his Liberal Party had been receiving large paybacks from “rum runners,” who were illegally exporting liquor into the United States, where prohibition was still the law (Russell, 2011). The Tuna-gate (1985), and the Airbus Affair in 1995 involving Prime Minister Brian Mulroney. The Shawinigate (1997) and the Sponsorship Scandal (2004) of Prime Minister Jean Chrétien (Cameron, 2011).

These cases show a clear predominance of private interests over the public good, leveraged by the lack of a control structure, that fosters transparency, and facilitates collusion.

In the province of Quebec, Canada, a long line of corruption has significantly affected the political structure of the province and had bred a culture of mistrust of the political class. The discredited history of Quebec dates back to the early 1970’s, when the well known corruption in the construction industry has been reflected in each infrastructure project. According to André Cédilot, retired crime journalist who published with La Presse for 35 years and co-author of *Mafia Inc.* (Cédilot & Noël, 2012), the evolution of public-sector corruption in Quebec has followed the ebbs and flows of the Montreal Mafia. Cédilot cautions: “whatever comfort the province has offered the public by setting up a permanent provincial anti-corruption squad and authorizing a commission of inquiry into criminal gang infiltration of Quebec’s construction sector, organized crime is an industry that recedes for a spell but never disappears.” The commission to which Cédilot refers to is the Charbonneau Commission: public inquiry in Quebec into potential corruption in the management of public construction, enacted on October 2011 by the Liberal government of Jean Charest.

A system of corruption and organized crime has taken over the construction sector in the province of Quebec (The Globe and Mail, 2012). The systematic influence peddling in the awarding of lucrative government contracts has been reported on multiple occasions by the Charbonneau Commission. An anti-collusion unit was set up in 2010, after allegations of close ties between mafia-controlled construction companies and engineering firms and political parties.

Among some of the most significant and recent cases of political corruption in which the Charbonneau Commission has had repercussions include: the resignation of Montreal mayor Gérald Tremblay on November,

2012, after being accused in the Commission of receiving 3% of the value of construction contracts awarded by the City of Montreal to a mafia-linked cartel; the resignation of Laval mayor Gilles Vaillancourt, arrested by the police on May, 2013, and charged with gangsterism; and the resignation of Montreal interim-mayor Michael Applebaum on June, 2013, after being arrested and faced 14 charges including fraud, conspiracy, breach of trust, and corruption in municipal affairs.

Results-Based Budgeting

Results-based budgeting (RBB) is the practice of developing budgets based on the relationship between the program funding levels and the expected outcomes from that program. RBB promotes cost efficiency, i.e. cost reduction.

According to Anderson (2008), the objectives for which governments have adopted RBB can be grouped into three categories: budget priorities such as controlling expenditure and improving allocation and efficient use of funds; improving public sector performance; and improving accountability to politicians and the public. Although each country has implemented RBB differently, and even under different names, there are several common characteristics. According to the OECD's Budget Practices and Procedures Survey (2008), 20 out of the 30 OECD member countries use RBB appropriations for at least some of their executive organizations or agencies.

The main reasons why governments have decided to implement this approach include: financial crises, growing pressure to reduce public expenditure, a change in political administration, etc. For example, in countries such as Denmark (Ginnerup et al., 2007) and Sweden (Kuchen & Nordman, 2008), RBB was a side effect of spending control policies introduced during the economic crisis of the 1980s and early 1990s. In the case of Korea (Kim & Park, 2007), the reform of the budget process came as a result of the deterioration of public finances after the 1997 Asian financial crisis. Meanwhile, budget reforms in the United Kingdom (Noman, 2008) were due to a change in political administration, with the election of the Labour Party in 1997.

Effective RBB initiatives require well-defined reform objectives and implementation strategies (OECD, 2008). These strategies should include: an overall approach (Anderson, 2008), i.e., top-down versus bottom-up, comprehensive versus partial, and incremental changes versus a "big bang" approach; the process for introducing and managing reforms; and the institutional and human capacities needed to drive and support the reforms and the sequencing and pacing of reforms.

In terms of objectives, some budgetary reforms, such as the Australian (Hawke, 2007) were carried out to improve cost effectiveness and public accountability, while devolving financial and management responsibility. For its part, the United Kingdom (Noman, 2008) has focused its objectives on prioritizing key objectives to reallocate funds to improve efficiency and reduce waste. Similarly, the reform carried out in Canada (McCormack, 2007) during the 1990s was geared towards the reallocation of funds and expenditure cuts. Subsequently, Canada implemented new budget reforms in the late 1990s and early 2000s whose objectives were focused towards improving results-based management and accountability.

Regardless of the difference in circumstances and objectives under which the reforms towards RBB budgeting occur, governments must decide the way to build performance information in their management systems. In cases like the United States (Shea, 2008), for example, the reforms have been implemented through legislation. This provides a degree of permanence in the event of a change of government. By contrast, the United Kingdom has only used formal requirements and guidelines issued by the central ministries, without directly using the legislation. Several countries, including Canada, have a mix of formal laws and policy guidelines.

In a top-down approach, the primary role in developing, implementing and/or monitoring reform is played by central government ministries or agencies. This approach has the risk of lack of commitment by staff, as it merely establishes rules and enforces them, rather than actually improving performance. Instead, individual agencies are the key actors in a bottom-up approach, where they can choose whether to take part, and they have freedom to develop their own methods to achieve the objectives. On the other hand, however, too little central involvement can mean that there is no pressure to change.

A "big bang" implementation approach refers to an introduction of a number of simultaneous sweeping reforms. Such as the case of Korea (Kim & Park, 2007), where four major fiscal reforms with great speed were introduced. This is also the case of Austria (Steger, 2010), where performance-oriented budgeting was introduced as part of a larger package including other fiscal initiatives. The "big bang" approach helps to lower the resistance to change, but at the same time, it demands a level of resources and political commitment that may not be available in some countries. Furthermore, a more gradual, incremental (or step-by-step) approach was implemented by Australia (Hawke, 2007). Australia applied an approach that has allowed the reform to be carried out with special care, making

incremental improvements to the plans on the road if undesired effects are generated. Thus, Australia has also managed to keep a long path of reform.

The OECD examines the degree to which central governments in OECD member countries have established systems for the development and use of performance-oriented budgeting. Countries that receive a high score have created a comprehensive, government-wide framework for developing performance information (evaluations and performance measures), integrating performance information into budget and accountability processes, using it in decision making, and monitoring and reporting on results.

Activity-Based Costing/Management (ABC/M)

ABC/M posits to reduce the allocation of overhead costs, and instead assign (charge) them as if they were direct costs. ABC/M does not eliminate the need to allocate some indirect costs, but reduce it, in some cases, significantly. ABC/M represents a different approach; instead of just cutting items in the overhead costs (vertical cost cutting), ABC/M consists of identifying the activities that are necessary in the manufacturing of products, or in the delivery of services (horizontal cost managing). The purpose of ABC costing is to lead to practice Activity-Based Management (ABM). Hence, the term: ABC/M, used in this paper.

Since its start in the early 1970s, ABC/M has been primarily aimed at improving the performance of industrial enterprises. However, even from the beginning, the possibility of applying it in the service and public sectors has been contemplated. Its founders themselves (Kaplan & Cooper, 1998) mention that service companies are excellent candidates for ABC/M because most costs in this sector are fixed and indirect.

Kaplan (1994) reported that in the early 1980s, very similar strategies to ABC/M were being implemented by logistics companies, banks, hospitals, and other service companies. Brimson & Antos (1994), in turn, present examples of ABC/M being successfully implemented in telecommunication companies, hospitals, electricity, gas and parcel post companies.

As to the scope of the public sector and the applicability of the ABC/M method, although there has not been a widespread adoption of ABC/M in the public sector (Boned et al., 2006), Evans & Bellamy (1995) present important arguments which support the need for the public sector to improve its management by implementing ABC/M systems. For their part, Melese et al. (2004) suggested that public sector entities face three major challenges that support the relevance of the ABC/M implementation relating to public service outcomes: a) the need to improve effectiveness – linking resource inputs with outputs; b) the need to improve efficiency – managing costs; and c) the need to improve accountability – linking budgets with performance.

Four different studies were conducted in public hospitals of England by King (1995), showing the benefits that the ABC/M system implementation would have for the British National Health System. Furthermore, Vazakidis et al. (2010) mention the case of the Municipality of Argyroupolis, in Athens, Greece, where ABC/M has been applied since 2005. One of the most recent and complete studies on the subject presents the ABC/M approach used by the Government of South Africa (Oseifuah, 2013). The authors conclude that ABC/M is an effective means to obtain useful and comparable costing information, perceiving improvement in financial performance, cost information for decision making as well as service delivery in the public sector.

III. The Model

Although RBB was not developed as antidote against corruption, it can be used to such a purpose. That is the contribution of this paper. As long as the programs are not housed in only one department, but rather spread throughout several departments, collusion will be, if not prevented, significantly reduced. Furthermore, the incorporation of ABC/M into the RBB model will be an additional deterrent for collusion.

The model developed in this study starts with a traditional budget of a fictitious city, i.e., Tomelopitos. Exhibits 1 and 2 show the traditional budget of such a city. Traditional budget management focuses on the inputs, i.e., salaries, rent telephone, advertising, promotion, etc. From this perspective the budget reports concern the percentage of the budget already spent, etc. The implication is that if the budget has already been used up, the objective for which the budget was created, was achieved. Nothing could be further from the truth. In fact, the budget could have been used up but its objectives not necessarily been achieved.

Following this rationale, Exhibits 1 and 2 show the respective budgets are grouped by departments, which facilitates collusion within each department. In addition, this approach limits cost reduction decisions to either reducing or eliminating each of the items composing the department budget, e.g., in the Department Of Administration one could reduce salaries in Administration, Community Development Administration, etc.

RBB focuses on the outcomes as opposed to the outputs or inputs. An outcome is the impact on society of a specific program. For instance, a more educated population is the outcome (impact) of an education program for children with limited resources. An output is an indicator for an objective. For example, 2,000 kids of eighteen years of age should graduate from high school this year. An input is a measure of the resources invested (budget) in a specific program. For example, a budget of \$3 million back-to-school for kids having dropped out of high school program.

Traditionally, the budget control is limited to properly spending the \$3 million budget. RBB is concerned about the impact on society by the fact that dropout students did go back to high school, i.e., outcome.

The RBB budgeting technique would suggest a break down of the city's budget into its respective programs (see Exhibit 3). These programs may be undertaken by more than one department, which would make it more difficult for collusion across the departments.

Exhibit 4 shows the city's budget, with its respective program budgets, and their necessary activities. This would allow both for an effective (outputs) and efficient (inputs consumption) of the budget. The ABC/M technique identifies the activities available to the program managers. In fact, it is possible than one activity may be needed by more than one program. Since this activity will cost the same for any program, which needs it, collusion would be close to impossible. There are managers responsible for activities, and managers responsible for programs. Thus, the managers of the various programs, and activities would be monitoring each other.

Exhibit 5 shows how the activity costs are assigned to the various activities. Exhibit 6 shows the same concept, except that instead of using percentages, it includes now the respective amounts in dollars.

Exhibit 7 shows the total costs (budgets) per activity, their respective cost drivers, and the unit cost per cost driver. This is what would allow the program managers to practice ABM. That is, to decide whether they would need a specific activity, how much of it, etc. Or, managers could decide to actually outsource a specific activity. Outsourcing decisions can only be made, if program managers know how much a specific activity costs in-house. Otherwise, outsourcing decision would be a toss-of-the-coin decision.

IV. Summary and Discussion

The advantage of the model presented in this paper is threefold: a) it focuses on the budget's output, as opposed to whether or not the budget was spent (the RBB effect), b) the best manner to spend such a budget (the ABC/M effect), and c) it prevents management collusion (the RBB and ABC/M effect).

In actual current practice governments concentrate on whether or not the budget was spent. The implication is that if it was spent, something good took place to the benefit of society. This could not be further from the truth. Entire budgets could have been spent, and yet no change at all could have taken place in society, e.g., crime rate, high school dropout rates, functional illiteracy rates, etc. could have remained as high as before. In fact, the monies could have been used for personal interests other than the intended ones (the RBB effect).

The use of ABC/M would ensure effectiveness and efficiency of the monies spent. The fact of having an activity in-house encourages management to continuously monitor and compare such an activity with the out side offer. This forces the activity manager to ensure effectiveness and efficiency, otherwise such an activity would be outsourced (the ABC/M effect).

Finally, the combination of RBB and ABC/M prevents collusion among the management team. The program and activities managers would monitor each other, and be monitored by central management as well.

A limitation of this model is that, as far as we could see, no such a model has been used in actual practice. However, nothing seems to impede its implementation.

Exhibit 1

Tomelopitos City 20X0 Budget (000's)	
	Budget
Executive and Legislative	
Mayor's Office	\$1,197.00
Office Of Internal Audit	563
City-County Council	1,279
CEMA	3,183
Total Department	\$6,222.00
Department Of Administration	
Director's Office	\$3,977.00
Finance	11,717
Personnel	1,355
Purchasing	2,095
Legal	2,799
Microfilm Archives	674
Equal Opportunity	754
Occupational and Community Services	14,162
Central Equipment Management	20,751
City General Debt Services	1,676
Total Department	\$59,960.00
Department Of Metropolitan Development	
Administration	\$1,253.00
Community Development Administration	7640
Economic and Housing Department	14757
Planning	2277
Development Services	6021
Historic Preservation	232
Public Housing	18450
Redevelopment Debt Services	793
Total Department	\$51,423.00
Department Of Public Works	\$132,602.00
Department Of Transportation	\$61,626.00
Department Of Public Safety	\$144,117.00
Department Of Parks and Recreation	\$25,363.00
Grand Total	\$481,313.00

Exhibit 2**Tomelopitos City
20X0 Budget
(000's)**

	Budget	% /Grand Total	% /Unit	Administration Expenses		
				Comparative	Amount	No. Positions
Executive and Legislative						
Mayor's Office	\$1,197.00	0.25%	19%	0.25%	19%	
Office Of Internal Audit	563	0.12%	9%			
City-County Council	1,279	0.27%	21%			
CEMA	3,183	0.66%	51%			
Total Department	\$6,222.00	1.29%	100%		\$6,222.00	93
Department Of Administration						
Director's Office	\$3,977.00	0.83%	7%	1%	7%	25
Finance	11,717	2.43%	20%			
Personnel	1,355	0.28%	2%			
Purchasing	2,095	0.44%	3%			
Legal	2,799	0.58%	5%			
Microfilm Archives	674	0.14%	1%			
Equal Opportunity	754	0.16%	1%			
Occupational and Community Services	14,162	2.94%	24%			
Central Equipment Management	20,751	4.31%	35%			
City General Debt Services	1,676	0.35%	3%			
Total Department	\$59,960.00	12.46%	100%			
Department Of Metropolitan Development						
Administration	\$1,253.00	0.26%	2%	0.26%	2%	18
Community Development						
Administration	7640	1.59%	15%			
Economic and Housing Department	14757	3.07%	29%			
Planning	2277	0.47%	4%			
Development Services	6021	1.25%	12%			
Historic Preservation	232	0.05%	0%			
Public Housing	18450	3.83%	36%			
Redevelopment Debt Services	793	0.16%	2%			
Total Department	\$51,423.00	10.68%	100%			

Exhibit 2 (cont'd)

	<u>A d m i n i s t r a t i o n E x p e n s e s</u>					
	Budget	%/Grand Total	%/Unit	Comparative		No. Positions
Department Of Public Works						
Administration	\$27,987.00	5.81%	21%	6%	21%	75
Air Pollution Control	1,202	0.25%	1%			
Liquid Waste 24th Floor Admin	5,630	1.17%	4%			
Sewer Maintenance	11,427	2.37%	9%			
Advanced Wastewater Treatment	39,874	8.28%	30%			
Water and Land Protection	1,211	0.25%	1%			
Solid Waste	17,097	3.55%	13%			
Flood Control and Drainage	6,801	1.41%	5%			
Sanitation Debt Service	16,300	3.39%	12%			
Flood Control Debt Service	5,073	1.05%	4%			
Total Department	\$132,602.00	27.55%	100%			
Department Of Transportation						
Finance and Administration (1)	\$10,217.00	2.12%	17%	2%	17%	119
Operations	37,027	7.69%	60%			
Development	4,135	0.86%	7%			
Metro Thoroughfare Debt Service	10,247	2.13%	17%			
Total Department	\$61,626.00	12.80%	100%			

Exhibit 2 (cont'd)

	Budget	% / Grand Total	% / Unit	Administration Expenses			
				Comparative	Amount	No. Positions	
Department Of Public Safety							
Administration	\$519.00	0.11%	0.36%	0.11%	0.36%	\$519.00	20
Neighborhood Crimewatch	258	0.05%	0.18%				
Emergency Management							
Planning	423	0.09%	0.29%				
Police	63,563	13.21%	44.11%				
Police Pension	20,980	4.36%	14.56%				
Fire	38,367	7.97%	26.62%				
Fire Pension	18,219	3.79%	12.64%				
Weights and Measures	372	0.08%	0.26%				
Animal Control	1,416	0.29%	0.98%				
Total Department	\$144,117.00	29.94%	100.00%				
Department Of Parks and Recreation							
Administration	5,805	1.21%	23%	1%	23%	5,805	58
Eagle Creek	1,770	0.37%	7%				
Recreation and Sports Facilities	5,690	1.18%	22%				
Parks Management	6,748	1.40%	27%				
Golf	3,275	0.68%	13%				
Park Debt Service	2075	0.43%	8%				
Total Department	\$25,363.00	5.27%	100%				
Grand Total	\$481,313.00	100.00%			\$55,980.00	408	\$137,205.88

Avg. Salary of Administrative Positions

12% City's budget expensed on Administration

(1) Includes parking meter and temporary positions

Exhibit 3
Tomelopitos City
20X0 Budget
(000's)

	Budget	Program 1	Program 2	Program 3	Program n
Executive and Legislative					
Mayor's Office	\$1,197.00				
Office Of Internal Audit	563				
City-County Council	1,279				
CEMA	3,183				
Total Department	<u>\$6,222.00</u>				
Department Of Administration					
Director's Office	\$3,977.00				
Finance	11,717				
Personnel	1,355				
Purchasing	2,095				
Legal	2,799				
Microfilm Archives	674				
Equal Opportunity	754				
Occupational and Community Services	14,162				
Central Equipment Management	20,751				
City General Debt Services	1,676				
Total Department	<u>\$59,960.00</u>				
Department Of Metropolitan Development					
Administration	\$1,253.00				
Community Development Administration	7640				
Economic and Housing Department	14757				
Planning	2277				
Development Services	6021				
Historic Preservation	232				
Public Housing	18450				
Redevelopment Debt Services	793				
Total Department	<u>\$51,423.00</u>				

Exhibit 3 (cont'd)

	Budget	Program 1	Program 2	Program 3	Program n
Department Of Public Works					

Administration	\$27,987.00
Air Pollution Control	1,202
Liquid Waste 24th Floor Administration	5,630
Sewer Maintenance	11,427
Advanced Wastewater Treatment	39,874
Water and Land Protection	1,211
Solid Waste	17,097
Flood Control and Drainage	6,801
Sanitation Debt Service	16,300
Flood Control Debt Service	5,073
Total Department	<u>\$132,602.00</u>
Department Of Transportation	
Finance and Administration (1)	\$10,217.00
Operations	37,027
Development	4,135
Metro Thoroughfare Debt Service	10,247
Total Department	<u>\$61,626.00</u>

Exhibit 3 (cont'd)

	Budget	Program 1	Program 2	Program 3	Program n
<hr/>					
Department Of Public Safety					
Administration	\$519.00				
Neighborhood Crimewatch	258				
Emergency Management Planning	423				
Police	63,563				
Police Pension	20,980				
Fire	38,367				
Fire Pension	18,219				
Weights and Measures	372				
Animal Control	1,416				
Total Department	<u>\$144,117.00</u>				
Department Of Parks and Recreation					
Administration	5,805				
Eagle Creek	1,770				
Recreation and Sports Facilities	5,690				
Parks Management	6,748				
Golf	3,275				
Park Debt Service	2075				
Total Department	<u>\$25,363.00</u>				
Grand Total	<u><u>\$481,313.00</u></u>				

Exhibit 4
Tomelopitos City
20X0 Budget
(000's)

		P R O G R A M 1					P R O G R A M 2					P R O G R A M 3				
	Budget	Act 1	Act 2	Act 3	Act n	Total 1	Act 4	Act 2	Act 3	Act n	Total 2	Act 5	Act 1	Act 4	Act n	Total 3
Executive and Legislative																
Mayor's Office	\$1,197.00															
Office Of Internal Audit	563															
City-County Council	1,279															
CEMA	3,183															
Total Department	<u>\$6,222.00</u>															
Department Of Administration																
Director's Office	\$3,977.00															
Finance	11,717															
Personnel	1,355															
Purchasing	2,095															
Legal	2,799															
Microfilm Archives	674															
Equal Opportunity	754															
Occupational and																
Community Services	14,162															
Central Equipment																
Management	20,751															
City General Debt Services	1,676															
Total Department	<u>\$59,960.00</u>															

Act = Activity

Exhibit 4 (cont'd)		P R O G R A M 1					P R O G R A M 2					P R O G R A M 3				
	Budget	Act 1	Act 2	Act 3	Act n	Total 1	Act 4	Act 2	Act 3	Act n	Total 2	Act 5	Act 1	Act 4	Act n	Total 3
Department Of Metropolitan Development																
Administration	\$1,253.00															
Community Develop. Admin	7,640															
Economic and Housing Dep.	14,757															
Planning	2,277															
Development Services	6,021															
Historic Preservation	232															
Public Housing	18,450															
Redevelop. Debt Services	793															
Total Department	<u>\$51,423.00</u>															
Department Of Public Works																
Administration	\$27,987.00															
Air Pollution Control	1,202															
Liquid Waste 24th Floor																
Admin	5,630															
Sewer Maintenance	11,427															
Advanced Wastewater																
Treatment	39,874															
Water and Land Protection	1,211															
Solid Waste	17,097															
Flood Control and Drainage	6,801															
Sanitation Debt Service	16,300															
Flood Control Debt Service	5,073															
Total Department	<u>\$132,602.00</u>															

Exhibit 4 (cont'd)		P R O G R A M 1					P R O G R A M 2					P R O G R A M 3				
	Budget	Act 1	Act 2	Act 3	Act n	Total 1	Act 4	Act 2	Act 3	Act n	Total 2	Act 5	Act 1	Act 4	Act n	Total 3
Department Of Transportation																
Finance and Admin (1)	\$10,217.00															
Operations	37,027															
Development	4,135															
Metro Thoroughfare Debt																
Service	10,247															
Total Department	<u>\$61,626.00</u>															
Department Of Public Safety																
Administration	\$519.00															
Neighborhood Crimewatch	258															
Emergency Management																
Planning	423															
Police	63,563															
Police Pension	20,980															
Fire	38,367															
Fire Pension	18,219															
Weights and Measures	372															
Animal Control	1,416															
Total Department	<u>\$144,117.00</u>															
Department Of Parks and Recreation																
Administration	5,805															
Eagle Creek	1,770															
Recreation and Sports																
Facilities	5,690															
Parks Management	6,748															
Golf	3,275															
Park Debt Service	2075															
Total Department	<u>\$25,363.00</u>															
Grand Total	<u><u>\$481,313.00</u></u>															

Exhibit 5
Tomelopitos City
20X0 Budget
(000's)

	Budget	P R O G R A M 1					P R O G R A M 2					P R O G R A M 3				
		Act 1	Act 2	Act 3	Act n	Total 1	Act 4	Act 2	Act 3	Act n	Total 2	Act 5	Act 1	Act 4	Act n	Total 3
Executive and Legislative																
Mayor's Office	\$1,197.00	15%														
Office Of Internal Audit	563															
City-County Council	1,279			10%						35%		10%				
CEMA	3,183															
Total Department	<u>\$6,222.00</u>															
Department Of Administration																
Director's Office	\$3,977.00															
Finance	11,717															
Personnel	1,355			20%			10%									
Purchasing	2,095															
Legal	2,799															
Microfilm Archives	674	20%								5%						
Equal Opportunity	754															
Occupational and																
Community Services	14,162				10%											
Central Equipment																
Management	20,751											25%				
City General Debt Services	1,676															
Total Department	<u>\$59,960.00</u>															

Exhibit 5 (cont'd)		P R O G R A M 1					P R O G R A M 2					P R O G R A M 3				
	Budget	Act 1	Act 2	Act 3	Act n	Total 1	Act 4	Act 2	Act 3	Act n	Total 2	Act 5	Act 1	Act 4	Act n	Total 3
Department Of Metropolitan Development																
Administration	\$1,253.00															
Community Develop. Admin	7,640															
Economic and Housing Dep.	14,757															
Planning	2,277															
Development Services	6,021															
Historic Preservation	232															
Public Housing	18,450															
Redevelop. Debt Services	793															
Total Department	\$51,423.00															
Department Of Public Works																
Administration	\$27,987.00															
Air Pollution Control	1,202															
Liquid Waste 24th Floor																
Admin	5,630															
Sewer Maintenance	11,427															
Advanced Wastewater																
Treatment	39,874															
Water and Land Protection	1,211															
Solid Waste	17,097															
Flood Control and Drainage	6,801															
Sanitation Debt Service	16,300															
Flood Control Debt Service	5,073															
Total Department	\$132,602.00															

Exhibit 5 (cont'd)		P R O G R A M 1					P R O G R A M 2					P R O G R A M 3				
	Budget	Act 1	Act 2	Act 3	Act n	Total 1	Act 4	Act 2	Act 3	Act n	Total 2	Act 5	Act 1	Act 4	Act n	Total 3
Department Of Transportation																
Finance and Admin (1)	\$10,217.00															
Operations	37,027															
Development	4,135								5%							
Metro Thoroughfare Debt																
Service	10,247													30%		
Total Department	<u>\$61,626.00</u>															
Department Of Public Safety																
Administration	\$519.00															
Neighborhood Crimewatch	258															
Emergency Management																
Planning	423															
Police	63,563															
Police Pension	20,980															
Fire	38,367															
Fire Pension	18,219													14%		
Weights and Measures	372															
Animal Control	1,416															
Total Department	<u>\$144,117.00</u>															
Department Of Parks and Recreation																
Administration	5,805															
Eagle Creek	1,770				50%											
Recreation and Sports																
Facilities	5,690															
Parks Management	6,748															
Golf	3,275															
Park Debt Service	2075								5%							
Total Department	<u>\$25,363.00</u>															
Grand Total	<u><u>\$481,313.00</u></u>															

Exhibit 6

Tomelopitos City
20X0 Budget
(000's)

	Budget	P R O G R A M 1					P R O G R A M 2					P R O G R A M 3				
		A1	A2	A3	An	Total	A4	A2	A3	An	Total	A5	A1	A4	An	Total
Executive and Legislative																
Mayor's Office	\$1,197.00	15%				\$179.55										
Office Of Internal Audit	563															
City-County Council	1,279			10%		127.90				35%	447.65		10%			127.90
CEMA	3,183															
Total Department	\$6,222.00					\$307.45					\$447.65					\$127.90
Department Of Administration																
Director's Office	\$3,977.00															
Finance	11,717															
Personnel	1,355		20%			271		10%			135.50					
Purchasing	2,095															
Legal	2,799															
Microfilm Archives	674	20%				134.80			5%		33.70					
Equal Opportunity	754															
Occupational and Community Services	14,162				10%	1,416.20										
Central Equipment Management	20,751											25%				5,187.75
City General Debt Services	1,676															
Total Department	\$59,960.00					\$1,822.00					\$169.20					\$5,187.75
Department Of Metropolitan Development																
Administration	\$1,253.00															
Community Development Administration	7,640															
Economic and Housing Department	14,757															
Planning	2,277															
Development Services	6,021															
Historic Preservation	232															
Public Housing	18,450													75%		13,837.50
Redevelopment Debt Services	793															
Total Department	\$51,423.00					\$-					\$-					\$13,837.50
Department Of Public Works	\$132,602.00															
Department Of Transportation	\$61,626.00															
Department Of Public Safety	\$144,117.00															
Department Of Parks and Recreation	\$25,363.00															
Grand Total	\$481,313.00					\$120,328.25					\$168,459.55					\$192,525.20
Versus Outsourcing																
Performance-based part of salaries?																

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Professor Segovia has taught a variety of courses in the areas of Financial and Managerial Accounting, at both levels undergraduate and graduate. He has been nominated in various occasions for the Distinguished Teaching Award of the John Molson School of Business. He has also been nominated in various occasions for the Professor of the Year Award of the Order of Certified Management Accountants (CMA) of Québec. He was member of the Ad Hoc Committee to Develop Decision Making and Problem-Solving Skills of The Society of Management Accountants of Canada.

His area of research includes Accounting Education and Management Accounting. His papers have been published in various prestigious journals, e.g., Decision Support Systems, International Journal of Engineering Management and Economics, The British Accounting Review, The Accounting Educators' Journal, CMA Magazine, Journal of Business and Behavioral Sciences etc. In addition, he has presented at several conferences both national and international.

Dr. Segovia has also been active in the administration of his business school. As the Associate Dean - Graduate Studies and Research, he was the director of the Ph. D. in Administration Program. He launched the Master of Science (M. Sc.) in Administration Program with areas of specialization in Decision Science and M.I.S., Finance, Management and Marketing. He has also been member of the University Senate in several occasions, position that he currently holds.

Professor Segovia has given seminars around the world, which include countries like: France, People's Republic of China, Japan, South-Africa, Tanzania, Marroco, Mexico, Italy, Portugal, Dominican Republic, South-Africa, Tunisia, USA, etc. Juan speaks fluently Spanish (his mother tongue), French, English and German. His hobbies include, in the Winter, down-hill and cross-country ski; in the Summer, he participates in triathlons. Juan practices the Hatha Yoga.