



ANNUAL REPORT 2016



Ohio Performance Team
Auditor of State Dave Yost

Annual Report 2016

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Table of Contents

| | |
|--|-----------|
| Report Purpose and Overview | 3 |
| Purpose of this Report | 3 |
| OPT Overview & Experience | 3 |
| State Agency Performance Audits | 4 |
| 2015 Reports | 5 |
| Ohio Environmental Protection Agency (OEPA) | 5 |
| Ohio Department of Rehabilitation and Corrections (ODRC) | 5 |
| Ohio Department of Transportation (ODOT) | 6 |
| Ohio Department of Natural Resources (ODNR) | 6 |
| Current Biennium Audits | 7 |
| Ohio Bureau of Workers' Compensation (OBWC) | 7 |
| Ohio Department of Transportation (ODOT) | 7 |
| Ohio Department of Health (ODH) | 7 |
| Implementation Overview | 8 |
| Ohio Department of Natural Resources (ODNR) | 8 |
| Appendix | 12 |



Purpose of this Report

Ohio Revised Code (ORC) § 117.46 requires the Auditor of State to conduct performance audits of at least four state agencies each biennium. ORC § 117.463 requires the Auditor of State to submit annually a report in writing to the Governor, Speaker and Minority Leader of the Ohio House of Representatives, and President and Minority Leader of the Ohio Senate. Its purpose is to document whether state agencies that received performance audits in the immediately preceding year implemented the audit recommendations and to report the amount of money saved as a result of the implementation.

OPT Overview & Experience

The Ohio Performance Team (OPT) builds upon the Auditor of State's long-standing reputation for conducting detailed and effective performance audits of local governments. Historically, performance audits have identified approximately \$25 in taxpayer savings for every dollar spent to audit. During Auditor Yost's tenure, OPT has identified potential taxpayer savings in excess of \$95.8M on the eight state agency performance audits completed to date. This savings represents a return of \$33.4 for every auditing dollar spent.





\$33.4 to 1 Overall Return on Investment
\$95,883,885 Potential Savings to Date

State agency performance audits examine the economy, efficiency, and/or effectiveness of government programs and functions. These audits use objective metrics and standards to measure the cost and productivity of services delivered by Ohio’s state agencies. Where deficiencies are identified, the audits make recommendations for increasing operational efficiencies and enhancing value on behalf of Ohio taxpayers. Since 2011, OPT has completed eight performance audits of seven different state agencies, including the following:

| Engagement | Biennium |
|--|---------------|
| Ohio Department of Education (ODE) | SFY 2012-2013 |
| Ohio Department of Transportation (ODOT) | SFY 2012-2013 |
| Ohio Department of Job and Family Services (ODJFS) | SFY 2012-2013 |
| Ohio Housing Finance Authority (OHFA) ¹ | SFY 2012-2013 |
| Ohio Department of Natural Resources (ODNR) | SFY 2014-2015 |
| ODOT (2015 Engagement) | SFY 2014-2015 |
| Ohio Department of Rehabilitation and Corrections (ODRC) | SFY 2014-2015 |
| Ohio Environmental Protection Agency (OEPA) | SFY 2014-2015 |

¹The audit work for Ohio Housing Finance Agency was subcontracted to Foxx & Company.

Additionally, performance audits of the following three state agencies are in progress and are scheduled to be completed no later than June 30, 2017, with at least one more to be announced:

- Ohio Department of Health (ODH);
- ODOT (2016 Engagement); and
- Ohio Bureau of Workers’ Compensation (OBWC).

To determine the scope of performance audits, OPT uses a data-driven framework which incorporates savings potential, OPT expertise, and the likelihood of implementation success. Collaboration with state agency leadership further informs scoping decisions as OPT attempts to identify opportunities that align with ongoing agency goals and initiatives.

Results of completed state agency performance audits encompass a wide variety of recommendation types and business areas within Ohio’s state agencies. Recommendations in the first eight state agency audits completed by OPT have identified opportunities for savings in excess of \$95.8M.



During the past year, OPT issued three state agency performance audit reports. Performance audits of the Ohio Environmental Protection Agency, Ohio Department of Rehabilitation and Corrections, and Ohio Department of Transportation (2015) are currently in the implementation tracking phase, and detailed implementation reporting will be included in the 2017 Annual Report. The performance audit of the Ohio Department of Natural Resources was also completed during the previous biennium, and because of its February 2015 release date, this annual report contains the full implementation follow-up reporting.

Ohio Environmental Protection Agency (OEPA)

Released in June 2015, the performance audit of OEPA identified opportunities for increased efficiency within several program areas as well as within OEPA's overall fleet. The table below summarizes the recommendations where a financial impact was identified.

| Recommendations by Assessment Area | Financial Impact |
|--|--------------------|
| <i>Fleet Management</i> | |
| • Pool Fleet Optimization | \$119,306 |
| • Decreased Employee Travel | \$345,115 |
| • Vehicle Assignment | \$8,237 |
| <i>Laboratory Operations</i> | |
| • Seasonal Staffing | \$309,372 |
| • Revenue-Generating Activities | \$910,559 |
| <i>Certified Professionals</i> | |
| | \$13,119 |
| <i>Solid Waste Operator Certification</i> | |
| | \$212,364 |
| <i>Solid Waste Fee Collection Operations</i> | |
| | \$1,812,324 |
| Total Cost Savings from Performance Audit Recommendations | \$3,730,396 |

Ohio Department of Rehabilitation and Corrections (ODRC)

Released in June 2015, the ODRC audit was designed as a limited-scope engagement focused on evaluating the efficiency and effectiveness of the Agency's motor vehicle fleet. The audit identified substantial limitations within ODRC's motor vehicle database and data collection practices.



Because of the data limitations in areas such as vehicle utilization and maintenance expenses, OPT was not able to conduct standard analyses such as identifying underutilized vehicles and optimal cycling intervals. Instead, the report makes recommendations for the collection of essential operational data and also recommends using a modern telematics solution to aid in real-time data collection. Because of the ancillary benefits of a telematics system, such as displacing the need for manual data entry and improved driver behavior, the report projects that ODRC can recoup the capital investment in a telematics solution and achieve ongoing savings of \$202,807 annually.

Ohio Department of Transportation (ODOT)

Released in June 2015, the ODOT performance audit was scoped to provide a detailed motor vehicle fleet analysis that leveraged the work of the 2013 ODOT performance audit and ODOT's subsequent implementation of the 2013 recommendations. The 2015 report made recommendations in the area of biodiesel usage, vehicle auctions, and fleet cycling. The table below shows the financial impacts of these recommendations.

| Recommendations by Assessment Area | Financial Impact |
|--|--------------------|
| <i>Fleet Management</i> | |
| • Blended Biodiesel | \$202,475 |
| • Auction Analysis | \$126,898 |
| • Fleet Cycling | \$1,426,840 |
| • Adjustment for cost offsets | (\$126,898) |
| | |
| Total Cost Savings from Performance Audit Recommendations | \$1,629,315 |

Ohio Department of Natural Resources (ODNR)

The ODNR performance audit was released in February 2015, placing it within the window requiring detailed implementation reporting in the current Annual Report. The status of ODNR's implementation is described in the Implementation Overview section, beginning on page 8.



Ohio Bureau of Workers' Compensation (OBWC)

After analyzing multiple state agencies, OBWC was chosen to receive a performance audit based on a combination of the department's vast infrastructure, variety of business-type functions, and budget size. A formal letter of engagement was signed by the Auditor of State and the Administrator of the Bureau of Workers' Compensation on November 23, 2015. This letter of engagement served as the formal starting point of the ongoing engagement.

As with all performance audits, the initial phase of work performed was to identify a formal scope. This scope deliverable was the product of a collaborative partnership involving OPT's objective, data-driven analytical expertise; OBWC executives' strategic view of the Bureau; and the technical expertise of key personnel. The formal scope was delivered to OBWC executives on March 9, 2016 and encompasses the following items:

- Premium Collections Resolution;
- Provider Enrollment and Certification;
- Facility Utilization;
- Employer Premium Audit; and
- Fleet Management.

Each scope item was developed with a focus on the opportunity to provide value through improved economy, efficiency, and effectiveness to OBWC management and operations, as well as Ohio citizens and stakeholders.

Ohio Department of Transportation (ODOT)

In August of 2015, ODOT requested OPT conduct a performance audit of the department's facilities planning process. The scope of this assessment encompasses the department's ongoing process to optimize the capital planning and replacement cycle. The letter of engagement was signed on September 18, 2015.

As with all performance audits, the initial phase of work performed was to identify sources of evidence and establish current conditions for the department's facilities. OPT is currently working collaboratively with ODOT to gather data and to more fully understand the operation of each type of facility in ODOT's inventory.

This audit is being conducted with a focus on the opportunity to provide value through improved economy, efficiency, and effectiveness to ODOT management and operations, as well as Ohio citizens and stakeholders.

Ohio Department of Health (ODH)

In October 2015, ODH signed a letter of engagement with the Auditor of State arranging a state agency performance audit. The agreed-upon audit scope will cover a mix of programmatic areas, internal departments, and cross-cutting agency-wide opportunities to achieve efficiency, effectiveness, and economy.



According to ORC § 117.461 and § 117.462, each audited state agency has a 14-day public comment period following the release of the audit. Within three months following the end of the comment period, the agency must commence implementation of the recommendations. If implementation is not commenced, the agency must report the reasons to the Governor and the legislative leaders of the Ohio House and Senate. In addition, the agency must also report to the Governor and Ohio legislative leaders if the agency does not fully implement the performance audit recommendations within one year after the end of the comment period.

OPT has developed a collaborative, process-driven approach to assist agencies in meeting the requirements for reporting as set forth in the above ORC. This approach is largely one of agency self-reporting, coupled with OPT follow-up. Of the eight completed state agency performance audits, only ODNR is subject to detailed implementation reporting in the rest of this report. The implementation details of ODOT (2013), ODJFS, ODE, and OHFA can be found in OPT's 2014 and 2015 Annual Reports. OEPA, ODRC, and ODOT (2015) will be subject to detailed implementation reporting in the 2017 Annual Report.

Ohio Department of Natural Resources (ODNR)

OPT issued the Ohio Department of Natural Resources (ODNR) final report on February 12, 2015. Final performance audit reports are available on the Auditor of State's website (<https://ohioauditor.gov/performance.html>). The table on the following page lists the scope areas yielding recommendations with a quantifiable financial impact. Potential savings are annual except as otherwise noted.

| Recommendations by Assessment Area | Financial Impact |
|---|---------------------|
| <i>Fleet Management</i> | |
| • Asset Sale (one-time savings) | \$109,706 |
| • Cost Avoidance | \$200,801 |
| • Pool Consolidation | \$27,411 |
| • Fleet Cycling | \$683,565 |
| <i>Seasonal Workforce Strategies</i> | |
| • Unemployment Reduction | \$330,962 |
| • Position Classifications | \$62,132 |
| <i>Parks and Recreation Operations</i> | |
| • Overnight Accommodation Pricing | \$1,590,386 |
| • Capital Asset Disposal (one-time savings) | \$3,830,900 |
| • Capital Investment Management | \$3,341,901 |
| <i>Wildlife Licenses and Participation</i> | |
| • Fishing License Pricing | \$1,748,000 |
| • Hunting License Pricing | \$254,175 |
| <i>Fish Hatchery Operations</i> | |
| | \$54,994 |
| Total Cost Savings from Performance Audit Recommendations: | \$12,234,933 |

In addition to recommendations with financial implications, the audit also identified management recommendations that do not include financial implications. These recommendations are likely to provide improvement to overall operations and otherwise serve management purposes, including in some cases the subsequent identification of cost savings and improvements in efficiency and effectiveness. These areas include:

- Fleet Management;
- Parks and Recreation Lodge Properties;
- Capital Planning and Budgeting;
- Wildlife Licenses and Participation; and
- Watercraft Registration Operations.



ODNR Implementation Status and Impact

Thanks to a concerted effort to fully engage with agency leadership during the audit, ODNR began addressing recommendations before the report was actually released. For example, within the Fleet Management scope item, ODNR began salvaging targeted vehicles and consolidated its fleet of pool cars during audit field work.

Per statute, AOS conducted a comprehensive implementation tracking during the first year following the release of ODNR's performance audit. As of February 2016, ODNR has begun implementation of all 20 recommendations (100% compliance).

During this one-year time period, ODNR was able to identify approximately \$2.8M in actual realized savings directly attributable to performance audit recommendations. The bulk of the remaining unrealized financial impact falls within recommendations that require more than one year of lead time to realize returns (e.g., construction projects in Parks, law and administrative rule changes, and renegotiation of collective bargaining contracts).

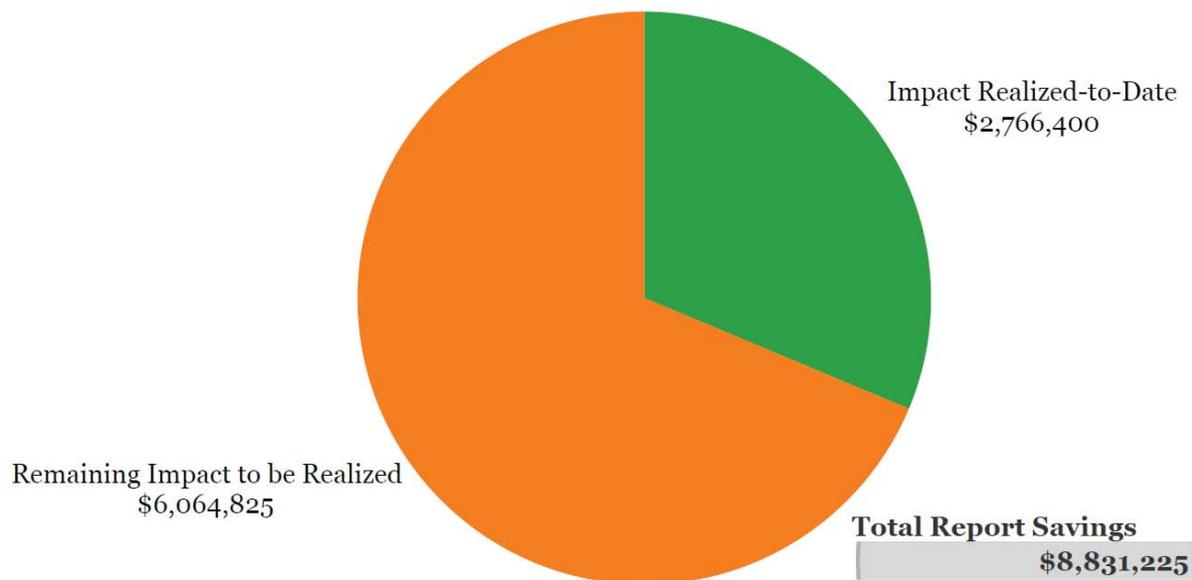
Detailed implementation status for each ODNR performance audit recommendation is given in the Appendix. Several implementation highlights include:

- Parks, via Ohio's 2014 capital budget process, was awarded the highest level of funding in its recent history. As a result, Parks had the cash flow available to target \$42M toward the campground, cabin, and lodge recommendations made in the performance audit. By channeling this budget allocation into positive-ROI projects, Ohio taxpayers should realize a multiplier effect on their funding, with Parks realizing a permanently increased income stream. Parks began breaking ground on these upgrades in 2015, with the first cabin upgrades scheduled to be ready for the opening of the 2016 season.
- In the first year since the report release, ODNR has identified approximately \$1.8M in fleet-related savings generated through salvaging old stock, avoiding unnecessary purchases, and a reduction in maintenance expenses arising from more efficient cycling intervals.
- The Division of Watercraft consolidated with the Division of Parks, generating approximately \$0.9M in reoccurring annual savings by shrinking its real estate footprint and by eliminating redundant positions.
- Parks successfully petitioned for a change in state administrative rules that will allow the division to implement a variable pricing structure for overnight accommodations within a controlled ceiling. Previously, every accommodation type at every individual state park was subject to a specific price prescribed in administrative code. Effective April 1, 2016, the Chief of Parks will have the authority to adjust prices across the state in response to customer demand, which will enable revenue maximization and better management of park attendance.



It is important to note that while substantial, or even full, implementation is possible for some of the recommendations within OPT's annual reporting window, this is not the case for all audit recommendations. Many recommendations require information technology system development, support network expansion, statutory changes, or even additional detailed study prior to full implementation. In cases where state agencies are able to demonstrate substantial and continued progress toward implementing report recommendations, OPT considers agencies to be fulfilling the statutorily required implementation and reporting obligations. This dynamic of extended implementation timeframes also has implications for quantifying the savings agencies realize from OPT recommendations; the majority of the financial impact identified in the ODNR audit will accrue in future years.

ODNR Implementation Savings



During the first full year of implementation tracking, ODNR began implementation of all report recommendations and has reported savings-to-date of approximately \$2.8M. The Appendix that follows provides detail on the individual performance audit report recommendations, ODNR implementation actions taken, and savings achieved during the first year following the audit.



ODNR Performance Audit Implementation Summary

| Recommendation | Implementation Status | Identified Financial Impact | Impact Realized-to-Date | Remaining Impact to be Realized |
|----------------|-----------------------|-----------------------------|-------------------------|---------------------------------|
| 1.1 | In Process | N/A | N/A | N/A |
| 1.2 | Complete | \$259,121 | \$630,093 | \$0 |
| 1.3 | Complete | \$51,386 | See 1.2 above | \$0 |
| 1.4 | In Process | \$683,565 | \$1,153,393 | \$0 |
| 2.1 | In Process | \$992,887 | \$0 | \$992,887 |
| 2.2 | In Process | \$62,132 | \$0 | \$62,132 |
| 2.3 | In Process | N/A | N/A | N/A |
| 3.1 | In Process | N/A | N/A | N/A |
| 3.2 | In Process | N/A | N/A | N/A |
| 4.1 | In Process | N/A | N/A | N/A |
| 4.2 | In Process | N/A | N/A | N/A |
| 5.1 | In Process | \$3,830,900 | \$0 | \$3,830,900 |
| 5.2 | In Process | \$894,065 | \$0 | \$894,065 |
| 6.1 | In Process | N/A | N/A | N/A |
| 7.1 | In Process | \$1,748,000 | \$0 | \$1,748,000 |
| 7.2 | In Process | \$254,175 | \$0 | \$254,175 |
| 7.3 | In Process | N/A | N/A | N/A |
| 7.4 | In Process | N/A | N/A | N/A |
| 8.1 | Complete | \$54,994 | \$54,994 | \$0 |
| 9.1 | In Process | N/A | \$927,920 | N/A |
| TOTAL | | \$8,831,225 | \$2,766,400 | \$7,782,159 |



AOS Performance Audit Response Division of Parks Recommendations 1.1, 1.2, 1.3, 1.4

| | | | |
|---|--|---------------------------------|-----|
| Recommendation 1.1: ODNR should ensure that all vehicle maintenance performed by department employees is properly recorded in Fleet Ohio in a timely manner. Required cost data should include all direct and indirect costs for maintenance, repairs and fuel for each vehicle. | | | |
| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The department is reinforcing compliance with the DAS policies over vehicle use and fleet management, including emphasizing the use of Voyager card by drivers for all vehicle-related purchases including gasoline, tires, and repairs. The Central Office is monitoring the PCard Report, the Total Maintenance Costs Report, and the 60-day No Fuel Report to monitor vehicle expenditures. The Office of Budget and Finance will increase monitoring over the Fleet Management program in SFY 2016 and 2017 to include a review of the vehicle inventory and vehicle maintenance records.</p> | | |



AOS Performance Audit Response Division of Parks Recommendations 1.1, 1.2, 1.3, 1.4

Recommendation 1.2: ODNR should use fleet data, information, and key performance indicators to identify and implement opportunities for greater efficiency and effectiveness. Opportunities already identified include: Reassigning idle vehicles prior to purchasing additional vehicles; Disposing of vehicles when repairs are either not cost effective or impractical; and Sizing the Parks patrol fleet based on industry standards.

| | | | |
|-----------------------------|--|---------------------------------|-----------|
| Recommendation Addressed? | Yes | Identified Financial Impact: | \$259,121 |
| Implementation Status: | Complete | Financial Impact Status: | Complete |
| | | Impact Realized-to-Date: | \$630,093 |
| | | Remaining Impact to be Realized | \$0 |
| Implementation Description: | <p>The department is taking a more active role in reassigning, repairing and salvaging vehicles to reduce overall maintenance costs and the need for new vehicles. The department salvaged 109 vehicles, totaling \$267,605, during the period February 2015 through January 2016. In addition, all vehicles identified as idle due to repairs have been repaired. As a result of reassigning and repairing vehicles, the department avoided purchasing 12 vehicles, totaling approximately \$362,488. Furthermore, the department transferred 19 vehicles, effective January 1, 2016, to the Ohio Department of Agriculture due to the Division of Soil transfer. An additional 30 vehicles will be auctioned in the near future.</p> | | |



AOS Performance Audit Response Division of Parks Recommendations 1.1, 1.2, 1.3, 1.4

| | | | |
|---|--|---------------------------------|-----------------|
| Recommendation 1.3: ODNR should consolidate the Fountain Square passenger pool fleet into a single pool under exclusive management of General Services. Once consolidated, the passenger pool fleet should be reduced to, at most, 33 total vehicles in order to more efficiently meet actual demand. Once consolidated and reduced, General Services should review fleet utilization at least annually to ensure that sufficient demand exists to support the number and type of vehicles supplied. | | | |
| Recommendation Addressed? | Yes | Identified Financial Impact: | \$51,386 |
| Implementation Status: | Complete | Financial Impact Status: | Complete |
| | | Impact Realized-to-Date: | See Recomm. 1.2 |
| | | Remaining Impact to be Realized | \$0 |
| Implementation Description: | The department consolidated vehicles from the Divisions of Parks, Watercraft, Forestry, Soil and Water, Real Estate, and GEO Survey into the Fountain Square fleet pool and reduced the size of the Fountain Square Motor Pool to 20 vehicles. The department, as a whole, salvaged 109 vehicles, totaling \$267,605, during the period February 2015 through January 2016. The value of the Fountain Square Motor Pool salvages are included in the savings for Recommendation 1.2. The department will continue to review monthly motor pool utilization to ensure that 20 is the sufficient amount of cars. | | |



AOS Performance Audit Response Division of Parks Recommendations 1.1, 1.2, 1.3, 1.4

Recommendation 1.4: ODNR should implement fleet cycling guidelines and practices that recognize a vehicle lifecycle of 6 years and/or 90,000 miles. Vehicles approaching those parameters should be thoroughly reviewed to determine the current cost per mile compared to that of newer vehicles. Finally, vehicles nearing the end of service life should be promptly salvaged to capture as much residual value as possible.

| | | | |
|-----------------------------|--|---------------------------------|-------------|
| Recommendation Addressed? | Yes | Identified Financial Impact: | \$683,565 |
| Implementation Status: | In Process | Financial Impact Status: | In Process |
| | | Impact Realized-to-Date: | \$1,153,393 |
| | | Remaining Impact to be Realized | \$0 |
| Implementation Description: | <p>The Department of Natural Resources has adopted a fleet plan - as recommended by Department of Administration Services (DAS) Fleet Management - that cycles most vehicles out of service after six (6) years and/or 90,000 miles. The Division of Parks has a large, high-mileage fleet that is most in need of a standard cycle program. Most other divisions have, on average, lower-mileage fleets. Parks is utilizing the DAS lease program as an affordable alternative to purchasing, thus not requiring large cash expenditures. In order to gradually improve the average mileage and age of parks vehicles, a five-year approach has been developed to salvage and replace vehicles with a target of 20% per year. As part of the annual Fleet Plan, the department determines the average cost per mile for each vehicle type. The average cost per mile ranges from \$0.02 for 15-passenger vans to \$0.46 per mile for fire trucks. The total cost of vehicle maintenance for State Fiscal Year 2014 was \$6,577,472 and was \$6,263,885 for State Fiscal Year 2015, for a decrease of \$313,587 (4.77%). Through January 2016, the total cost of vehicle maintenance for State Fiscal Year 2016 was \$3,254,937. This equates to an \$839,806 (20.51%) decrease for the same period in State Fiscal Year 2015.</p> | | |



AOS Performance Audit Response Division of Parks Recommendations 2.1, 2.2, 2.3

Recommendation 2.1: ODNR should fully maximize the use of NRS labor within the limitation of the collective bargaining agreement. In addition, the department should seek to minimize unemployment cost through widespread implementation of unemployment avoidance and reduction strategies. The combination of both actions will allow Parks to provide a level of service that is at least commensurate with what is being provided now. However, there is also the potential for increased levels of service by redirecting non-productive expenses back to direct labor activities.

| | | | |
|-----------------------------|--|---------------------------------|-------------|
| Recommendation Addressed? | Yes | Identified Financial Impact: | \$992,887 |
| Implementation Status: | In Process | Financial Impact Status: | Not Started |
| | | Impact Realized-to-Date: | \$0 |
| | | Remaining Impact to be Realized | \$992,887 |
| Implementation Description: | The department established a team consisting of individuals from the Division of Parks and Recreation, Human Resources, and Office of Budget and Finance to determine the best possible approach to minimize unemployment costs and to reevaluate position duties and pay ranges. The team is in communication with the union in regards to potential changes in classifications, duties, and appointment types. | | |



AOS Performance Audit Response Division of Parks Recommendations 2.1, 2.2, 2.3

| | | | |
|---|--|---------------------------------|-------------|
| Recommendation 2.2: Upon full implementation of R2.1, ODNR should convert all remaining NRW positions to part-time-permanent positions. After the department implements recommendation R2.1, shifting the remaining NRW position to PTP will help avoid unemployment expenses. | | | |
| Recommendation Addressed? | Yes | Identified Financial Impact: | \$62,132 |
| Implementation Status: | In Process | Financial Impact Status: | Not Started |
| | | Impact Realized-to-Date: | \$0 |
| | | Remaining Impact to be Realized | \$62,132 |
| Implementation Description: | The department established a team consisting of individuals from the Division of Parks and Recreation, Human Resources, and Office of Budget and Finance to determine the best possible approach to minimize unemployment costs and to reevaluate position duties and pay ranges. The team is in communication with the union in regards to potential changes in classifications, duties, and appointment types. | | |



AOS Performance Audit Response Division of Parks Recommendations 2.1, 2.2, 2.3

Recommendation 2.3: ODNR should develop a process to identify critical management and operational data. Identified data should be collected and aggregated into a management information framework that provides for meaningful performance measures across each business or operational unit. Department management should frame performance measures by establishing goals and targets for acceptable to exceptional levels of service. Key performance measures should be linked to goals and targets and results reported on a consistent basis as part of a performance management framework. Finally, the performance management framework should be updated, at least annually, to ensure that performance measures, goals, and objectives remain up-to-date in focusing on key priorities.

| | | | |
|-----------------------------|--|---------------------------------|-----|
| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | The Division of Parks & Recreation will utilize the payroll & programmatic tracking functions available within the Electronic Time and Reporting System (eTARS) to better capture time (and money) spent on various programs. The captured eTARS data will allow for programmatic activity analysis. In addition, the ODNR Office of Human Resources will take a more forward approach with regard to the on-boarding & off-boarding of Parks seasonal staff and usage throughout the more defined season. | | |



AOS Performance Audit Response Division of Parks Recommendation 3.1, 3.2, 4.1, 4.2, 5.1, 5.2

Recommendation 3.1: ODNR should seek to establish a flexible position that allows it to competitively engage in a dynamic overnight accommodations market while still allowing the necessary stakeholders to have an appropriate level of oversight. Setting a single, statewide maximum price for each type of accommodation will allow Parks to implement a flexible pricing structure within a controlled price ceiling. In turn, Parks will be able to increase revenue where permitted by market conditions and be better able to serve the needs of its customers over the long-term.

| | | | |
|-----------------------------|---|---------------------------------|-----|
| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The department filed revisions on January 8, 2016, for Ohio Administrative Code (OAC) fee sections 1501:41-2-8; 1501:41-2-11; 1501:41-2-14; 1501:41-2-16; 1501:41-2-28; 1501:41-2-29; 1501:41-2-32; 1501:41-2-34. The revisions establish a single statewide maximum price for each type of accommodation and will allow the department to implement a variable price structure within a controlled ceiling. The public hearing was held on February 10, 2016. Pending review at the February 29, 2016 JCARR meeting, the rules will become effective April 1, 2016.</p> | | |



AOS Performance Audit Response Division of Parks Recommendation 3.1, 3.2, 4.1, 4.2, 5.1, 5.2

| | | | |
|--|--|---------------------------------|-----|
| <p>Recommendation 3.2: ODNR should actively manage pricing for overnight accommodations with the goal of maximizing RevPAR. In doing so, it should seek to identify and set prices that are responsive to, and reflective of, customer demands and price sensitivities. To inform pricing choices with quantitative information, the division should take the following steps:</p> <ul style="list-style-type: none"> • Estimate the price elasticity of demand of consumers by varying the price of accommodation types across a season and measuring market reactions. As a starting point, raise prices on dates that sell out the most frequently. • Ensure that the reservation and reporting systems in use provide the tools and flexibility to appropriately reflect and inform a dynamic pricing model. At minimum Parks should be able to log regrets and denials, report on the velocity of bookings, and issue reports that allow RevPAR to be tracked by specific accommodation. | | | |
| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The department filed revisions on January 8, 2016, for Ohio Administrative Code (OAC) fee sections 1501:41-2-8; 1501:41-2-11; 1501:41-2-14; 1501:41-2-16; 1501:41-2-28; 1501:41-2-29; 1501:41-2-32; 1501:41-2-34. The revisions establish a single statewide maximum price for each type of accommodation and will allow the department to implement a variable price structure within a controlled ceiling. The public hearing was held on February 10, 2016. Pending review at the February 29, 2016 JCARR meeting, the rules will become effective April 1, 2016.</p> <p>In addition, the Active Network reservation system currently has a Yield Management by Type report and a Yield Management by Site report. These reports provide a comparison of occupancy rate, closure rate, average revenue for all sites, average revenue per occupied site, and total revenue received over the same period of two consecutive years per facility. Starting December 2015, the department will have a full reporting year of data and be able to more effectively monitor the market demand. The Active Network reservation system currently has a Statewide Call Disposition Summary report that provides information about the breakdown of unsuccessful calls by call disposition reason within a reporting time period. If the rule changes are enacted, the department will have the authority to change the fees and at that time will be able to perform various pricing analyses.</p> | | |



AOS Performance Audit Response

Division of Parks

Recommendation 3.1, 3.2, 4.1, 4.2, 5.1, 5.2

Recommendation 4.1: ODNR should develop a process to identify management information that is critical to successful and sustainable operation of lodge properties. At minimum, this should include all current and future capital and operating resource needs for each lodge property. Further, the department should develop a framework that allows for ongoing (at least annually) evaluation of the true cash flow potential of each lodge property. Finally, Parks management should work with ODNR management to develop a performance management framework to monitor, measure, and evaluate the relative performance of each lodge property on an ongoing basis. At minimum, this should include performance measures associated with the total cost of ownership, operating cash flow, and return on investment associated with each property.

| | | | |
|---------------------------|------------|---------------------------------|-----|
| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |

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| Implementation Description: | <p>The department began capital and operational assessments of Burr Oak Lodge, Deer Creek Lodge, Mohican Lodge, and Shawnee Lodge in 2015. Assessments are also planned for Hueston Woods Lodge, Maumee Bay Lodge, and Salt Fork Lodge. These assessments will determine immediate capital and operational needs for the lodges and create a master plan for implementation of projects.</p> <p>The department implemented an ongoing facility assessment program on various ODNR-owned facilities, including the lodges. The department selected fifteen consultants through a qualifications-based process to align expertise with the unique characteristics of each facility type. Three additional consultant selections are in the process of being finalized. The consultants are in the process of developing long-range master plans for each lodge property, including prioritizing operational and capital needs.</p> <p>The department is also in the process of developing a monthly reporting mechanism for the lodge concessionaires to submit detailed revenue and expense reports in order to evaluate the performance of each lodge.</p> |
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AOS Performance Audit Response Division of Parks Recommendation 3.1, 3.2, 4.1, 4.2, 5.1, 5.2

Recommendation 4.2: ODNR should seek to improve lodge property returns by soliciting matching funds from concessionaires, extending agreement term lengths, and/or implementing alternative agreement structures. Implementing one or more of these changes would result in improved financial performance for the lodge properties and would help to maximize financial returns on capital reinvestment. Though changes to agreement term length and contract structures are longer-term changes, the department's short-term focus should be to maximize the leverage of available capital dollars. This can be achieved by targeting and funding optimal capital reinvestment deals across its lodge property portfolio, taking into account concessionaire effort, ability to improve visitor attractiveness, and ability to optimize operational efficiency.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The department has met with the concessionaires to preliminarily discuss options to improve lodge property returns. Potential solutions being discussed include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Maintenance responsibilities (department vs. concessionaire) • Golf Course inclusion/responsibilities (department vs. concessionaire) • Term of Contracts to optimize a private partner upfront investment • Combination of Contracts – combining historically non-profitable lodges with more profitable lodges. <p>The current concession agreements expire between 2018 and 2022. The department is evaluating potential modifications to the current agreements with the concessionaires to maximize operational efficiencies.</p> <p>The department partnered with the concessionaire on Punderson Manor. The department provided funding for improvements such as exterior painting and wood trim replacement, new fire escapes, new electrical panels and electrical wiring, new HVAC equipment, and a new grease trap and underslab plumbing. The concessionaire participated in the improvements by renovating portions of the interior of the Manor such as carpeting in the main lobby.</p> | | |



AOS Performance Audit Response Division of Parks Recommendation 3.1, 3.2, 4.1, 4.2, 5.1, 5.2

Recommendation 5.1: Parks should develop an ongoing framework for evaluating cabin operating performance as well as for evaluating cabin investment opportunities. Doing so will require the division to routinely monitor, measure, and evaluate incremental profitability at both the park location and cabin level. Profitability analysis should be used to not only guide day-to-day operating decisions, but should also be used to maximize the returns of investment decisions and the cost avoidance associated with divestment decisions.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | \$3,830,900 |
| Implementation Status: | In Process | Financial Impact Status: | Not Started |
| | | Impact Realized-to-Date: | \$0 |
| | | Remaining Impact to be Realized | \$3,830,900 |

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| Implementation Description: | <p>The department has engaged an architectural firm to provide facility assessment, master planning, and design services for ODNR-operated cabins. Facility assessments were used to develop construction plans with associated estimates in order to bring each cabin to a standardized, updated condition. This information was then used to identify an initial FY15-16 capital improvement project which included the renovation of all cabins at Mohican (25) and Hocking Hills State Parks (40). Additionally, a limited number of cabins at the following State Parks were included in the FY15-16 project: Dillon (4 out of 29), Cowan Lake (3 out of 27), Buck Creek (3 out of 27), Lake Hope (10 out of 67), Pike Lake (3 out of 25), Pymatuning (5 out of 55), and Punderson (exterior work only on all 26). Individual cabins at these parks were selected per the site-specific master plan and decisions were based on such factors as occupancy rates, construction estimates, construction sequencing, prime cabin features such as locations and views, future opportunities for the cabin areas such as picnic spots and exterior gathering spaces, and current available funding. As ODNR moves forward with its capital improvements program, a continuing analysis of the cost renovations will be undertaken. ODNR's Division of Parks has historical data on occupancy rates for cabins and has generally understood these rates to be negatively impacted by the physical condition and outdated appearance of many of the cabins. FY16 occupancy rates will be significantly lower as cabins have been taken off-line for reservations during construction. FY17-18 occupancy rates and associated revenue will be studied as cabins come back on-line and will be used to project return on investment figures. Cabin renovations for FY17-18 will be identified based on facility assessments and master plans for those State Parks where only a limited number of cabins were a part of the FY15-16 capital improvements project.</p> |
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AOS Performance Audit Response Division of Parks Recommendation 3.1, 3.2, 4.1, 4.2, 5.1, 5.2

Recommendation 5.2: Parks should develop an ongoing framework for evaluating campsite operating performance as well as for evaluating campsite investment opportunities. Doing so will require the division to routinely monitor, measure, and evaluate incremental profitability at both the park location and campsite level. Profitability analysis should be used not only to guide day-to-day operating decisions, but also to maximize the returns of investment decisions pertaining to the addition of new full hook-up campsites.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | \$894,065 |
| Implementation Status: | In Process | Financial Impact Status: | Not Started |
| | | Impact Realized-to-Date: | \$0 |
| | | Remaining Impact to be Realized | \$894,065 |
| Implementation Description: | <p>The department has engaged an architectural firm to provide facility assessment, master planning, and design services for 13 ODNR campgrounds. Facility assessments were used to develop construction plans with associated estimates in order to install “full-service” recreational vehicle (RV) hook-ups to certain campsite locations. Full-service RV hook-ups provide 50 amp electrical, potable water, and sanitary sewer service connections which allow the RV owner to tie the vehicle directly into these services, right at the camper pad. Information from assessments was then used to identify an initial FY15-16 capital improvement project which included the installation of full service sites at Alum Creek (18), East Fork (12), East Harbor (23), Findley (12), Grand Lake St Marys (20), Hocking Hills (47), Indian Lake (30), Kelley’s Island (12), Mohican (18), Mt. Gilead (20), Punderson (12), and Salt Fork (20) State Parks. In addition, 49 electric-only service connections were installed at South Bass Island. As ODNR maintains a total of 56 campgrounds throughout the state, it was necessary to prioritize which campgrounds to assess and therefore priorities were based on such factors as occupancy rates and geographic location. Campsites within the campgrounds were selected based on construction estimates, construction sequencing, prime features such as location and views, future opportunities for campground amenities such as splashpads and playgrounds, and current available funding. As ODNR moves forward with its capital improvements program, a continuing analysis of the cost of construction will be undertaken. ODNR’s Division of Parks has historical data on occupancy rates for campgrounds and has generally understood these rates to be negatively impacted by the lack of available utility service connections. FY16 occupancy rates will be lower as campsites have been taken off-line for reservations during construction. FY17-18 occupancy rates and associated revenue will be studied as campsites come back on-line and will be used to project return on investment figures. Campground improvements for FY17-18 will be identified based on ongoing facility assessments and master planning efforts.</p> | | |



AOS Performance Audit Response Division of Engineering/Division of Parks Recommendation 6.1

Recommendation 6.1: ODNR should fully assess its portfolio of assets by gathering and documenting critical information necessary for effective asset management (e.g., age, location, condition, deferred maintenance, component systems, replacement value, etc.). Once this information is gathered, it should be entered into an asset management system to allow for timely, transparent access to necessary management information on a scale ranging from the entire department to a specific asset. Finally, the department should develop an asset management strategy, similar to one used by the National Parks Service, that targets and prioritizes scarce capital resources and supplemental operating budget on critical needs over the long-term. Leveraging ODNR-wide asset management information into a unified, long-term strategy will help to ensure that each capital dollar is spent in a manner that efficiently and effectively supports the department’s mission and each associated operating dollar is targeted towards maximizing the value and realization of the initial investment.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The department implemented an ongoing facility assessment program on ODNR-owned dams and related appurtenances, roadways and parking areas, water/wastewater treatment plants and related collection and distribution systems, cabins, campgrounds and associated facilities, and lodges. The department selected fifteen consultants through a qualifications-based process to align expertise with the unique characteristics of each facility type. Three additional consultant selections are in the process of being finalized and the department plans on posting for additional consultants in the next capital bien-nium to complete assessments on utility infrastructure, including electrical service and technology, day-use facilities such as public restrooms, shelter-houses, and play structures, and auxiliary service buildings.</p> <p>The department is exploring options for an Integrated Workplace Management System (IWMS) as a potential method of consolidating the detailed information contained in the facility assessments with the resulting capital planning information. The Division of Engineering has developed a Planner position, which is in the final approval stages, who would be responsible for coordinating the ongoing assessment program and consolidating current and future assessment information into the IWMS system. Additionally, as each division within the department is responsible for updating the OAKS Asset Management system, the Planner would provide a centralized contact for ensuring consistency of information uploaded into the OAKS system.</p> | | |



AOS Performance Audit Response Division of Wildlife Recommendations 7.1, 7.2, 7.3, 7.4, 8.1

Recommendation 7.1: ODNR should develop and implement an ongoing fishing license fee assessment process to continually inform the appropriateness of fees. This assessment process should take into account, at a minimum, the frequency and amount of fee increases, inflation, surrounding state pricing for similar licenses, customer feedback, and the impact of potential market reactions. Where necessary and appropriate to meet program goals and objectives and balance market forces, the department should propose modifications to fee structures.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | \$1,748,000 |
| Implementation Status: | In Process | Financial Impact Status: | Not Started |
| | | Impact Realized-to-Date: | \$0 |
| | | Remaining Impact to be Realized | \$1,748,000 |

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| Implementation Description: | <p>The Division of Wildlife contracted with Southwick Associates, Inc., an industry leader in recreational license survey and analysis, to determine the sensitivity of the division's licenses to price increases, acceptance of price increases by customers, and new products customer would like to be offered.</p> <p>Phase 1 was an analysis of historical sales data to estimate the demand for fishing and hunting licenses and permits. The results of the demand analysis are used to estimate potential changes in license revenues and units sold for a range of different license prices.</p> <p>Phase 2 was a customer survey to determine the likely response to fee increases, new license packages, and the type of license fee increase desired. Southwick Associates, Inc., provided preliminary results to the Division of Wildlife on January 21, 2016, and the division is currently reviewing the report drafts.</p> <p>A plan will be developed from the information and results of the surveys and analysis. Any changes to license prices or structure will require legislative action. Financial gains cannot be achieved until a new fee structure is developed and approved by the Legislature.</p> |
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AOS Performance Audit Response Division of Wildlife Recommendations 7.1, 7.2, 7.3, 7.4, 8.1

Recommendation 7.2: ODNR should develop and implement an ongoing hunting license and permit fee assessment process to continually inform the appropriateness of fees. This assessment process should take into account, at a minimum, the frequency and amount of fee increases, inflation, surrounding state pricing for similar licenses and permits, customer feedback, and the impact of potential market reactions. Where necessary and appropriate to meet program goals and objectives and balance market forces, the department should propose modifications to fee structures.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | \$254,175 |
| Implementation Status: | In Process | Financial Impact Status: | Not Started |
| | | Impact Realized-to-Date: | \$0 |
| | | Remaining Impact to be Realized | \$254,175 |

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| Implementation Description: | <p>The Division of Wildlife contracted with Southwick Associates, Inc., an industry leader in recreational license survey and analysis, to determine the sensitivity of the Division's licenses to price increases, acceptance of price increases by customers, and new products customer would like to be offered.</p> <p>Phase 1 was an analysis of historical sales data to estimate the demand for fishing and hunting licenses and permits. The results of the demand analysis are used to estimate potential changes in license revenues and units sold for a range of different license prices.</p> <p>Phase 2 was a customer survey to determine the likely response to fee increases, new license packages, and the type of license fee increase desired. Southwick Associates, Inc., provided preliminary results to the Division of Wildlife on January 21, 2016, and the division is currently reviewing the report drafts.</p> <p>A plan will be developed from the information and results of the surveys and analysis. Any changes to license prices or structure will require legislative action. Financial gains cannot be achieved until a new fee structure is developed and approved by the Legislature.</p> |
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AOS Performance Audit Response Division of Wildlife Recommendations 7.1, 7.2, 7.3, 7.4, 8.1

Recommendation 7.3: ODNR should consider restructuring fishing and hunting licenses to provide additional options to customers such as reduced-cost combination and/or multi-year licenses. Providing such options can help to meet customer preferences while creating opportunities to increase the total number of license holders and in turn increase federal apportionments from Wildlife and Sport Fish Restoration Programs. An effective restructuring should include close examination and analysis of past license holders and the potential impact of proposed changes, feedback from stakeholders, and well planned and executed strategies for communicating changes to the public.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The Division of Wildlife contracted with Southwick Associates, Inc., an industry leader in recreational license survey and analysis, to determine the sensitivity of the division's licenses to price increases, acceptance of price increases by customers, and new products customer would like to be offered.</p> <p>Phase 1 was an analysis of historical sales data to estimate the demand for fishing and hunting licenses and permits. The results of the demand analysis are used to estimate potential changes in license revenues and units sold for a range of different license prices.</p> <p>Phase 2 was a customer survey to determine the likely response to fee increases, new license packages, and the type of license fee increase desired. Southwick Associates, Inc., provided preliminary results to the Division of Wildlife on January 21, 2016, and the division is currently reviewing the report drafts.</p> <p>A plan will be developed from the information and results of the surveys and analysis. Any changes to license prices or structure will require legislative action. Financial gains cannot be achieved until a new fee structure is developed and approved by the Legislature.</p> | | |



AOS Performance Audit Response Division of Wildlife Recommendations 7.1, 7.2, 7.3, 7.4, 8.1

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| Recommendation 7.4: ODNR should develop and implement a performance management strategy focusing on recruitment and retention efforts. This strategy should encompass the division's goals, targets, and measurement practices that are already in place, but should incorporate continuous measurement and analysis to assess and evaluate the results of each activity and program. Performance management strategies and feedback should inform not only the way the division approaches current programs and activities, but also future programs and activities. The focus should be to allocate scarce resources toward the highest impact recruitment and retention activities. | | | |
| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | N/A |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The division reviewed the current recruitment programming and determined there is a greater need to collect participant data in order to further evaluate educational programming. Currently, the division is developing a standard data collection process, as well as implementing standard participant evaluations. The division is also researching event management software in order to improve data collection to track participation and improve follow-up efforts after event participation occurs. This software would ultimately interface with participant purchases as well. The Hunter Education Request for Proposal, which is currently out for bid, includes an event management software package. In addition, the division was recently contacted by a company in Pennsylvania, which is developing software specifically for state agencies to offer customer use for social support management. This company is interested in development for use on a national scale (for state fish and wildlife agencies), and the division has offered Ohio as a pilot for its development. The division is awaiting the company's response before making any decisions. The division will meet with the marketing/analysis firm for further discussion this spring to determine a more concrete timeframe.</p> | | |



AOS Performance Audit Response Division of Wildlife Recommendations 7.1, 7.2, 7.3, 7.4, 8.1

Recommendation 8.1: ODNR should ensure that necessary data and information is being gathered, reported, and analyzed to ensure that the fish hatchery operation is efficient and effective and produces fish at a cost commensurate to, or lower than, external suppliers. In doing so, the department should track detailed cost inputs and allocate them back to production lines in order to capture the true, full cost of the hatchery operations and each species produced. The full cost should then be taken into account when determining the best course of action to cost effectively meet production needs. Finally, hatchery-specific production capabilities and relative efficiencies should be taken into account when assessing the ongoing strategic nature and cost of hatchery operations.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | \$54,994 |
| Implementation Status: | Complete | Financial Impact Status: | Complete |
| | | Impact Realized-to-Date: | \$54,994 |
| | | Remaining Impact to be Realized | \$0 |
| Implementation Description: | ODNR Division of Wildlife State Fish Hatcheries have addressed financial implication 8.1 and eliminated internal production of largemouth bass. We now source our needs for this species from external suppliers. The realized net efficiency gain projected by State Auditors was \$54,994. Similar gains were realized several years ago when the decision was made to exclusively purchase hybrid striped bass fry and either stock these fish directly as fry, or raise fry stocked in hatchery. Hatchery programs are reviewed on a regular basis to maintain efficiencies. | | |



AOS Performance Audit Response Division of Watercraft Recommendation 9.1

Recommendation 9.1: ODNR should develop a performance management framework for the Registration and Titling Section. At minimum, the framework should take into account staffing, workload, and financial performance at both the Watercraft Central Office and each of the field offices. The framework should inform long-term strategic decision making with the goal of improving the efficiency and effectiveness of services provided. A specific focus area should be to evaluate the cost/benefit of the current organization and the operation of Watercraft field office registration functions in relation to customer needs and service-delivery options.

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| Recommendation Addressed? | Yes | Identified Financial Impact: | N/A |
| Implementation Status: | In Process | Financial Impact Status: | N/A |
| | | Impact Realized-to-Date: | \$927,920 |
| | | Remaining Impact to be Realized | N/A |
| Implementation Description: | <p>The department consolidated the Division of Parks and the Division of Watercraft to increase efficiency and reduce operational costs. The department consolidated six Division of Watercraft offices (Cambridge, New Philadelphia, Akron, Newton Falls, Barlett, and Wapakoneta) with nearby State Parks. This consolidation resulted in an annual savings of \$187,920 for reduced rent, phone, utilities, and IT charges. Equipment will continue to be stored at several of the Watercraft offices until sufficient storage can be built at several parks. The Division of Watercraft eliminated approximately ten positions through the consolidation of staff between the Division of Parks and the Division of Watercraft, resulting in approximately \$740,000 in annual savings. In addition, costs associated with the office moves will be paid off within 1.5 years, and the costs associated with constructing additional storage will be paid off within five years.</p> | | |





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