Office of the Auditor General

Follow-up to the 2011 Audit of the Management of Vacant Positions

Tabled at Audit Committee – October 8, 2015
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Executive Summary

Introduction
The Follow-up to 2011 Audit of the Management of Vacant Positions was included in the Auditor General’s 2013 Audit Plan.

The key findings of the original 2011 audit included:

- Twenty one positions which have been vacant for more than 24 months were not reported to Council as required by a 2010 motion. The estimated cost of these positions is $1.8 million.
- Motion 82/27 requires that positions left vacant for more than two years must be reported to Council for a decision on whether to keep the position. This was not done.
- Over 100 positions have been vacant or unoccupied for more than two years.
- There are over 600 unbudgeted positions in use at the City, representing approximately $58 million. These positions were never approved by Council.
- In addition, the policy which allows managers to create unbudgeted positions was never approved by Council.

Summary of the Level of Completion
The table below outlines our assessment of the level of completion of each recommendation as of April 2014.

Table 1: OAG’s assessment of level of completion of recommendations

<table>
<thead>
<tr>
<th>Category</th>
<th>% Complete</th>
<th>Recommendations</th>
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The table below outlines management’s assessment of the level of completion of each recommendation as of July 2014 in response to the OAG’s assessment. These assessments have not been audited.

### Table 2: Management’s assessment of level of completion of recommendations

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**Conclusion**

Management has fully or substantially implemented the recommendations in this report.

Starting with the 2012 budget exercise, Council has been provided with greater information as to the number of vacant and filled temporary FTEs; and their funding source. In 2013, the length of time these temporary FTEs have been filled was also reported. This information is contained in the FTE Analysis Report prepared by Human Resources Department and received by Council as supplemental information to the annual draft budget.

Additionally, in March 2012, Management established the Vacancy Monitoring and Reporting guidelines and procedures for the HR Client Relations and Business Solutions Branch which was revised August 2013. The guideline clearly sets out roles and responsibilities of the Program Manager, HR Consultants as well as departmental managers. It also outlines the monitoring and reporting process.

Quarterly reporting on positions vacant greater than 24 months and “unoccupied” positions has not yet occurred. Management informed us that the first quarterly report on vacancies to Council schedule for Q3 2013 was deferred due to the budget. Management anticipates that the first report on positions vacant greater than 24 months and “unoccupied” positions will be tabled with the Quarterly Financial Report to FEDCO in May 2014.
Acknowledgement
We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

The following section is the detailed follow-up report.
Detailed Follow-up report

Introduction
The Follow-up to the 2011 Audit of the Management of Vacant Positions was included in the Auditor General’s 2013 Audit Plan.

Key findings of the Original 2011 Audit

1. Using the definition of a “true” vacancy as described in Motion 82/27, the audit identified 24 positions equivalent to 21 FTEs that, as of June 30, 2011, have been vacant for greater than 24 months. Based on an average annual salary (including benefits) of $85,400\(^1\), this represents a potential savings of $1.8 million.

2. Management has not complied with the requirements of Motion 82/27 as these positions have not been either deleted or reported to the appropriate standing committee for consideration of the rationale for retaining them.

3. Our objective for this audit was to identify all vacancies regardless of the restrictions and limitations imposed by Motion 82/27. In our view, these limitations have the effect of ignoring important vacancy and FTE management scenarios which Council should be aware of.

4. “Unoccupied” positions is the term we have used for those that are not filled but are the substantive positions of City employees currently placed elsewhere. Under the definition of a “true” vacancy, as outlined in Motion 82/27, these positions would never be considered vacant regardless of the length of time they have been unoccupied.

5. The audit identified 239 positions, equivalent to 123 FTEs, that had been vacant or unoccupied greater than 24 months. The cost of these positions is approximately $10.5 million. However, this should not be considered a potential savings as many of these positions are currently funding other positions which may be required for legitimate operational needs.

6. It can be interpreted that the creation of unbudgeted positions complies with the Organizational Unit and Position Management Delegated Authority Policy. However, it is unclear if all Council members are in agreement with this practice.

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\(^1\) The approved 2010 budget included a total Salaries, Wages and Benefits budget of $1.26 billion (page xxi) and 14,759 total FTEs (page 1) which yields an average annual salary level of $85,400.
The Clerk’s Office indicated that Council approval was not required for this policy.

7. The audit identified that, as at June 30, 2011, there were 1,065 unbudgeted FTEs, of which 684 were filled. No distinctions were made for seasonal or summer student positions in arriving at these totals. The cost of the filled unbudgeted positions is approximately $58.4 million.

8. These unbudgeted positions are created by management outside of the annual budget process and are commonly referred to as “temporary”. As such, none of these positions has been approved by Council. Unbudgeted positions are funded using the budgets associated with unoccupied or vacant positions, as well as from capital budgets and external one-time funding from other levels of government.

9. Management is seeking flexibility in how their departments/branches meet their responsibilities and objectives by creating unbudgeted positions. However, this approach has the result that Council is unaware of the true level of staffing at the City as the staffing levels and compensation figures contained in budget submissions do not represent an accurate depiction of current operations.

Status of Implementation of 2011 Audit Recommendations

2011 Recommendation 1
That the City ensure all positions which have been vacant (as defined by Motion 82/27) for greater than 24 months be reported to Council as required by Motion 82/27.

2011 Management Response
Management agrees with this recommendation.

Management has implemented a process to ensure that any positions, as defined by Motion 82/27, which have been vacant for greater than 24 months and continue to be required, are reported to Council. Staff will report back to Council on a quarterly basis with updates on positions vacant greater than 24 months.

As of June 30, 2012, only two FTEs fall under the category of having been vacant for greater than 24 months, both of which Council has approved. These positions were reported to, and received by, the Environment Committee (January 31, 2012) and City Council (February 22, 2012) via report ACS2012-ICS-ESD-0002. Accordingly, there are no further potential savings associated with these positions.
Management Representation of Status of Implementation of Recommendation 1 as of April 2014

Management continues to monitor vacant positions on a monthly basis. As of June 30, 2013, there are no positions vacant for more than 24 months to report.

Management considers implementation of this recommendation to be complete.

Management: % complete 100%

2011 Recommendation 2
That any seasonal/summer or other part-time positions which are vacant for greater than 24 months be reported to Council.

2011 Management Response
Management disagrees with this recommendation.

Management is of the opinion that the restrictions imposed by Motion 82/27 must be taken into consideration when reporting on vacant positions. The exclusion of seasonal/summer students or other part-time positions within the organization was intended to recognize the reality of ongoing daily operations. A number of seasonal positions, due to their nature, are often vacant for extended periods of time.

Furthermore, management believes the definition of “vacant” for these types of positions needs to recognize that a position may not have a holder and thus will appear to be vacant but may have hours charged against it.

Operational managers must retain the delegated authority to manage their compensation envelope and maintain the flexibility to utilize seasonal and other part-time positions in order to deliver approved programs. Taking away this flexibility may result in service interruptions and/or reductions while having to go through an approval process that will be time-consuming for Council and staff. The City’s Organizational Unit and Position Management Delegated Authority Policy provide the necessary delegated authority to allow managers to run their operation and respond to changing needs within their budget envelope.

Options and strategies for positions that are vacant for extended periods of time are reviewed by the departments on a regular basis in order to meet service delivery requirements. The City will ensure that seasonal and summer student positions are included in management’s quarterly vacancy review.

Management Representation of Status of Implementation of Recommendation 2 as of July 1, 2013

Management has agreed to report to Council any seasonal/summer or other part-time positions which are vacant for more than 24 months. Management will report these to Council annually in the FTE Analysis Report, as information supplemental to the Operating Budget. Management and the Auditor General have agreed that any positions with hours charged against them are not truly vacant, and are therefore exempt from this reporting (Ref. No: ACS2013-CMR-OCM-0009-IPD).
The first time this information will be reported will be with the tabling of the 2014 Operating Budget in October 2013.

**Management: % complete**

**75%**

**OAG’s Follow-up Audit Findings regarding Recommendation 2**

This recommendation was discussed on March 12, 2013 at a meeting with the Auditor General, City Manager and applicable management staff. The resolution was that management would report to Council, as information supplemental to the budget during the annual budget cycle, any seasonal/summer or other part-time positions which are vacant for greater than 24 months. Audit Sub-Committee received this information item on May 23, 2013.

In October 2013, a co-op student position worth 0.30 FTEs vacant greater than 24 months was reported as part of the 2014 Operating Budget. Our analysis found an additional six positions which were correctly not reported as they were either deleted, underwent a staffing action or the deleted and recreated to realign the budget.

In terms of seasonal/summer or other part-time positions, Parks Recreation and Culture did have positions with no hours charged against them between August 2011 and August 2013 which were not reported to Council. Parks Recreation and Culture’s process is to look at each position and determine what action should be taken. The document provided included 28 positions (equalling 4.19 FTEs) were the budget was realigned and position deleted.

**OAG: % complete**

**100%**

**2011 Recommendation 3**

That Parks, Recreation and Cultural Services realign its job and position numbers and the associated budgets to appropriately reflect operational activities.

**2011 Management Response**

Management agrees with this recommendation.

Parks, Recreation and Cultural Services (PRCS), to the extent possible, maintains its job, position numbers and associated budgets aligned to appropriately reflect operational activities. An established relationship exists between budget, compensation payment, employee management and program planning.

PRCS currently budgets for part-time compensation based on planned program participation levels. Adjustments are made as required, however, the services, activities, programs and events are not static. Therefore, management has the delegated authority to manage within funding envelopes and is not restricted on a position by position basis. This flexibility and authority is required to allow the department to be responsive to client needs. Programming adjustments are made on a continual basis to ensure that programs and services respond to the public’s demand in a timely manner and that facilities are programmed to optimize their use in a cost efficient and effective way.
No further action is required.

**Management Representation of Status of Implementation of Recommendation 3 as of July 1, 2013**

As per the management response above, no further action is required in the implementation of this recommendation. Parks, Recreation and Cultural Services continue to maintain the best practices highlighted in our 2011 response.

Management considers implementation of this recommendation to be complete.

**Management: % complete**

100%

**OAG’s Follow-up Audit Findings regarding Recommendation 3**

Parks Recreation and Culture Services carry out a review of part time FTEs in 2011 (on 2010 hours expensed against a position) resulting in some positions being deleted; some being deleted after a budget transfer; some being transferred to another facility, etc. PRCS process is to assess each position with no hours paid against them and determine what action should be taken. These can include transferring the budget within the same organization unit, facility, program, branch or department. To guide the transfers, PRCS assesses if FTEs are equitably distributed across a specific program throughout the department.

Another review of part time FTEs took place in 2013 on August 2011 to August 2013 data. The document provided included 28 positions (equalling 4.19 FTEs) where the budget was realigned and position deleted.

At the time we conducted this follow-up, PRCS’s HR Planning and Training Branch informed us they were working on a new review to adjust 2014 (based on 2013 usage) and reallocate cost where overspent. They anticipated reporting their recommendations on the review to PRCS management end of Q1 2014. This review was not provided to us.

**OAG: % complete**

100%

**2011 Recommendation 4**

That the City seek Council approval for any unbudgeted temporary position that has been in place for greater than 24 months.

**2011 Management Response**

Management disagrees with this recommendation.

Unbudgeted temporary positions are funded from a variety of sources, such as federal programs, provincial programs, capital projects, revenue and gapping. It is necessary for operational managers to retain the delegated authority to maintain the flexibility to create temporary unbudgeted positions as required to respond to emergency situations, conduct special projects and manage peak workload periods. These positions are only active as long as the appropriate funding source is available to fund the temporary position.
Council is aware of programs/projects that are funded through provincial or federal governments, capital and revenue through the City’s budgeting and reporting processes.

To provide further transparency, commencing with the 2013 Budget process, the City will also report the number of all temporary FTEs regardless of their duration, including the funding source of all filled temporary positions. This will be provided in the annual FTE Analysis Report, which is a supplemental document to the Draft Operating Budget.

**Management Representation of Status of Implementation of Recommendation 4 as of July 1, 2013**

In 2012, management reported temporary positions in the FTE Analysis Report that was tabled as supplemental information to the 2013 Budget. This report included the number of temporary FTE’s as well as the funding source for filled temporary FTE’s.

Management and the Auditor General have agreed that management will include additional information in the FTE Analysis Report, as supplemental information to the budget process (Ref. No.: ACS2013-CMR-OCM-0009-IPD). In 2013, management will expand on this reporting, by including information on the duration temporary positions have been held. This will be tabled annually in the FTE Analysis Report, as supplemental information to the budget process. The first time this information will be reported will be with the tabling of the 2014 Budget in October 2013.

*Management: % complete* 75%

**OAG’s Follow-up Audit Findings regarding Recommendation 4**

This recommendation was discussed on March 12, 2013 at a meeting with the Auditor General, City Manager and applicable management staff. The resolution was that management would included additional information in the FTE Analysis report, specifically length of time incumbents occupy unbudgeted temporary positions. Audit Sub-Committee received this information item on May 23, 2013.

As a result, starting in 2013, the FTE Analysis Report tabled as supplemental information to the 2014 Budget, October 23, 2013, provided the length of time a temporary position has been staffed. Table 6 indicates that in October 2013, the City had 607.34 temporary FTEs. Of these temporary FTEs, 117.48 (19%) had been in place for more than 2 years.

Table 5 of the FTE Analysis Report, details the number of filled temporary FTEs and the total of vacant temporary FTEs by department including the funding source. This is the second year Council is provided with the information.

*OAG: % complete* 100%

**2011 Recommendation 5**

That all positions, regardless of type, that have remained unoccupied for greater than 24 months be considered vacant and reported to Council.
2011 Management Response
Management agrees with this recommendation.

As indicated in the management response to Recommendation 1, staff will report back to Council on a quarterly basis with updates on positions vacant greater than 24 months.

The 123 FTEs identified as being either vacant or unoccupied for greater than 24 months are outside of the scope of the Council-approved motion or, in other cases, are waiting for their substantive owner to return. As a result, the $10.5 million identified in the audit report should not be considered as a potential savings.

Management Representation of the Status of Implementation of Recommendation 5 as of July 1, 2013

In addition to the monitoring of vacant positions, management has developed a process to monitor positions that have been unoccupied for more than 24 months. Management and the Auditor General have agreed that “unoccupied” positions are not truly vacant and are therefore exempt from reporting, however management will include these positions in quarterly reporting commencing with Q3 2013.

Management: % complete 75%

OAG’s Follow-up Audit Findings regarding Recommendation 5

Human Resources’ Vacancy Monitoring and Reporting Guidelines and Procedures dated March 2012 was revised August 30, 2013. It provides guidance for monitoring vacancies, particularly those vacant between 19 to 24 months, and for reporting those that exceed 24 months.

The Q3 2013 quarterly reporting did not occur. As at January 2014, no report had been drafted; as such there was no report we could review.

Management informed us that, they expected the first report to be submitted in May 2014 should there be any vacancies to report. Management did provide us with an analysis indicating that as at December 31, 2013 there were seven positions in Q4 2013; and an additional potential four in Q1 2014 that may have to be reported.

For this recommendation to be considered complete, reporting to Council on a quarterly basis with updates on positions vacant greater than 24 months will need to be established.

OAG: % complete 75%

Management Representation of Status of Implementation of Recommendation 5 as of July 2, 2014

Management reported that there were four positions unoccupied for more than 24 months, in the 2014 Operating and Capital Budget Q1 Status Report submitted at the May 6, 2014 FEDCO meeting. Management will continue to monitor and report the status of these positions in the quarterly reports to FEDCO.

Management: % complete 100%
2011 Recommendation 6
That the City seek confirmation from Council that it is in agreement with management’s authority to create unbudgeted positions under the terms of the Organizational Unit and Position Management Delegated Authority Policy or whether doing so creates a position outside existing corporate compensation budget and/or total FTE count and as such requires Council approval under the Policy.

2011 Management Response
Management agrees with this recommendation.

As outlined in Recommendation 4, unbudgeted temporary positions are funded from a variety of sources, such as federal programs, provincial programs, capital projects, revenue and gapping. The City works within its Council approved budget envelope to fund these positions. It is necessary for operational managers to retain the delegated authority to maintain the flexibility to create temporary unbudgeted positions as required to respond to emergency situations, conduct special projects and manage peak workload periods. These positions are only active as long as the appropriate funding source is available to fund the temporary position, and are assigned expiration dates.

Commencing with the 2013 Budget process, the City will also report temporary FTEs in the annual FTE Analysis Report which is a supplemental document to the Draft Operating Budget.

Management Representation of Status of Implementation of Recommendation 6 as of July 1, 2013
Management reported temporary FTE’s and the funding sources for filled temporary positions in the 2012 FTE Analysis Report, tabled as supplemental information to the 2013 Budget. As stated in Recommendation 4, this report will be tabled annually.

Management considers implementation of this recommendation to be complete.

Management: % complete 100%

OAG’s Follow-up Audit Findings regarding Recommendation 6
Management did not seek confirmation from Council that it is in agreement with management’s authority to create unbudgeted positions under the terms of the Organizational Unit and Position Management Delegated Authority Policy or whether doing so creates a position outside existing corporate compensation budget and/or total FTE count and as such requires Council approval under the Policy.

However, Table 5 of the FTE Analysis Report tabled as supplemental information to the 2014 Budget, tabled October 23, 2013, provides with the number of filled and vacant temporary FTEs by department including how they are to be funded.
For the first time in 2013, Council were also provided with the length of time temporary FTEs were filled.

**OAG: % complete** 100%

### 2011 Recommendation 7

**That the City review the practice of applying the vacancy allowance provision to front line positions where staffing is mandatory.**

#### 2011 Management Response

Management agrees with this recommendation.

This practice has already been addressed by calculating the 3% vacancy provision at a portfolio level. The Deputy City Managers have authority to realign their portfolio vacancy allocation to individual departments or branches to meet financial and operational requirements. No further action is required.

**Management Representation of Status of Implementation of Recommendation 7 as of July 1, 2013**

As per the management response above, no further action is required in the implementation of this recommendation. Management considers implementation of this recommendation to be complete.

**Management: % complete** 100%

**OAG’s Follow-up Audit Findings regarding Recommendation 7**

Given that Management has reviewed its practice of applying the vacancy allowance provision to front line positions where staffing is mandatory and has concluded that with the DCMs authority to realign the portfolio vacancy allocation to individual department or branch is sufficient to meet financial and operational requirements, no further action is required.

**OAG: % complete** 100%
Summary of the Level of Completion
The table below outlines our assessment of the level of completion of each recommendation as of date 2014.

Table 3: OAG’s assessment of level of completion of recommendations (Repeat of Table 1 in Executive Summary)

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The table below outlines management’s assessment of the level of completion of each recommendation as of date in response to the OAG’s assessment. These assessments have not been audited.

Table 4: Management’s assessment of level of completion of recommendations (Repeat of Table 2 in Executive Summary)

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Conclusion
Management has fully or substantially implemented the recommendations in this report.
Starting with the 2012 budget exercise, Council has been provided with greater information as to the number of vacant and filled temporary FTEs; and their funding source. In 2013, the length of time these temporary FTEs have been filled was also reported. This information is contained in the FTE Analysis Report prepared by Human Resources Department and received by Council as supplemental information to the annual draft budget.

Additionally, in March 2012, Management established the Vacancy Monitoring and Reporting guidelines and procedures for the HR Client Relations and Business Solutions Branch which was revised August 2013. The guideline clearly sets out roles and responsibilities of the Program Manager, HR Consultants as well as departmental managers. It also outlines the monitoring and reporting process.

Quarterly reporting on positions vacant greater than 24 months and “unoccupied” positions has not yet occurred. Management informed us that the first quarterly report on vacancies to Council schedule for Q3 2013 was deferred due to the budget. Management anticipates that the first report on positions vacant greater than 24 months and “unoccupied” positions will be tabled with the Quarterly Financial Report to FEDCO in May 2014.

Acknowledgement
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