



# Ohio Department of Natural Resources

JOHN R. KASICH, GOVERNOR

JAMES ZEHRINGER, DIRECTOR

December 16, 2016

The Honorable Randall J. Meyer  
Office of Ohio Inspector General  
James A. Rhodes Tower  
30 East Broad Street – Suite 2940  
Columbus, Ohio 43215

2016 DEC 19 AM 8:58  
OFFICE OF  
INSPECTOR GENERAL

Re: Report of Investigation 2015-CCA00032

Dear Inspector General Meyer:

This letter is in response to the recommendations offered by your office in regards to the above matter.

Your office's time and resources to examine this topic, as well as the prior audit by the Office of Budget and Management's audit division, are much appreciated. The Ohio Department of Natural Resources (ODNR) Division of Oil and Gas Resources Management (DOGRM) experienced exponential growth in the permitting section during the exploration and development of the Utica Shale play. This opportunity to review policies and our relationship with permit applicants has resulted in the amendment or implementation of the following policies and procedures in consideration of your recommendations.

**Recommendation #1:** "Further review the payments that were not listed in the RBDMS database and ensure permits were issued."

**Response:** This recommendation has been accepted. In response to the Office of Budget and Management's Internal Audit in late 2015, DOGRM formed an Audit and Compliance section to conduct routine operational and advisory program reviews. Seventy-seven payments not listed in the RBDMS database have been reviewed extensively and internally audited to evaluate application status. Our review and audit determined that these applications were withdrawn, denied or otherwise addressed per statute.

**Recommendation #2:** "Notify applicants in writing the reason why a permit is being issued for a well type different than what was originally applied for."

**Response:** We agree with this recommendation. As of December 1, 2016, the DOGRM permitting department has implemented new procedures to notify applicants via telephone and writing when an application is received for a well type or status that cannot be issued in accordance with law or statute and then reject the application by a Chief's Order. This correspondence will become part of the permanent well file. Our review has determined that for this subset of permits, no net impact to public safety, well construction or the environment was caused by discontinuing this practice.

**Recommendation #3:** “Review the potential overpayments and determine if the applicants are owed refunds.”

**Response:** This recommendation has been accepted and implemented. Payments for the applicants that are owed a refund are in the process of being refunded. The DOGRM Audit and Compliance section determined that the total overpayment amount was \$9,750 from 34 permit applications. The refund process has been initiated and will be completed by January 2017.

**Recommendation #4:** “Create a system to track credits owed to permit holders. This should include the creation of a credit memo that is issued to the permit holder giving them the option to return the credit memo for a refund or include the credit with their next application.”

**Response:** We appreciate the Inspector General’s review and recommendation regarding these policies; however, due to the intermittent permitting activity of this subset of applicants, we have opted to simply refund overpayments rather than create a credit system.

**Recommendation #5:** “Review the potential underpayments and determine if the applicant owes DOGRM additional fees.”

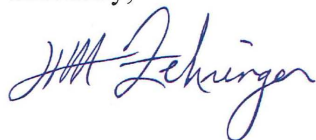
**Response:** This recommendation has been accepted and implemented as applicants owing additional fees have been identified. The DOGRM Audit and Compliance section determined that the total underpayment amount was \$7,250 from 16 permit applications. Applicants that owe fees are being contacted via letter to obtain additional payments according to the fees established by statute.

**Recommendation #6:** “Communicate with permit holders regarding consistent issues they may be having regarding missing or incomplete documentation to ensure permits are being processed within the Ohio Revised Code required timeframes.”

**Response:** We concur with this recommendation. The permitting section has created a standard operating procedure for communicating with permit applicants, including permanent documentation of correspondence. DOGRM will seek forthcoming opportunities to educate permit applicants concerning frequent issues in routine correspondence and outreach to our applicant stakeholders.

I appreciate your analysis and recommendations in regards to this issue. I trust that the referenced policy amendments and improvements are satisfactory in addressing your recommendations. If there are any outstanding questions or concerns, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "JMM Zehringer". The signature is fluid and cursive, with the first name "JMM" being more stylized and the last name "Zehringer" written in a clear, cursive script.

James Zehringer  
Director