

Ohio Department of Commerce

2002 Annual Report

Bob Taft
Governor

Gary C. Suhadolnik
Director



www.com.state.oh.us



TABLE OF CONTENTS

DIVISIONS

Administration **1**

Financial Institutions **4**

Industrial Compliance **8**

Labor & Worker Safety **12**

Liquor Control **15**

Real Estate & Professional Licensing **19**

Securities **23**

State Fire Marshal **27**

Unclaimed Funds **31**

Dear Governor Bob Taft:

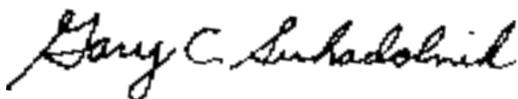
For the Department of Commerce, FY 02 was about responsibility and responsiveness. Over the past year, we've taken on new regulatory responsibilities to serve and protect Ohioans; responded to customers' evolving needs by improving our services; and exercised fiscal responsibility by doing more with less.

To help protect Ohioans as they navigate the mortgage lending process, our Division of Financial Institutions developed the Office of Consumer Affairs, which operates to "Help Ohioans Borrow Smart." With a complementary goal, the division also began the process of licensing mortgage loan officers. To enhance safety at county fairs, our Policy and Regulatory Affairs Section lent its expertise to the development of historic steam boiler safety guidelines.

In addition to assuming new responsibilities, the Department worked to better serve its current customers. To better train Ohio's firefighters, the Division of State Fire Marshal's Ohio Fire Academy constructed a state-of-the-art "burn building" that gives firefighters real fire-situation experience in the safety of a controlled environment. Without any additional budget allocations, our Division of Labor and Worker Safety saved schools and employers time and money by replacing the paper system of filing minor work permits with an online repository. The Division of Real Estate and Professional Licensing has also used technology to better serve its customers by putting several of its services online. The Division's new interactive capabilities allow licensees to complete their annual renewals electronically and provide instant access to public information.

Fiscally, the Department performed with prudence and efficiency. The Ohio General Assembly used \$55 million from our Division of Unclaimed Funds to help ensure a balanced state budget. In addition, our Division of Liquor Control contributed a record \$112 million to the General Revenue Fund. This increase of \$10 million over FY 01 was largely realized through the increased efficiency made possible by the ongoing efforts of our Liquor Control staff. Likewise, all the Department's accomplishments are a direct result of the innovation and commitment of Commerce's more than 900 employees statewide. On their behalf, I present you with our FY 02 Annual Report.

Sincerely,



Gary C. Suhadolnik
Director



Gary C. Suhadolnik
Director

DIVISION OF ADMINISTRATION



J. Patrick McDonald
Assistant Director



Thomas E. Geyer
Assistant Director

The Division of Administration provides policy and administrative direction as well as various centralized functions for Commerce's eight operating divisions. These services are provided by the following sections: the Office of the Director; Communications; Fiscal Administration; Human Resources; the Information Technology Group; Legal; Legislative Affairs; Policy and Regulatory Affairs; Quality, Training and Employee Development; and Support Services.

The Division of Administration is supported by charges applied to each operating fund of the department. With the exception of the Division of Labor and Worker Safety (LAWS) and the State Fire Marshal's Fire Department Training and Grant Programs, the department uses no General Revenue Fund monies for its general operating expenses. In fact, \$189.9 million was turned over to the GRF or other state agencies in FY 02, primarily profits from liquor sales.

In FY 02, the department's budget was \$474.8 million. Of that, \$4.45 million was from the GRF and \$3.38 million was from federal monies designated for the OSHA On-Site Consultation Program in LAWS and the Bureau of Underground Storage Tank Regulation in the Division of State Fire Marshal. The rest was revenue from customer industries and liquor sales.

Communications

Bill Teets, Chief

The Communications Office represents the department to the news media and coordinates the department's internal and external communications. In addition to informing the media through news advisories, news releases and special events, Communications answered 1,700 media inquiries in FY 02. The office also coordinates the department's printing needs and produces numerous publications.

Major projects in FY 02 included coordinating a public/private sector partnership for Fire Prevention Week that included radio advertising and the placement of

more than 100,000 fire safety coloring books in Ohio Bob Evans restaurants. The office also successfully promoted Saving & Investing Education Month for the Division of Securities and planned an educational seminar on arson that was presented across the state for reporters. Another event allowed reporters to "suit up" in firefighting gear and go through live-fire exercises in the new state-of-the-art burn building.

Printing highlights included a Family Disaster Planning Guide created for the State of Ohio Security Task Force and a resource directory for Ohio's liquor permit holders. Special events included the coordination of the Commerce booth for the 2001 State Fair, which gave tens of thousands the chance to search for unclaimed funds and learn fire safety tips. The office also helped coordinate the 2nd Annual Fire Safety Expo & Muster, which drew more than 2,000 with its fire safety displays and both antique and modern firefighting apparatus.

Fiscal

Cheryl Lyman, Chief

The Office of Fiscal Administration provides fiscal, payroll, budget and internal control services and performs a policy and oversight role for the agency's purchasing activities. Fiscal coordinates the submission of the department's biennial operating and capital budgets and tracks budget activity; monitors departmental compliance with the Minority Business Enterprise Set-Aside Law and Internal Audit Compli-

ance Program certification; and coordinates financial reporting, including submission of the Generally Accepted Accounting Principles Reporting Package.

FY 02 was a difficult year in terms of the State budget. Fiscal worked with the divisions to manage budget cuts as well as hiring and equipment freezes. It also worked to reduce out-of-state travel as the State battled a budget shortfall.

Human Resources

Blaine Brockman, Chief

The Human Resources Office (HR) administers three programs: Labor Relations, Personnel Management and Equal Employment Opportunity. This requires interpreting two collective bargaining agreements, Ohio's civil service laws and state and federal employment laws. HR is also the primary entry point for new employees. The office hears step-three grievances, provides expertise to department managers in contract interpretation, conducts pre-disciplinary meetings and acts as State advocate at labor arbitrations. HR conducts initial investigations into discrimination complaints and coordinates the department interaction with the Ohio Civil Rights Commission and the federal Equal Employment Opportunity Commission.

In FY 02, HR administered a survey to assess employees' views of the office and to further improve upon its services. The survey showed employees feel that, overall, the department is meeting their expectations. More than 61 percent of employees "strongly agree" or "agree" that they are satisfied with the willingness of HR to work with them when assistance is required. To address employees' uncertainty about whom to contact when, the HR office will be designing a Web site that can be accessed via the intranet.

Information Technology Group

Tom Hart, Chief

The Information Technology Group (ITG) supports and maintains the Department's technology initiatives, providing technical direction to the divisions. During FY 02, ITG began implementing its Three-Year Technology Plan. As part of the plan, the group has implemented

a Customer Support Center (CSC). The CSC HelpDesk has fielded about 2,000 calls. ITG strives to resolve 50 percent of calls immediately and the remainder within 24 hours. ITG has also hired a Procurement and Training Manager, which will allow Commerce to acquire technology products and services in a more timely and cost-effective manner. This will result in significant cost savings over time.

To serve the Department's growing needs, the group has added five new positions: Network Manager, Network Administrator, Application Development Manager, Web Master and Project Manager. ITG has also begun a server consolidation project that will move the department from over 50 servers to as few as 12 super servers. The project includes consolidating disparate data and securing Commerce's intellectual capital.

Legal

James Turner, Chief

The Legal Section provides support and legal counsel to the director, assistant directors, administrative section chiefs and division superintendents/chiefs. Legal also coordinates the administrative hearing process and presents in-service training on topics of legal significance for the divisions. In addition, Legal acts as liaison between the department and the Ohio Attorney General's Office, the Ohio Ethics Commission, the Inspector General and the State Highway Patrol.

In order to standardize administrative hearing procedures in the regulatory operations of the department, Legal has appointed a full-time administrative hearing officer. In addition, the section is working with ITG toward full implementation of electronic database, administrative docketing and case annotation systems. These innovations are expected to provide the legal staff with greater access to its own body of administrative law and greater control over the timely flow of cases through the appellate process, thus increasing uniformity while reducing costs. Legal is also working with ITG and Fiscal on a standard routing and tracking system for the execution of contracts between the Department and services vendors.

Legislative

Ryan Augsburger, Chief

The Legislative Office interacts with the Ohio General Assembly, the Governor's Office, constituency groups and the public on various legislative issues for which the Department has regulatory authority.

In FY 02, the office was busy with legislation from predatory lending to steam engine regulation to several liquor-related issues. Several bills were monitored regarding the Department's request to modernize and improve various regulations involving its divisions.

House Bill 386, signed into law in February 2002, established a predatory lending law. The bill also provided for the creation of the Office of Consumer Affairs under the Division of Financial Institutions, which will foster new educational, enforcement and investigative efforts. The measure also established the Predatory Lending Study Group, which is investigating predatory lending practices in Ohio.

Policy

John Bender, Chief

The Policy and Regulatory Affairs Section monitors the regulatory activities of the Department. This section also provides support for the Legislative and Legal sections on issues involving those regulations.

In FY 02, Policy and Regulatory Affairs was charged by Governor Taft to lead a Historic Steam Boiler Study Group in reviewing other states' regulations on historic or antique steam powered equipment. The group studied the issue and made recommendations to enhance public safety at future demonstrations involving this equipment, which were incorporated into Ohio House Bill 344. As a result, a Historical Boiler Licensing Board was created, which will establish licensing requirements for historical boiler operators and inspection and certification requirements for historical boilers.

This section also helped with orientation of the new Residential Construction Advisory Committee, which will recommend to the Board of Building Standards a model uniform building code for residential buildings as well as standards for building officials.

Quality, Training & Employee Development

Joey Lee, Chief

The Quality, Training and Employee Development Section oversees and manages training opportunities, curriculum design and career development programs. With the development and installation of the Learning Management System (LMS) in FY 02, all employees have access to specialized training and career enrichment programs. Through the LMS, the learning environment can be managed and assessed throughout all divisions.

In FY 02, this section created a new team of Quality Advocates, replacing the former QStP steering committees. This team promotes process improvement techniques, supports the QStP process and facilitates team success. QStP teams operated in seven divisions in FY 02, resulting in cost savings and improved customer service.

This section also oversees the Dispute Resolution and Workplace Mediation Program, organizes the annual All Hands meetings, schedules and tracks mandatory training in workplace violence and represents management in the Workforce Development Program.

Support Services

Vickie Smith, Chief

The Support Services Section handles records management, mail and package distribution, office renovations, telecommunications and inventory management. In addition, Support Services manages the Tussing Road facility, overseeing its supplies and operating an in-house print shop. This section also manages the Department's fleet of 295 vehicles.

In FY 02, Support Services successfully relocated two major DIC branch offices, reduced forms for the department by 9.25 percent, and implemented an electronic gas credit card system for the Commerce fleet. In addition, this section reevaluated the Department's security and emergency procedures, creating an access system for the Vern Riffe Center, emergency and evacuation manuals for the Tussing Road location and a consistent training program for safety wardens.

DIVISION OF FINANCIAL INSTITUTIONS



F. Scott O'Donnell
Superintendent

The Division of Financial Institutions regulates Ohio's state-chartered financial institutions and consumer finance companies. The division's duties include chartering depository institutions, registering and licensing non-depository financial services and conducting on-site examinations. Financial institutions include banks, savings and loans, savings banks and credit unions. Consumer finance organizations include check cashing services, check casher lenders, credit service organizations, insurance premium finance companies, mortgage brokers, pawnbrokers, precious metals dealers, second mortgage businesses and small loan businesses. All examinations, supervision and regulatory activities are performed by division staff who specialize in the operations of each of the specific industries. The division also has a new Office of Consumer Affairs, which works to help Ohioans borrow smart.

Ohio Bankers Day

The 2002 Ohio Bankers Day was held on March 22 at the Adam's Mark Hotel in Columbus. Approximately 250 officers, directors and senior personnel from Ohio's state-chartered banks, savings and loans and savings banks, as well as regulators and other interested individuals, attended the annual conference.

The day began with Archie Griffin, assistant athletic director of Ohio State University. The only two-time Heisman Trophy winner inspired and motivated the group by sharing his personal experiences. The keynote speaker was Federal Reserve Board Governor Susan Schmidt Bies, who addressed three topics: the financial performance of U.S. banks; the improvements that banks large and small are making in measuring and managing risk; and the responsibilities of directors and senior managers in corporate governance. Michael J. Lesser, deputy superintendent of the New York State Banking Department, shared the lessons his department learned as contingency plans were put into action on September 11, 2001. Other speakers included David E. Altig, vice president and associate director of research of the Federal Reserve Bank of Cleveland, and Dr. Andrew Senchak, president of Keefe, Bruyette & Woods, New York.



Federal Reserve Board Governor Susan Schmidt Bies addressed Bankers Day attendees.

New Savings Bank and State Credit Union

Credit Union Conversion

On September 27, 2001, CINCO Family Financial Credit Union, Inc., with assets of \$101,137,226, converted to a state charter from a federal charter. The credit union is located in Cincinnati.

New Bank

The Guernsey Bank was given authority to operate as a state chartered bank on June 14, 2002. The main office is located at 6661 Huntley Road, Worthington.

Robert D. Patrella is the chairman, president and chief executive officer of the bank.



DFI Superintendent Scott O'Donnell congratulates Robert Patrella at the opening of The Guernsey Bank.

DFI Receives Accreditation

On August 1, 2001, the Division of Financial Institutions formally received its first certificate of accreditation from the National Association of State Credit Union Supervisors (NASCUS). NASCUS accredited the division after completing a comprehensive review of DFI's standards and practices in credit union supervision. As part of the review, NASCUS evaluated the division's administration and practices, supervisory procedures and



The Division of Financial Institutions was recently accredited by the National Association of State Credit Union Supervisors. Pictured above are Doug Duerr, NASCUS president and CEO; Ken Roberts, acting deputy superintendent for credit unions; F. Scott O'Donnell, superintendent of financial institutions; and Mary Martha Fortney, NASCUS vice president of government relations and accreditation.

statutory powers. The credit union regulatory operations were accredited from 2001 to 2006.

Keeping the Industry Informed

During the past year, the division continued to provide programs to inform financial institutions of regulatory changes. DFI staff also participated in industry events to stay informed about current trends and to share information. These activities included:

- Conducting four Bank Regional Roundtable meetings in Athens, Canton, Bowling Green and Miamisburg;
- Conducting Savings and Loan and Savings Bank Regional Roundtable meetings in Canton and Cincinnati;
- Sponsoring the annual Ohio Bankers Day in Columbus;
- Participating in meetings of the Ohio Association of Mortgage Bankers, the Ohio Association of Financial Service Centers, the Ohio Consumer Finance Association and the Ohio Association of Premium Finance Companies;
- Attending chapter meetings of the Ohio Association of Mortgage Brokers in Cincinnati, Columbus, Cleveland and Toledo in September to discuss and answer questions regarding Senate Bill 76; and
- Participating in Credit Union Outreach meetings in conjunction with the Ohio Credit Union League.

Ohio Mortgage Broker Act Changes

The consumer finance section has been busy implementing the provisions of Senate Bill 76, which became effective on May 2, 2002. SB 76 made extensive amendments to the Ohio Mortgage Broker Act, Chapter 1322 of the Ohio Revised Code. The bill's provisions include the individual licensing of mortgage loan officers, testing of mortgage loan officers and mortgage company operations managers, and continuing edu-

cation requirements for both loan officers and operations managers. Several other states have looked to SB 76 as a possible model for their own legislation.

Changes to Pawnbroker Act Implemented

The consumer finance section has also been busy implementing the new continuing education requirements for pawnbrokers, which were put into law by House Bill 467, passed in 2001. HB 467 required all licensed pawnbrokers to complete 12 hours of division-approved continuing education courses by June 30, 2002, making Ohio the first state to require pawnbrokers to meet continuing education requirements. As a result of this requirement, approximately 25 Ohio pawnbrokers chose to surrender their licenses rather than meet the continuing education requirements. The division believes that the continuing education requirements enhance the professionalism of the industry and that the businesses who surrendered their licenses were, in general, not actively engaged in the profession.

Office of Consumer Affairs Established

In an effort to reduce the growing number of consumers falling victim to abusive lending practices, House Bill 386 established the Office of Consumer Affairs within the division. The bill also provided for conformity of Ohio law with the federal Home Ownership and Equity Protection Act of 1994 (HOEPA). In addition, the bill preempts municipal ordinances regarding lending practices and establishes a study committee to address predatory lending.

To lead the Office of Consumer Affairs, the division has hired Timothy C. Winslow, an attorney with many years of credit regulatory experience, and Jayme Brown, a former bank communication outreach officer. The duties of the office include providing education to residents of the state regarding borrowing and related topics, providing referrals to credit counseling services, processing complaints on loans covered by HOEPA and referring companies that appear to violate HOEPA pro-

visions to the Superintendent of Financial Institutions for possible administrative action. The office has established a toll-free number for consumers with predatory lending concerns, 1-866-278-0003. In addition, HB 386 establishes state felony criminal penalties for HOEPA violations.

Savings & Loan Associations/ Savings Banks Board

In February 2002, Governor Bob Taft appointed the members of the Savings and Loan Associations and Savings Banks Board. The board serves in an advisory role to the division regarding the regulation of Ohio's state-chartered savings and loan associations and savings banks. The board also approves the fees charged to the institutions to fund the division's regulatory efforts.

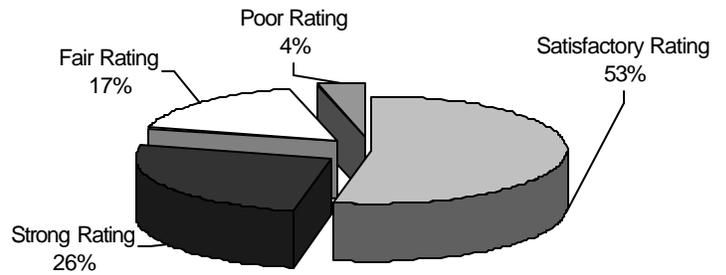
Current board members include:

- Robert L. Bollin, president of The Winton Savings and Loan Company, Cincinnati, was appointed to a term ending January 31, 2004.
- Howard T. Boyle II, president and chief executive officer of Home Savings Bank, Kent, was appointed to a term ending January 31, 2004.
- Larry A. Caldwell, president, chief executive officer, director and chairman of the board of Camco Financial Corp., Cambridge, was appointed to a term ending January 31, 2005.
- Betty L. Kimbrew, president of Geauga Savings Bank, Newbury, was appointed to a term ending January 31, 2003.
- Kenneth T. Koehler, president and chief operating officer of Metropolitan Bank and Trust, Highland Hills, was appointed to a term ending January 31, 2005.
- Charles A. Thigpen, senior vice president of Third Federal Savings & Loan in Cleveland, was appointed to a term ending January 31, 2003.
- Neil G. Danziger, deputy superintendent for savings and loan associations and savings banks, serves as the board's chairperson.

Institutions Remain Sound

Even though the Ohio economy has slowed, Ohio's state-chartered financial institutions remain stable. Strong and satisfactory ratings (79 percent) comprise the majority of the institutions supervised by the division, while only a small number (4 percent) are poorly rated. Review of accounting and internal controls received increased attention as part of the division's risk-focused examination process. Poorly rated institutions continue to be closely supervised.

**Financial Institution Ratings
As of 6/30/02**



Summary of Institutions Regulated

Each depository institution is individually chartered. Each separate office of a non-depository financial services organization must be licensed or registered.

<u>Type of Institution</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Depository Institutions				
Banks	123	125	118	114
Trust Only Banks	2	2	2	2
Bank Trust Operations	57	50	49	47
Credit Unions	289	281	281	261
Savings and Loan Associations	54	48	46	41
Savings Banks	26	27	26	25
Non-Depository Financial Services Organizations				
Check Cashers	558	716	807	903
Check Casher Lenders	511	644	717	816
Credit Service Organizations	3	5	3	5
Domestic Money Transmitters	15	15	15	17
Foreign Money Transmitters	14	16	17	18
Insurance Premium Finance Lenders	49	50	47	47
Mortgage Brokers	1,203	1,290	1,429	1,543
Mortgage Broker Licensed Loan Officers	N/A	N/A	N/A	4,960
Mortgage Loan Registrants	3,227	3,134	3,281	2,733
Pawnbrokers	205	197	192	177
Precious Metals Dealers	28	27	24	23
Small Loan Licensees	126	63	54	65
Total Institutions Regulated	6,490	6,690	7,108	11,797

DIVISION OF INDUSTRIAL COMPLIANCE



David M. Williamson
Superintendent

The Division of Industrial Compliance (DIC) provides building and construction plans reviews and inspections of plumbing, electrical and structural systems, elevators, boilers and bedding and upholstered products. Additionally, DIC provides testing, certification, licensing and continuing education services for numerous skilled trades within Ohio's building industry. DIC has three bureaus: Construction Compliance, Operations and Maintenance, and Plans and Specifications. DIC also registers travel agents/tour promoters and roller rinks and provides administrative support for the Board of Building Standards, Board of Building Appeals, Ohio Construction Industry Examining Board, and the Ski Tramway Board.

Customers Benefit from New Automated Dispatch, Scheduling and Routing Inspection Process

May 29, 2002, marked the completion of "Phase Two" of the division's three-phased automated dispatch, scheduling and routing inspection system implementation.

Three separate bureaus (Plans and Specifications, Construction Compliance and Operations and Maintenance) are working closely with the Dispatch Operations and Communications Center (DOCC) and the Department's Information Technology Group (ITG) to develop a system that meets the inspection needs of the division's many customers throughout Ohio.

The division's goal is to move away from a paper only, manual dispatch system characterized as inefficient, cumbersome, lacking in record keeping and not customer friendly. The completed system will be a paperless (or less paper), fully automated, computerized dispatch, scheduling and routing system.

The division, its customers, ITG, the DOCC and the three bureaus involved have all reported positive results, including improved customer quality scores, favorable customer comments at industry roundtables,

fewer difficulties in scheduling inspections, and greatly improved record keeping and field staff utilization and oversight.

This project was a major undertaking, requiring the successful integration of multiple databases, bureau policies and procedures, legacy processes and the many different inspection needs of the division's customers and inspection staff. The new system will provide higher efficiencies and services to internal and external customers along with the many trades and industries served.

Field Staff Activities

DIC continues its emphasis on increased and standardized field staff inspection operations, with the following procedures being implemented or modified:

- Dispatching program for Pressure Piping inspectors;
- Upgrading in-house computers for faster interfacing with database
- Updating information and forms on the Web site.

Plans and Specifications

The Bureau of Plans and Specifications experienced a reduction in the number of plans submitted during FY 02. The reduction was attributed to several factors; a reduction in state capital expenditures, a slowdown in the economy, and the construction industry experiencing a ripple effect from the events of September 11. While fewer plans were submitted, the introduction of a new building code, the Ohio Building Code, meant more time spent in the review process. Because of these factors, the bureau witnessed a lower than normal plan review level, while maintaining timely service to customers. A total of 5,275 projects were submitted in FY 02. An additional 851 submissions for industrialized units were also reviewed.

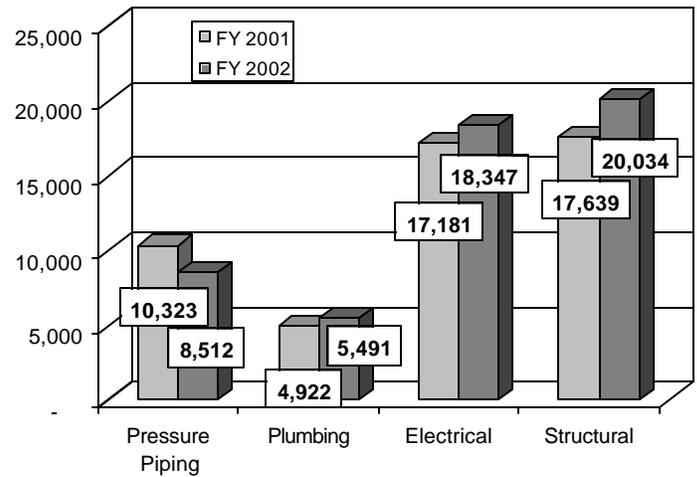
This was the first full year that applications were entered and tracked in the new FOCUS database. Future plans for the bureau include an upgrade to the plan examiners' computer screens in order to begin a pilot program for reviewing "smaller" plans by electronic format. Upon successful completion of the pilot program, the bureau can begin reviewing larger plans electronically and move toward the paperless submission of building plans.

The Bureau of Construction Compliance

The Bureau of Construction Compliance regulates construction, electrical wiring and plumbing in all areas of the state where there is no local certified building department with authorized jurisdiction. Responsibilities include inspections of new construction projects, including major renovations, additions or alterations to existing structures. The bureau also has jurisdiction over buildings and structures owned by the State or built on land owned by the State.

In FY 02, the bureau increased the number of inspections by more than 3,600 over the previous fiscal year while maintaining staffing levels and next-day inspections. This was accomplished through the DOCC

Construction Compliance Inspections



and its state-of-the-art scheduling system, which optimized routing and planning daily itineraries.

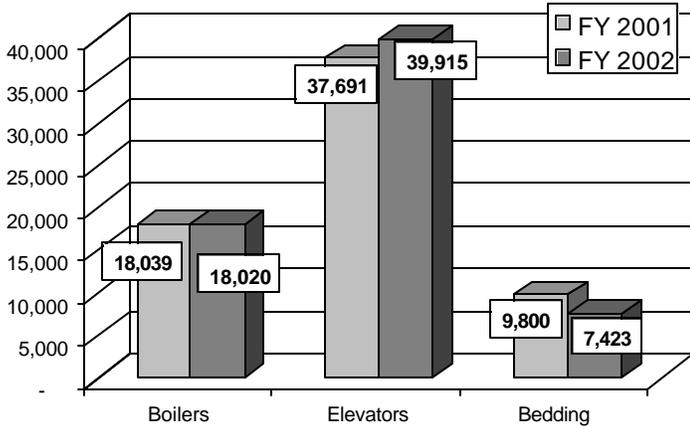
Operations and Maintenance

FY 02 brought new legislation, House Bill 428, which was signed by Governor Bob Taft on May 29, 2002. The bill will bring significant changes in administrative responsibilities for the Bureau of Operations and Maintenance and its four sections: Bedding and Upholstered Furniture, Elevators, Boilers, and Licensing and Certification.

For the Bedding Section, the highlights of the bill include mandatory product testing for bedding and stuffed toys prior to their being offered for sale in Ohio. The bill also imposes records retention on bedding registrants, allows for examination of those records, and modifies penalties that may be imposed against persons who violate the bedding and stuffed toys laws. In FY 02, the bedding inspection staff conducted 7,423 compliance inspections, and the laboratory conducted 5,419 product sample tests on 982 samples.

HB 428 also impacted the Boiler Section by revising the steam engineer and boiler operator laws and incorporating them into the Revised Code chapter for boiler inspection. The Boiler Section also saw changes brought by HB 344, which established a historical boiler licens-

Operations & Maintenance Inspections Performed



Jenny Harrison, a DIC intern, helps repair stuffed toys for needy children. This year, 260 stuffed toys tested by the bedding section were repaired and donated during the holiday season.

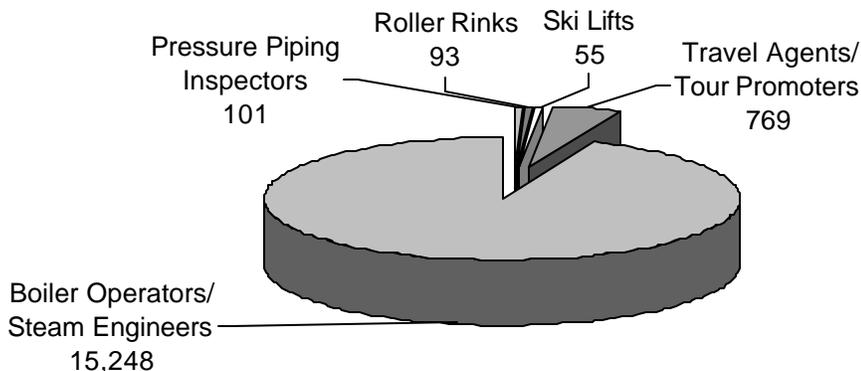
ing board to develop rules for the inspection, repair and operation of historical boilers. The bill also charges the Division of Industrial Compliance with providing support to the board to allow it to carry out its official duties. To handle its growing responsibility, the Boiler Section inspection force was expanded to include two field supervisors in FY 02. The boiler inspection force conducted 18,020 inspections for the fiscal year.

The Elevator inspection force was expanded during the past fiscal year with the addition of a fourth class of 12 inspector trainees, which will join the inspection force during FY 03. Additional staff changes included the addition of three elevator field supervisors, including an assistant chief, to ensure quality inspections with measures of accountability.

The Elevator Section also saw changes resulting from legislation. House Bill 428 eased scheduling by separating the inspection month from the certificate date of the elevator, making geographic scheduling possible. The elevator inspection force conducted 39,915 inspections for the fiscal year.

HB 428 also eased the Licensing and Certification Section's workload with a provision to use contractors for the testing boiler operators and steam engineers beginning in FY 2003. In FY 02, the section had a busy year, issuing licenses to 101 pressure piping special inspectors, registering 93 roller rinks, 55 ski lifts and 769 travel agents and tour promoters. The section also maintains a database of 15,248 licenses for boiler operators and stationary steam engineers.

Licensing and Certification FY 2002



Board of Building Standards

During FY 02, the Board of Building Standards updated the International Code Council's Building Code, Mechanical Code and Plumbing Code and brought them into compliance with the Ohio Revised Code. The Board held a public hearing on approximately 1,100 rule changes to the three model code documents. For the first time, each model code document received its own division-level designation in the Ohio Administrative Code, with the Ohio Building Code being numbered as 4101:1, the Ohio Mechanical Code as 4101:2, and the Ohio Plumbing Code as 4101:3.

These division-level designations will help both building enforcement officials and other code users, such as architects, engineers and building contractors, to find and understand the violations that are being cited. The Board also updated the code to reference the 2002 edition of the National Electrical Code. The new codes became effective January 1, 2002.

To advance the implementation of the new codes, the Board of Building Standards mandated a series of training courses for building department personnel. These courses were held in seven locations: Columbus, Beachwood, Lorain, Akron, Toledo, Dayton and Cincinnati.

The seven regional building officials' organizations provided administrative assistance to the board, which spent approximately \$400,000 on course development and presentation. More than 3,000 certified building department employees attended the training, which was conducted over a three-month period during Fall 2001. The courses were structured to educate building department personnel on the changes made to the building, mechanical and plumbing codes and to provide a foundation for uniform application of the code throughout the state. In addition, the board provided a copy of the Ohio Building Code, the National Electrical Code, and other important referenced standards to each of the 228 certified building departments and to the Plans and Specifications Bureau of the Division of Industrial Compliance.

Board of Building Appeals

The Board of Building Appeals consists of five board members and an executive secretary. The board reviews appeals made to adjudication orders issued by several bodies: the Bureau of Plans and Specifications; the Bureau of Construction Compliance; the Bureau of Operations and Maintenance's Elevator Section and Boiler Section; and any certified local or county enforcement agency. The board also reviews appeals of fire citations issued by the State Fire Marshal or any local fire department with a certified fire safety inspector. The board may reverse or modify an order of the enforcing agency if it is found contrary to a fair interpretation or application of the governing regulations, or that a variance from the provisions of such regulations will not be contrary to the public interest where a literal enforcement will result in unnecessary hardship.

Each month the board holds hearings for two days in Reynoldsburg and for one day in Akron. Building Appeals board members continually achieve an outstanding attendance record. In FY 02, all five board members attended more than 90 percent of the scheduled hearings.

In the past year, the Board of Building Appeals has managed a steady increase in the number of requests received. In FY 00 the board received 732 requests, in FY 01 it received 740 requests, and in FY 02 it received 793 requests.



In FY 02, the division began working with the antique steam boiler industry to make their display and operation safer.

DIVISION OF LABOR & WORKER SAFETY



Gordon Gatién
Superintendent

The Division of Labor and Worker Safety (LAWS) consists of two bureaus: the Bureau of Occupational Safety & Health and the Bureau of Wage & Hour. LAWS receives its statutory authority from chapters 4109, 4111, 4115, and 4167 of the Ohio Revised Code. After a fairly smooth transitional year after LAWS took on its new organizational structure in FY 01, the division has had an even more successful year two.

The Wage & Hour Bureau is responsible for enforcing Ohio's labor laws as they pertain to wages, hours of work, and minor workers' safety. The bureau assists the public in understanding its rights and responsibilities under the wage and hour law and pursues reported violations. The bureau also coordinates the activities of field staff, standardizes enforcement procedures and interprets the rules and regulations associated with the ORC. The Bureau of Occupational Safety & Health

consists of two programs: the Public Employment Risk Reduction Program (PERRP) and the OSHA On-Site Consultation Program (On-Site). PERRP is charged with assisting public employers in creating safe and healthful working environments by conducting free safety and health inspections and/or consultations. Likewise, On-Site, which is 90 percent funded by the U.S. Department of Labor's Occupational Safety & Health Administration (OSHA), assists small private employers in creating safe and healthful working environments.

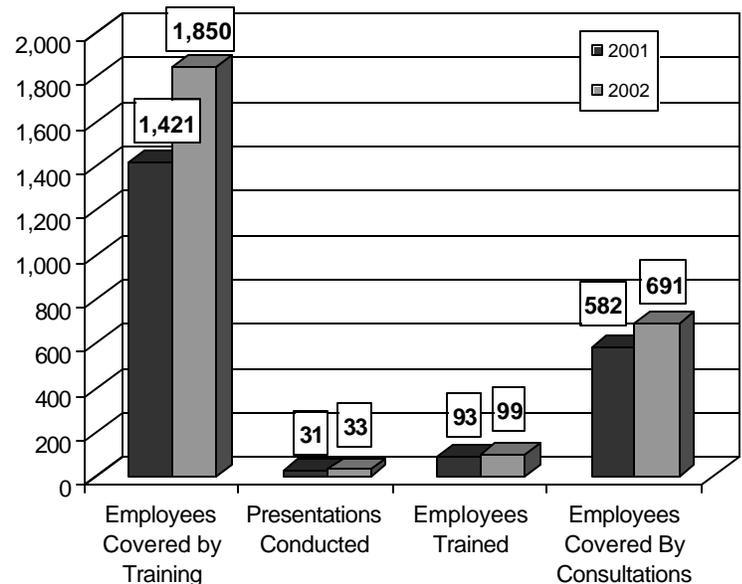
In a year of uncertainty and fiscal restraints, LAWS managed to perform beyond previous years' levels.

Advancements in PERRP

Despite a 20 percent decrease in field staff during FY 02, PERRP managed to significantly increase its customer support activities 14 percent. PERRP continued to advance program effectiveness through a newly developed public employer database, which currently maintains more than 5,000 public agency names and addresses. This database provides PERRP managers ready access to customers who may be in need of services.

The Commerce Web site now offers the top 10 hazards cited in the public sector. The list represents the most common violations encountered during safety and health inspections. Keeping the

PERRP Activities



safety and health coordinators and consultants current in their ability to recognize and assist in the abatement of hazards will be greatly enhanced by the hazards cited program. This will identify areas upon which selective training determinations can be made and additional skill levels developed. The program will also help establish a greater consistency in applying the best standards to hazards cited.

Occupational Safety and Health Customer Satisfaction

Both On-Site and PERRP maintained a “Completely Satisfied” or “Outstanding” customer satisfaction rating among 1,749 public and private employers visited in 2002. These activities directly affected more than 73,697 employees throughout the State of Ohio. In FY 02, with only one exception, the division’s customers stated that they would recommend its services to other employers.

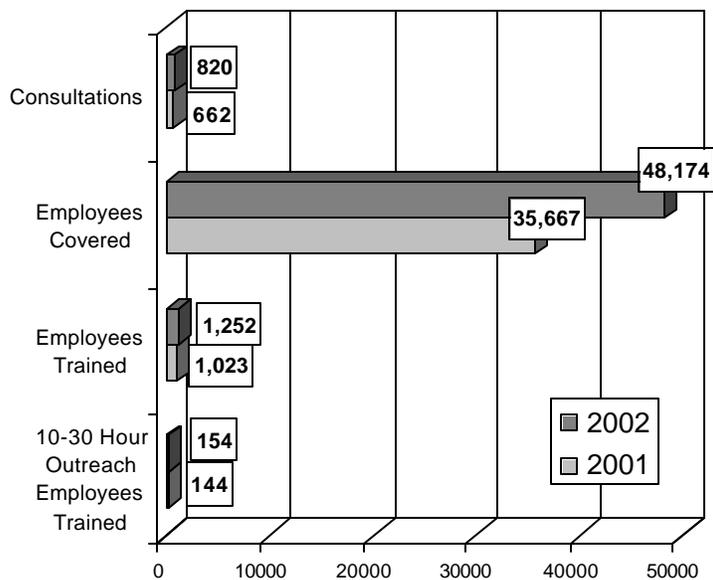
Commission continued to work closely to achieve the implementation of the new statutory mandates. A primary goal of the program was to communicate the requirements of the act to Ohio’s public sector. In December 2001, a letter was sent to more than 3,500 public employers throughout the state. The letter provided a Needlestick/Sharps Injury Report form, as well as instructions on the submission of needlestick data onto the divisional Web site. Currently, more than 200 public entities are registered on the Web site and have submitted more than 80 needlestick reports.

Initial indications are that most needlestick and sharps injuries occur as a result of not having devices that would prevent exposure or because the syringes or sharps did not contain a method to prevent injury.

The other primary goal of the program was to create a list of safe-needle devices. More than 20 manufacturers and distributors have registered on the Web site. Public entities who may be on the Web site reporting needlesticks are now able to identify products that may prevent recurrence of these injuries.

Future goals for the program include more direct education for the public sector on the importance of reporting needlesticks and preventing their recurrence as well as increasing the list of safe-needle devices.

On-Site Activities



On-Site Joins Partnerships

On-Site continues to be one of the state’s “best kept secrets” with its safety and health consultants and industrial hygienists conducting free consultations for private employers. The program also offers free OSHA training. Employers may access both PERRP and On-Site training services via the Internet. On-Site was pleased to extend the hand of cooperation and support to the United States Department of Labor (DOL), Occupational Safety and Health Administration Region 5 Columbus Area Office. On-Site formally participated in the drafting and implementation of two major outreach partnership support agreements between Federal OSHA and (1) the Associated Builders and Contractors, Inc., Central Ohio Chapter and (2) the

Needlestick/Sharps Program

Implementation of SB 183 (Needlestick Safety Act) has advanced steadily from last year. The PERRP staff and the Public Employment Risk Reduction Advisory

Central Ohio Chapter, National Electrical Contractors Association, Inc. (NECA) – industry partners with the International Brotherhood of Electrical Workers Local Unions 683 & 1105 (IBEW).

Partnerships for cooperative development and continuous improvement of health and safety programs are not entirely new, however. These strategic partnerships are now a vital part of DOL’s approach to protecting workers and helping employers comply with the Occupational Safety and Health Act. In a shift from a strict enforcement style to one that embraces self-regulation and improvement, the DOL and OSHA are now strongly encouraging partnerships of this kind and magnitude with organizations that have demonstrated effective health and safety programs. The On-Site Program is at the cutting edge of OSHA’s four priorities: leadership; strong, effective and fair enforcement; outreach, training and compliance assistance; and partnerships.

Wage and Hour Heightens Prevailing Wage Enforcement

The Bureau of Wage and Hour had a busy FY 02. The following table shows that the bureau staff was serious about enforcement.

After years of operating within antiquated laws and procedures, the Bureau of Wage and Hour initiated a legislative change to enable schools to file age and schooling certificates (minor work permits) electronically. Representative Thom Collier sponsored Amended House Bill 402 and championed its cause. Governor Taft signed the bill, clearing the way for full implementation by September 1, 2002.

The new process will allow schools (both private and public) to securely file work permits on the Internet. By implementing electronic filings, school districts around the state will save countless dollars in expensive forms, time and storage. This can be demonstrated as lower costs to school districts in printing, processing and storage of documents.

Additionally, employers are no longer required to post work permits at their place of business. This essentially would lessen the burden on businesses and the filing requirements these permits necessitate.

A major benefit to the division is that all investigators will have instant access to all bona fide work permits issued within the state. When a faulty permit is filed, an investigator will automatically be notified, prompting her/him to investigate. Finally, the electronic filings will increase available data on Ohio’s working minors, data that is virtually non-existent today.

Wage and Hour Activities				
Enforcement Action	Employees Affected 2001	Amount 2001	Employees Affected 2002	Amount 2002
Prevailing Wage Determinations Issued	1,625	\$1,536,177	2,404	\$4,257,299
Prevailing Wage Re-Determinations Issued	431	\$284,039	970	\$354,219
Prevailing Wage Collections	1,026	\$521,325	1,689	\$1,253,705
Minimum Wage Determinations Issued	258	\$127,218	236	\$69,860
Minimum Wage Re-Determinations Issued	1	\$138	2	\$564
Minimum Wage Collections	289	\$101,160	219	\$57,120
Penalty Fund Collections		\$3,151		\$90,257

DIVISION OF LIQUOR CONTROL



Rae Ann Estep
Superintendent

The Division of Liquor Control is responsible for controlling the manufacture, distribution and sale of all alcoholic beverages in Ohio. The division is the state's sole purchaser and distributor of spirituous liquor (intoxicating liquor containing more than 21 percent alcohol by volume). Spirituous liquor is sold through nearly 400 private businesses, known as liquor agencies, which are contracted by the division to serve as its sales agents. Significant sales and tax revenues are generated from the sale of spirituous liquor. These revenues are used to help fund a variety of programs offered by various other state agencies. Regulatory functions include the issuance of permits to the state's approximately 24,000 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages. The division also regulates industry compliance with the laws pertaining to the manufacture, importation and distribution of beer, wine, and mixed beverages containing less than 21 percent alcohol by volume.

Spirituos Liquor Dollar Sales Set Record

The division reached a record high in FY 02, with spirituous liquor sales totaling \$498.6 million. This was an increase of \$16.2 million, or 3.4 percent, over FY 01. Supplier price increases, a trend of customers purchasing more premium priced products, and a slight increase in consumption fueled the increase.

Gallonage sales of spirituous liquor in FY 02 totalled 8.64 million gallons, an increase of 62,000 gallons, or .7 percent, compared to FY 01.

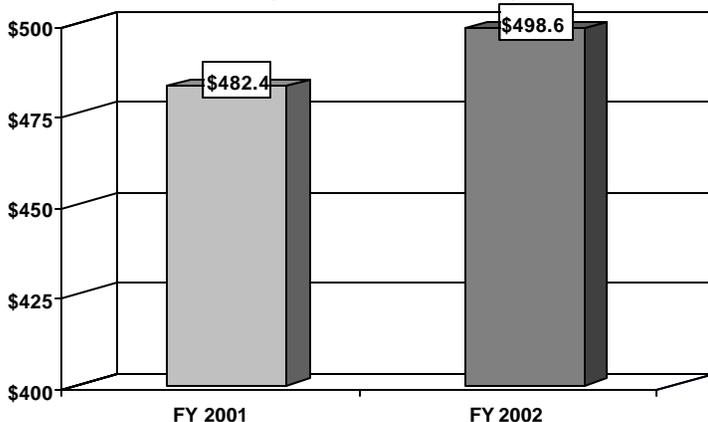
The average dollar value per gallon sold in FY 02 was \$57.71, a 2.6 percent increase over FY 01's average of \$56.24. The average dollar value per bottle sold in FY 02 was \$14.07, a 2.3 percent increase to FY 01's average of \$13.75.

Transfer to GRF Increases by \$10 Million

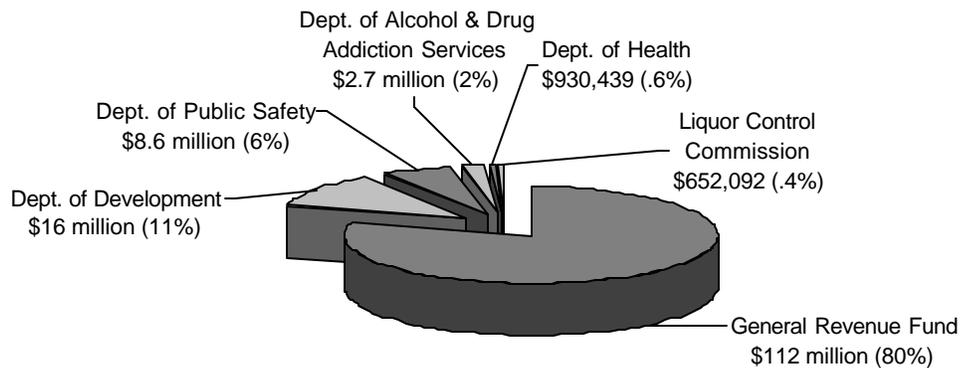
The main financial goal of the division is to maintain profitability of liquor sales through efficient management and operations. For FY 02, the division exceeded its goal by contributing \$112 million to the state's General Revenue Fund (GRF), which is used to support all state services. This year's GRF transfer was \$10 million more than last year's, and the highest amount ever transferred by the division.

In addition to the GRF transfer, liquor revenues are earmarked for the following state services: the Ohio Department of Development for the retirement of economic development bonds used to fund the state's small business loan/job development program; the Ohio Department of Public Safety for state liquor law

Spirituos Liquor Sales
(Dollars in Millions)



Liquor Control Revenue Distribution FY 2002



enforcement; the Ohio Department of Alcohol and Drug Addiction Services to fund alcoholism treatment, education and prevention programs; the Ohio Department of Health to fund the Alcohol Testing Program; and the Ohio Liquor Control Commission to fund its operations. The total revenue transferred to the state in FY 02 was \$140.9 million.

Division Accomplishments

The division's staff continually reviews operations for ways to improve processes and performance and were successful in implementing a number of improvements in FY 02.

The division's Agency Operation Section implemented a new computer software system and improved another. The division continued making improvements to its LiquorBase software to help improve overall efficiency of liquor sales agents in the electronic reporting of sales inventory. The new computer system to be implemented, Intactix, allows the division to improve shelf standardization and oversee its shelf management program independent of liquor sales outlets and liquor companies. These shelf resets help improve standardization and profitability for the liquor sales agents and for the State.

In addition, better inventory control practices, an enhanced ordering formula and new alert levels for contract liquor agencies resulted in a combined inven-

tory reduction of 13.25 percent or 465,000 bottles. These inventory controls resulted in a savings of \$3.9 million in FY 02. They increased the turnover ratio to 10.49, or .36 turns better than any year since 1987. As a result, they increased profitability for the State and provided more shelving for sales agents to display new brands and/or expand space for fast selling brands.

The Licensing Section initiated a program to improve the efficiency and work environment of the field compliance officers in FY 02. Each compliance officer received in-house training on a new computer system. The new system included an upgrade of the desktop computers used by compliance officers in their home offices, which increases speed when completing reports.

The functions of this new system allow for the transmission of digital photographs of permit premises that are downloaded to an imaged file. In addition, the new computers will give the compliance officers the ability to access and use inquiry functions of the division's main database. The system also allows forms that used to be sent via fax or U.S. mail to be submitted electronically.

To educate liquor permit holders and help ensure compliance with Ohio's liquor laws, the division produced the *Liquor Permit Information & Resource Directory*. This new booklet was distributed to all of the division's approximately 24,000 retail permit holders to assist them in operating their businesses in accor-

dance with state liquor laws. It serves as a guide to understanding Ohio liquor laws and rules and provides phone numbers, fax numbers, e-mail and physical addresses of state and federal agencies that deal with liquor-related issues. The directory is also available through the division's Web site at www.state.oh.us/com/liquor/liquor.htm.

Liquor Permit Requirements

Licensing compliance officers survey the area within a 500 feet radius of a liquor permit applicant business to determine if there are any schools, churches, libraries, public playgrounds or township parks that must be notified and given the opportunity to object to the issuance and request a division hearing. In FY 02, the division purchased electronic range finding devices to assist in these measurements. Inspections are also conducted to determine if institutions meet all requirements, including proper restroom, kitchen and dishwashing facilities.

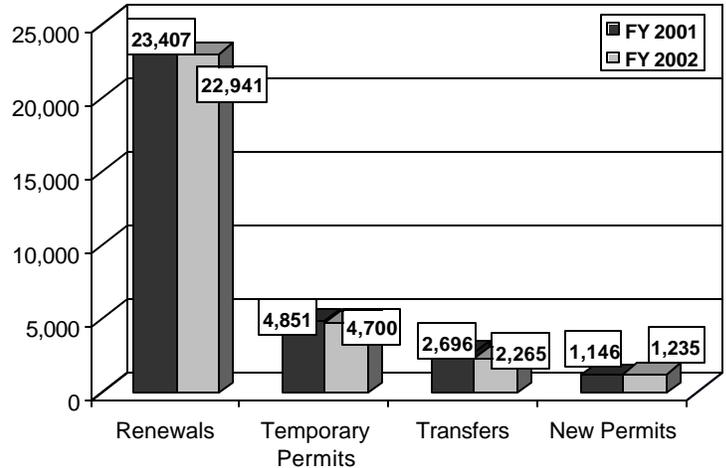


Compliance Officer Tom Gandert uses new electronic range finding equipment to measure distances during a licensing inspection.

Liquor Permit Activity

In FY 02, the Licensing Section was responsible for licensing the operations of approximately 24,182 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages. This includes is-

Liquor Permit Activity



suing new permits, renewing and transferring of permits, and the investigative and hearing requirements associated with permit issuance. The division currently has 44 permit classes. In FY 02, this section issued 8,200 permits, including 2,265 transferred permits, 1,235 new permits and 4,700 temporary permits. In addition, 22,941 permits were renewed.

The Licensing Section collected a total of \$23,784,186.45 in permit fees in FY 02. Of this total, \$268,538.83 went into the Alcohol Rehabilitation Fund (ARF). From the remaining \$23,515,647.62, \$11,757,823.81 (50 percent) was returned to the local taxing districts to assist in liquor law enforcement, \$6,819,537.80 (29 percent) was deposited in the state's General Revenue Fund, and \$4,938,286.01 (21 percent) was allocated to the Ohio Department of Alcohol and Drug Addiction Services to fund treatment and education efforts statewide.

In granting liquor permits, the division considers the safety and welfare of Ohio's citizens first. At the same time, the division is guided and restricted by statutes, rules and legal cases in deciding whether to issue or deny a permit. In FY 02, 284 new, transfer and permit renewal objection hearings were held by the Legal Section, and a total of 271 applications were rejected.

Statement of Profit and Loss

<u>SPIRITUOUS LIQUOR SALES</u>	<u>FY 2002</u>	<u>FY 2001</u>	<u>FY 2000</u>
Retail	\$316,148,738.33	\$304,649,818.58	\$287,909,345.78
Wholesale	\$208,469,775.11	\$203,117,637.33	\$191,985,859.48
GROSS TOTAL	\$524,618,513.44	\$507,767,455.91	\$479,895,205.26
Less: 12.5% Discount on Wholesale	\$26,058,721.89	\$25,389,704.66	\$23,998,232.45
TOTAL SALES	\$498,559,791.55	\$482,377,751.25	\$455,896,972.81
Less Cost of Goods Sold	\$291,130,764.51	\$279,815,734.23	\$264,045,869.95
State Gallonage Tax	\$29,198,602.92	\$28,988,298.12	\$28,703,411.20
TOTAL COST OF GOODS	\$320,329,367.43	\$308,804,032.35	\$292,749,281.15
GROSS PROFIT	\$178,230,424.12	\$173,573,718.90	\$163,147,691.66
Percent Gross Profit to Total Sales	33.97%	34.18%	34%
OPERATING EXPENSES			
Less Operating Expenses – Agencies	\$26,976,175.36	\$25,966,380.50	\$24,508,253.66
Less General Operating Expenses	\$13,128,683.02	\$12,638,668.32	\$13,741,663.32
TOTAL OPERATING EXPENSES	\$40,104,858.38	\$38,605,048.82	\$38,249,916.98
NET PROFIT BEFORE OTHER INCOME AND OTHER DEDUCTIONS	\$138,125,565.74	\$134,968,670.08	\$124,897,774.68
PERCENT NET PROFIT TO GROSS SALES	26.33%	26.58%	26.03%

DIVISION OF REAL ESTATE & PROFESSIONAL LICENSING



Anne Moorhead Petit
Superintendent

This division licenses real estate brokers and salespersons, private investigator companies and security guard companies. In addition, the division licenses and certifies general and residential appraisers. It also registers security guard and private investigator employees. Applicants are screened by division staff to assure that legal qualifications for licensure are met. Once licensed, the division conducts audits to ensure compliance with Ohio law. The division also regulates foreign real estate brokers and salespersons and registers foreign real estate property. When allegations of misconduct, fraud or unlicensed activity are made against licensees or registrants, the division is charged with investigating such allegations, holding hearings, and imposing discipline where warranted. The division also supports the Ohio Cemetery Dispute Resolution Commission by registering all active cemeteries in Ohio and investigating complaints or disputes involving registered cemeteries. Lynne Hengle served as superintendent during FY 02. Anne Moorhead Petit was appointed in August 2002.

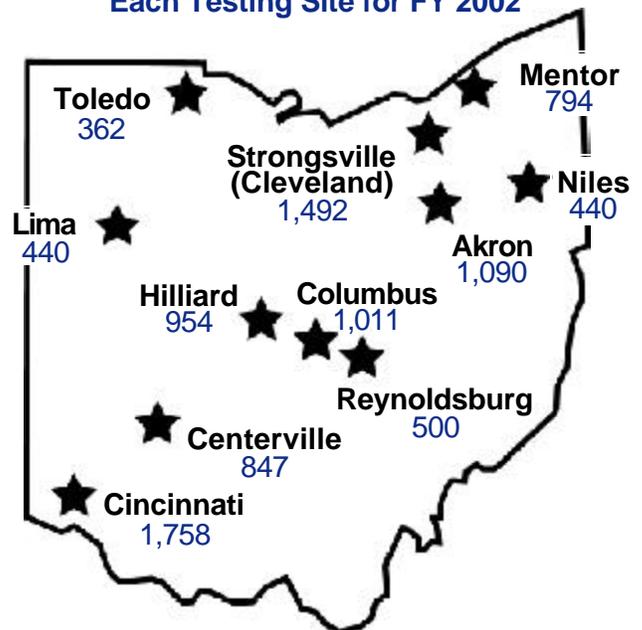
Testing Sites Serve Applicants' Needs

The 11 testing centers throughout Ohio continued to provide convenient testing locations for all real estate and appraiser applicants. Each center is equipped to administer all of the appropriate examinations six days a week, 52 weeks a year, excluding holidays. The centers administered 9,688 exams during the past fiscal year. Additionally, applicants continued to take advantage of the ability to take the salesperson, broker and appraiser examination nationwide at locations from Florida to California and all points in between. A total of 1,611 exams—or 14.2 percent of the total examinations—were taken outside Ohio.

Administrative Rules Adopted

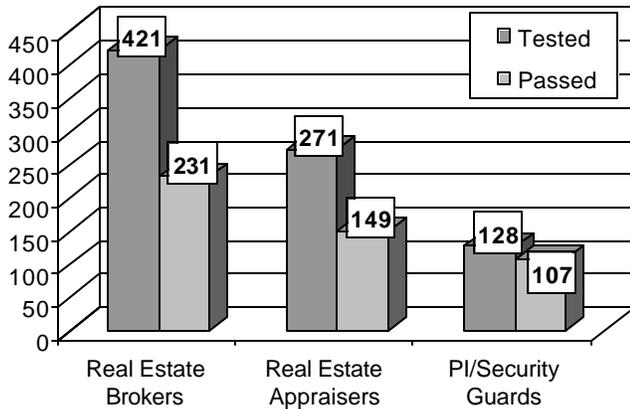
The division collaborated closely with industry leaders to draft and adopt two significant administrative rules. The first, distance education, was the result of

Number of Applicants Tested at Each Testing Site for FY 2002

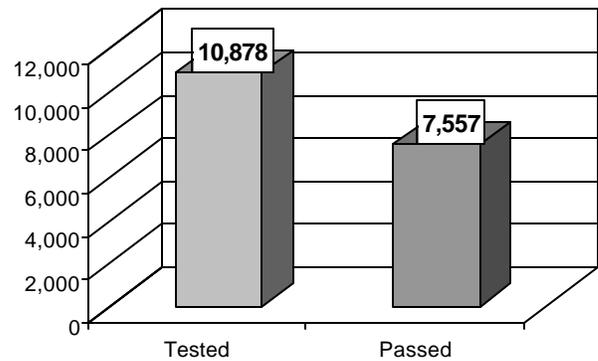


recommendations made by a distance education task force with approval of the Real Estate Commission. The rule allows the division to accept up to 15 hours of

Testing Statistics FY 2002



Real Estate Salesperson Testing FY 2002



continuing education elective coursework taken through distance education. The second, a team-advertising rule, is an example of the division working to recognize innovations within the industry. Groups of sales associates and brokers working in concert can now advertise as a team with team logos, provided the advertising conforms with specified requirements. These two rules will continue to protect consumers while giving sales associates and brokers opportunities to take advantage of technological and marketing advancements within the industry.

Licensing Activities

The Real Estate Licensing Section handles salesperson and broker licensing, renewals and suspensions. Licensing issues new licenses, updates addresses, replaces lost licenses and processes transfers of a sales or broker license from one brokerage to another. This section also mails out all individual yearly renewals and broker renewals. It also reviews and approves new brokerages, new “doing business as” names and the associated applications that coincide with the new real estate companies. In FY 02, the number of active real estate brokers rose from 6,741 to 7,496. The number of active real estate salespersons rose from 31,261 to 36,465.

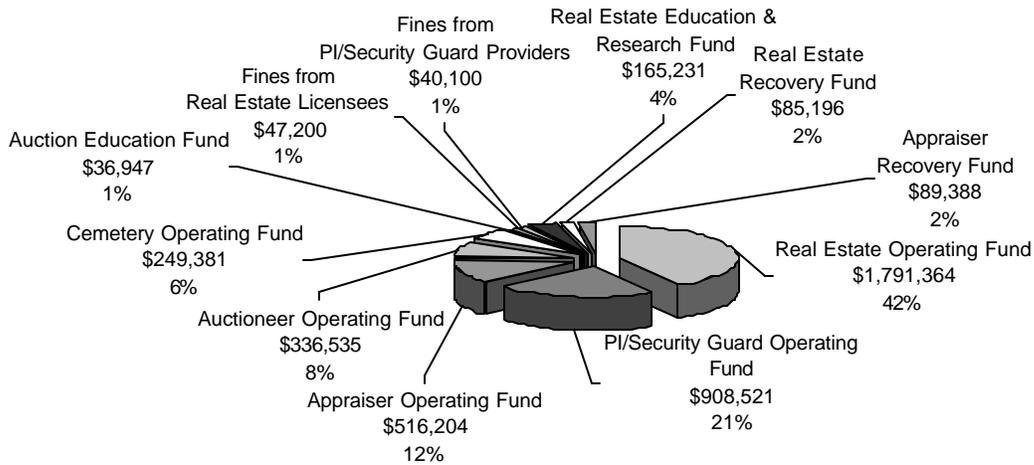
Real Estate Enforcement Activities

The Real Estate Enforcement Section enforces real estate license law as provided in the Ohio Revised Code, Chapter 4735 and the Ohio Administrative Code 1301:5. The section’s primary authority is taking action against a licensee’s real estate license.

The section has three main regulatory responsibilities: 1.) It investigates written complaints against real estate agents and brokers as well as individuals doing real estate business when not so licensed; 2) It conducts monthly compliance audits of Ohio brokerages to ensure compliance with license law and assist brokerages if issues of noncompliance are found; and 3) it responds to consumer and real estate industry inquiries regarding license law. If a licensee is found to have violated license law, possible disciplinary sanctions include a monetary fine, additional continuing education, license suspension or license revocation.

In FY 02, the enforcement section standardized its complaint filing process to make it more efficient and consumer-friendly. A standard complaint form was developed and implemented in December 2001. Consumers use this form to file a complaint against a licensee, or an unlicensed person who is conducting real estate business. The complaint form was placed on the Division’s Web site for easy online access.

Revenue by Fund for FY 2002



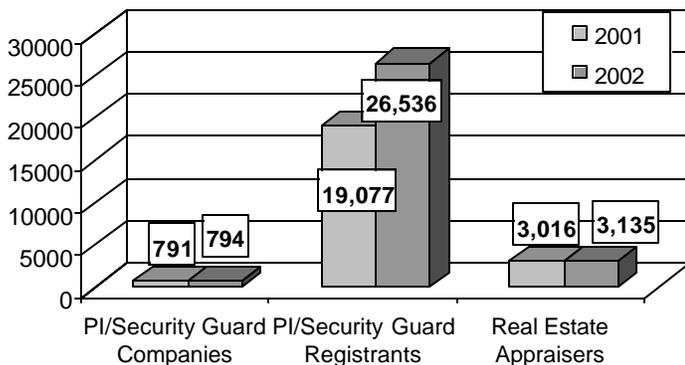
PI/SG Enforcement Activities

Private Investigator and Security Guard company compliance examinations (audits) are conducted on a regular basis. The primary purpose is to evaluate licensee compliance with the Ohio Revised Code and to assist licensees in that effort. Division investigators schedule exams regularly throughout the state and attempt to review the records of as many licensees as possible on an annual basis. The number of exams conducted each week by investigators can vary, primarily based on the number of employees the specific licensees employ. As a rule, payroll records, personnel rosters and files are reviewed by the division to deter-

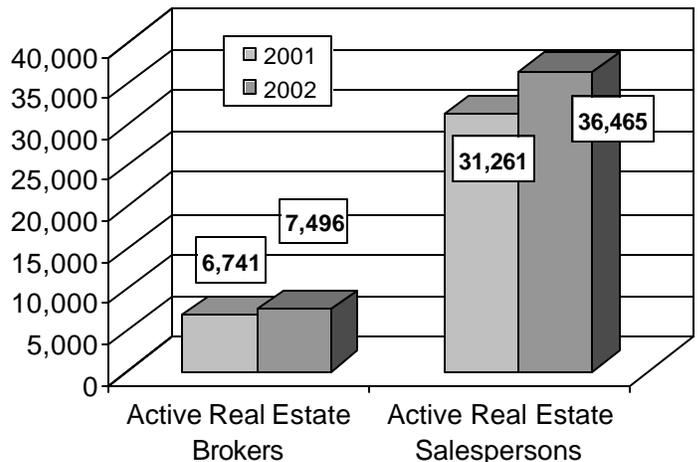
mine compliance with the regulatory mandates. In instances where firearms are used, a review is undertaken to verify that only those individuals who possess a valid firearm bearer notation are carrying firearms. The division's goal continues to be helping licensees comply with statutory requirements, answering applicable questions and providing clarification.

In addition to performing compliance work, the division is charged with addressing regulatory issues pertaining to both licensees and unlicensed entities. Each situation is reviewed to determine whether a violation of statute has occurred. In instances where violations are discovered, the division may initiate administrative action or pursue criminal charges.

Number of Licensees



Active Real Estate Brokers and Salespersons



Funding Operations

Funding for division operations comes from many sources. This revenue is generated entirely through the collection of license and testing fees, enforcement actions (fines) and other miscellaneous areas. In FY 02, fines assessed against real estate licensees totaled \$38,800. Fines assessed against private investigators and security guard providers totaled \$87,665. Total revenue received by the division for FY 02 was \$4,486,612, of which \$455,015 was earmarked directly for consumer recovery programs and education.

Embracing New Technology

The division continues to progress with its technology plan. In November 2000, Phase One of the plan began with the implementation of the RealPro database management software. During the spring of 2002, the

division moved forward with Phase Two, the Internet interface. The division integrated two valuable tools into its Web site: license look-up and online renewal.

Customers and the public are now able to access the public information on any licensee. Licensees can review expiration dates and continuing education due dates and verify address information. The public can find out if the professional with whom they are considering doing business is licensed with the division, if the license is current, and whether or not any disciplinary action has been taken against him or her.

The division also rolled out online renewal for real estate licensees. The majority of individuals who have utilized the system have found the process to be quick and easy. Additionally, the new system updates the licensee's renewal information and credit card payment automatically, reducing costs for the division by eliminating the staff hours needed to manually enter the information and process the payment.

Enforcement Statistics for FY 2002

	<u>REAL ESTATE</u>	<u>PI/SG</u>	<u>APPRAISAL</u>	<u>CEMETERY</u>
COMPLAINT CASES FILED	297	27	86	35
PENDING CASES	174	2	114	21
CLOSED CASES	163	25	39	51
CEASE & DESIST ORDERS	7	0	NA	NA
REFERRED TO PROSECUTOR	0	0	3	2
HEARINGS HELD	57	0	58	60
SUSPENSIONS	24	0	8	NA
REVOCATIONS	2	0	1	NA
COMPLIANCE AUDITS	512	227	NA	NA

DIVISION OF SECURITIES



Debbie Dye Joyce
Commissioner

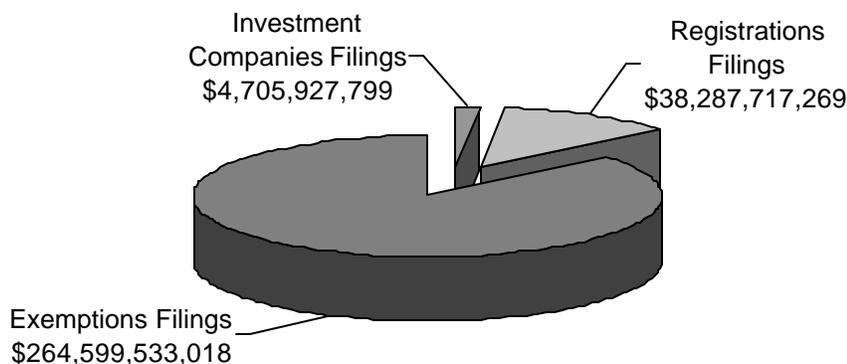
The mission of this division is to maintain a balance between enhancing capital formation and providing investor protection. This balance is achieved by administering and enforcing the Ohio Securities Act. The Act requires the licensing of those who sell or give advice about securities; provides for the registration of certain types of securities sold; and prohibits certain conduct in connection with the sale of securities and the giving of investment advice. Through efficient administration and diligent enforcement of the Act, the division promotes an honest and fair securities market in Ohio where individuals and businesses can raise capital and investors can expect a fair return on their investment. Ohio law defines "security" broadly to include stocks, bonds, mutual funds, options, commercial paper, promissory notes, life settlements and many other investment opportunities.

Capital Formation Activity in Ohio

The Ohio Securities Act contains provisions for a number of securities filings, including various registrations, notice filings and exemptions. In addition, the Act contains more than three dozen exemptions that do not require a filing with the division. Although the divi-

sion cannot be aware of the dollar amount of securities sold under self-executing exemptions, the aggregate dollar amount of securities sold or to be sold in Ohio pursuant to filings was more than \$307 billion for FY 02. The chart below is representative of the capital formation taking place in Ohio for which the division has received a filing.

Dollar Amount of Securities Sold or to Be Sold in Ohio Pursuant to Filings Made with the Division in FY 2002

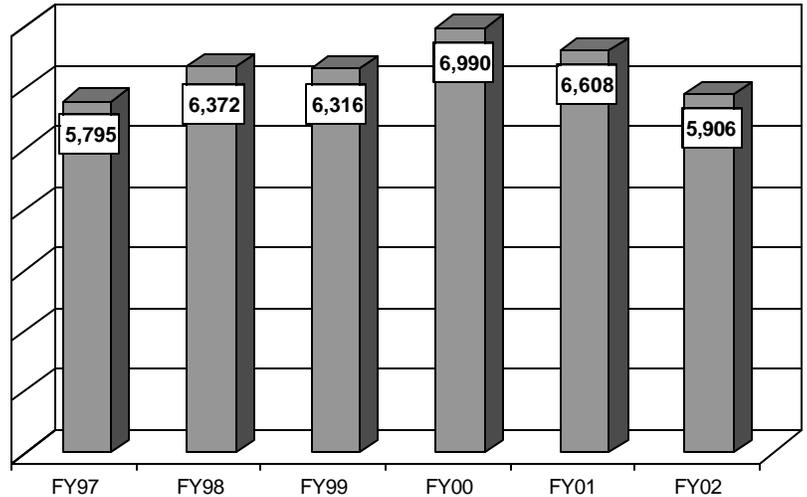


**Investment Companies may seek to sell an indefinite amount of securities by submitting maximum fees. Based on the maximum filing fee, an indefinite filing represents the sale of a minimum of \$1 million worth of securities. For purposes of this chart, each indefinite filing was assigned a value of \$1 million.*

Securities Filings

The division reviews securities registration filings to ensure that securities offerings are not being sold on “grossly unfair terms” to Ohio residents. Exemption and notice filings are reviewed for compliance with legal requirements. Although the capital formation amount for securities filings increased 15 percent during FY 02, the total number of filings for the sale of securities in Ohio decreased by 10 percent. The most common securities filing is for mutual funds, which represent 74 percent of all filings. The second most common securities filing is a notice filing that claims exemption pursuant to federal Rule 506 of Regulation D, which represents 18 percent of securities filings and accounts for more than \$263 billion of the capital formation amount. The remaining 8 percent of filings contain a mix of registrations and other claims for exemptions.

Number of Filings for Sale of Securities in Ohio

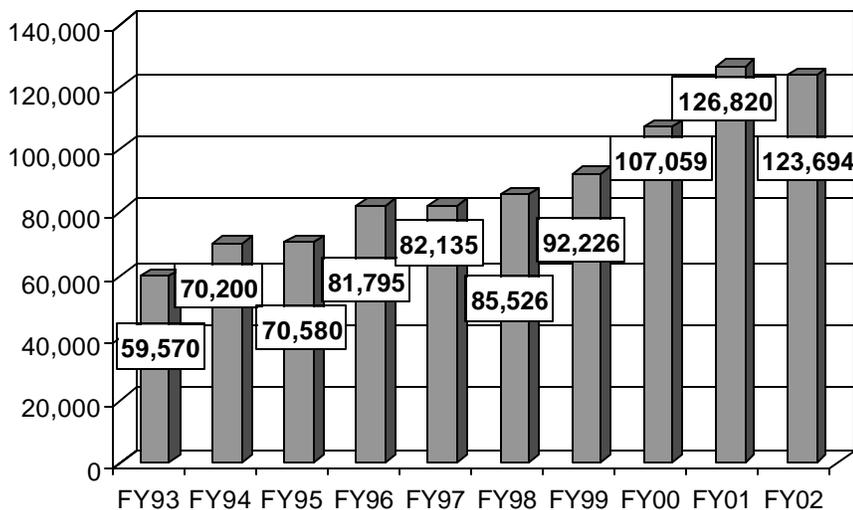


Investor Protection Through Licensing

One way the division carries out its mission is through its licensing function. Throughout FY 02, the number of securities dealers licensed by the division fluctuated, but the number of dealers licensed at year-end, 2,337, changed little from FY 01’s figure of 2,308. The number of securities salespersons licensed by the division rose to an all-time high of 126,987 mid-fiscal year, but for the first time in more than a decade, the number of securities salespersons licensed by the division at fiscal year-end decreased. At year-end, 123,694 securities salespersons were licensed by the division compared to 126,820 licensed in FY 01.

Similarly, the division licenses investment advisers and investment adviser representatives. The division is in its third year of administering laws overseeing investment advisers, and

Number of Securities Salespersons Licensed FY 2002



each year has seen an increase in filings as a result of the steady and continued growth in this area. During FY 02, there was a 5 percent increase in the number of notice filings received from federally registered investment advisers and almost an 8 percent increase in the number of licenses issued to investment adviser representatives. The number of licenses issued by the division to state-registered investment advisers remained constant at 559.

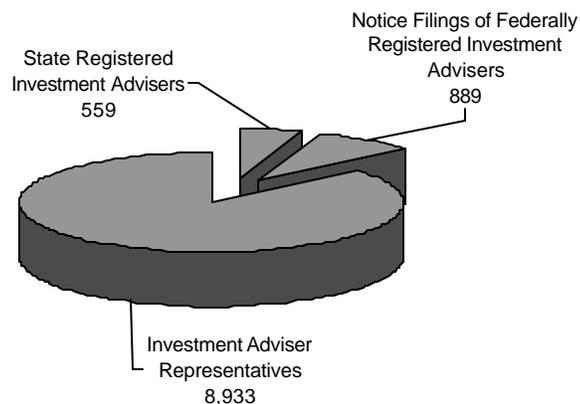
Competency and Good Business Repute

Upon receipt of a license application, the division reviews the background of license applicants and licenses only those applicants who meet standards of minimum competency and "good business repute." The division vigilantly reviewed license applications in FY 02, issuing more than 71 "Notices of Opportunity for Hearing/Intent to Deny Application" and "Notices of Opportunity for Hearing/Intent to Revoke License."

Investor Protection Begins with Education

In April 2002, the division again sponsored the annual endorsement of "Savings and Investing Education," a worldwide, month-long effort designed to raise awareness of the importance of saving and investing wisely. During April, division representatives spoke to more than 1,600 students and teachers statewide, distributing brochures, news releases and other educational information. Throughout the month, dozens of articles were published by Ohio newspapers, and numerous radio stations conducted interviews and carried promotional announcements. These brochures and releases are available on the division's Web site at www.securities.state.oh.us or by calling 1-800-788-1194.

Investment Advisers and Investment Adviser Representatives



Information Technology

Members of the public, including investors, children, the elderly and industry and business communities have access to a wealth of information via the division's Web site. In addition to investor education materials, copies of the division's Ohio Securities Bulletin and enforcement orders are available online, and licensees and applicants for licensure may go online to submit renewal and other applications. Anyone can obtain information about their securities professional by contacting the division via its Web site for information and "background checks." The division's Web site also contains frequently asked questions about the division, links to other government agencies, and electronic submission forms for requests and complaints.

Investor Protection Through Enforcement Actions

Another way the division carries out its investor protection mission is through vigorous enforcement of Ohio's securities laws. The division investigates alleged violations of the securities laws and initiates criminal, administrative and injunctive action as appropriate. During FY 02, the division made five criminal referrals to

Ohio prosecutors. During the same period, a total of 10 indictments/informations totaling 113 counts and 14 convictions resulted from division referrals.

Hard Time for White Collar Criminals

The division was involved in a number of lengthy securities fraud investigations resulting in convictions in FY 02. Collectively, sentences of these criminals was more than 100 years, with the highest individual sentences being 30 and 27 years. Restitution orders totaling more than \$33 million were levied on these white collar criminals who destroyed the financial security of hundreds of Ohio residents and thousands of investors worldwide.

Legislative Initiatives

The division continually strives to enhance its oversight and enforcement abilities and to keep pace with changes in market conditions. In FY 02, the division lent its support to legislative initiatives that enhance the sharing of information derived from investigations between the division and other state and federal regulators. Additionally, the division supported changes to the Ohio Securities Act that would streamline the processes for licensure of securities professionals and the eligibility to sell mutual funds in Ohio.

Actions Resulting from Notice Orders FY 2002



DIVISION OF STATE FIRE MARSHAL



Robert R. Rielage
State Fire Marshal

The State Fire Marshal's Office is the oldest established office of its kind in the United States. It consists of eight bureaus and one unit: Administration, Investigations, Forensic Laboratory, Bureau of Underground Storage Tank Regulation (BUSTR), Fire Prevention, Code Enforcement, Testing and Registration, Ohio Fire Academy, and the Pyrotechnics and Explosives Unit. Responsibilities include modernizing and enforcing the Ohio Fire Code; designing and presenting fire prevention programs; analyzing fire-related criminal evidence; investigating the cause and origin of fires and explosions; training firefighters; providing fire safety education to business, industry and the general public; regulating underground storage tanks; testing and training; and licensing and certification support services.

Providing Better Service

The division developed and implemented several innovative programs in 2002 and took on a major role in homeland security. The major projects include:

- Initiation of a Statewide Fire-Rescue Emergency Response plan in cooperation with the Ohio Fire Chiefs Association. Governor Taft announced the plan's creation on December 14th during a visit to the State Fire Marshal's office. The system utilizes an 800 number that lets fire departments throughout Ohio call for immediate mobilization of additional resources from other fire departments in the state to assist with emergencies.
- An increased role in the State of Ohio Security Task Force. The State Fire Marshal's Ohio Fire Academy has implemented training programs for emergency responders, including "Train the Trainer" and "Emergency Response to Terrorism."
- Continuation of an award-winning "state bid" contract for a standardized fire pumper truck to reduce costs of equipment needed by the state's nearly 1,300 fire departments. Self contained breathing apparatus, an EMS vehicle,

turnout gear and a thermal imager have also become available through the state bidding process.

- Simplification of the Underground Storage Tank (UST) registration process. Previously, underground storage tank owners were required to fill out forms for three separate agencies. The process now requires one form, which can be filled out online.

Fire Expo & Muster

In June, the Division of State Fire Marshal joined with the Central Ohio Antique Fire Apparatus Association to host the second Fire Expo & Muster. The event featured fun for the whole family.

More than 80 pieces of fire apparatus, from antique to state of the art, were on display on the Ohio Fire Academy grounds. Hands-on participation, demonstrations by the division's accelerant-detection canine and a performance by Columbus Fire's "Safety First" band were among the exhibits to capture the attention of attendees. Numerous demonstrations and safety activities provided fun and education for the hundreds of children present.



Crawling through a smoke-filled maze was one of many obstacles in the Expo's "Kids Combat Challenge," which let children don turnout coats and boots to complete simulated firefighting duties as well as fire safety activities like Stop, Drop and Roll.

The State Fire Marshal's office is working to make the Expo an annual event and will host COAFAA's national Muster in 2006. It's just one more way to accomplish the mission to protect, educate and safeguard the lives and property of Ohio's citizens.

Recognition

The State Fire Marshal's office was recognized by the International Association of Fire Chiefs (IAFC) at their Fire-Rescue 2001 Conference. The "State Bid Program" was honored with the IAFC Award for Excellence, modeled after the Malcolm Baldrige National Quality Award.

Forensic Laboratory

During FY 02, fire investigators and law enforcement agencies from 79 of the 88 counties submitted 696 cases consisting of 2,061 pieces of evidence requiring 5,718 examinations. Quality assurance and reference standard building required an additional 1,979 tests. Analysis was conducted on flammable liquids, fire debris, firebombs and general physical evidence from suspicious fire scenes or hazardous situations.

Fire Prevention

During FY 02, the bureau conducted 3,000 programs for 104,000 Ohioans at schools, senior centers, health care facilities, businesses and events such as

the Ohio State Fair. The bureau also distributed 802,000 pieces of fire safety literature.

The bureau continues to promote the use and maintenance of smoke detectors. Smoke D.O.G. (Smoke Detector on Guard) Awards were given to five families whose lives were saved as a result of proper actions taken when a working smoke detector activated in their home. Project S.A.F.E. (Smoke Alarms For Everyone) continued to assist local fire departments by placing free smoke detectors in the homes of needy families in southeast Ohio. Since the inception of the program in FY 00, the bureau has distributed 1,525 new smoke detectors to fire departments for installation.

Bureau of Testing & Registration

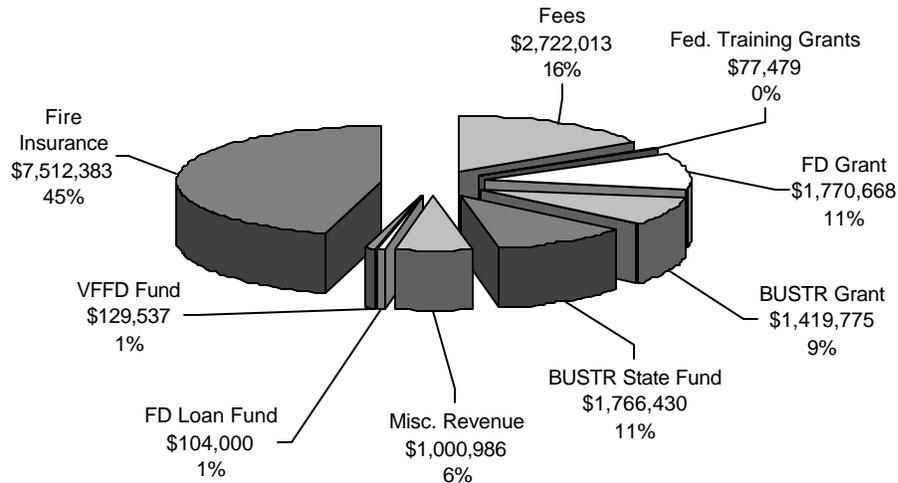
Since its creation, the bureau has concentrated on improving processing time for test results. In addition, the bureau has maintained stricter enforcement of hotel/motel registrations. The bureau is also heavily focused on data imaging of records and computer program revisions in consonance with Commerce's evolution into e-government. Providing its more than 35,000 customers with the increased ability to conduct business online is an ongoing goal of the bureau.

Explosives and Pyrotechnics

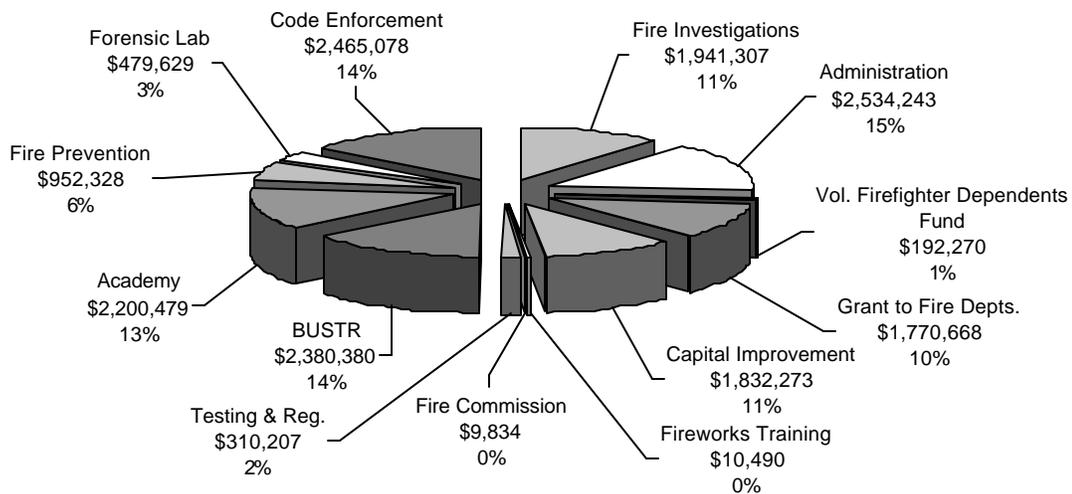
In FY 02, the unit regulated 52 wholesaler and manufacturing licensed fireworks facilities, 538 active exhibitors, 1,238 active assistants and 24 out-of-state shippers. In addition, the unit conducted or took part in more than 13 in-service training courses attended by 752 attendees. The unit also issued 32 variances to customers allowing them to continue their business operations.

The Fireworks Incident Team (FIT) (made up of SFM inspectors and investigators) was not called out to investigate any incidents involving injuries to spectators or exhibitors during FY 02. This is the first time in more than four years that the fireworks exhibitions put on by licensed exhibitors and inspected by fire service and law enforcement officials in Ohio did not have one incident that resulted in an FIT response.

Sources of Revenue FY 2002



Expenditures by Program FY 2002



Code Enforcement Bureau

During FY 02, the bureau conducted close to 10,000 fire safety inspections and approximately 3,000 re-inspections of various premises, events and licensed facilities across Ohio. Each re-inspection was performed to verify the abatement of all identified hazardous conditions. The bureau responded to nearly 300 complaints of fire code violations and initiated appropriate code enforcement actions.

The bureau focused on staff training and the utilization of computer technologies to better serve the fire service and the public.

During FY 02, the bureau:

- Conducted staff training in Blood Borne Pathogens, Clandestine Meth Labs, and the newly enacted Ohio Building Code.
- Provided the fire service and interested parties a Fire Alert on sprinkler head recall information and evaluated inspected facilities for compliance.
- Revised all fire protection equipment installer certification examinations in accordance with the new building code and referenced standards.

- Resolved numerous code enforcement actions through the administrative hearing process.
- Contributed to the fire code development process at the national level in two major model code organizations.

Ohio Fire Academy

During FY 02, the Ohio Fire Academy trained 15,104 emergency responders at the academy facilities and through statewide outreach programs. That amounts to 197,718 student hours spent in Academy classes. Seventy-three percent of Ohio's fire departments participated in academy programs, an increase of 5.9 percent over FY 01. The resource center provided 432 videos for fire safety and public education programs, reaching an audience of more than 7,825 individuals. The academy provided meeting rooms, staff support and equipment to 122 state and local agencies, which provided training and educational programs to more than 2,647 participants.

Additional accomplishments include:

- Constructed and opened a new \$1.8 million burn building on the OFA grounds;
- Purchased a second hands-on mobile fire training lab;
- Conducted IAFC Leadership & Administration classes;
- Conducted first Urban Search & Rescue class to develop Regional Teams across Ohio;
- Secured a \$75,000 grant to purchase Urban Search & Rescue equipment for training and response;
- Conducted 12 workshops to assist firefighters in applying for the Federal Fire Grant;
- Conducted a Terrorism Seminar for Haz Mat Response Teams;
- Established Terrorism Training Standards for Ohio.

Bureau of Underground Storage Tank Regulation (BUSTR)

The Bureau of Underground Storage Tank Regulation (BUSTR) regulates Ohio's underground storage tank (UST) program. BUSTR works to prevent and detect releases of petroleum from regulated USTs and to ensure appropriate investigation and cleanup when a petroleum release occurs. During FY 02, BUSTR:

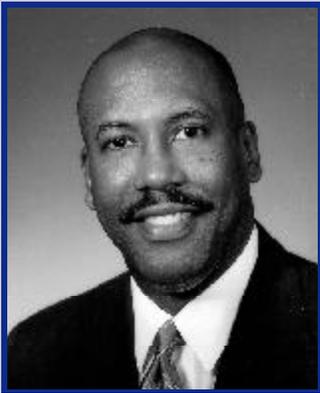
- Regulated 8,967 facilities with a total of 25,770 registered underground storage tanks;
- Issued 855 permits to remove, upgrade, replace or repair underground storage tanks statewide;
- Continued a statewide inspection and compliance program, performing 1,448 compliance checks of registered facilities;
- Issued 1,024 "No Further Action" letters completing cleanup at sites where a release of hazardous substances from UST's was detected.

Investigations

In FY 02, the Investigations Bureau received 1,004 requests to investigate fires, explosions, fireworks incidents, explosives disposals, polygraph examinations and teaching assignments. This included investigating 73 fatal fire deaths, of which 14 were criminally related. Fire Marshal investigators determined that 367 of these incidents were arson.

To increase the efficiency and number of tools available to all 17 investigators, each car now has a portable desktop for investigators' laptop computers. Global positioning systems were also installed along with a street atlas program to assist investigators in reaching rural or unmarked locations. Additionally, power inverters have been installed in each vehicle, and all investigators have been issued full turnout gear, body armor, and 40-caliber weapons. A new canine van is being used by the canine handler/investigator.

DIVISION OF UNCLAIMED FUNDS



David Moore
Superintendent

The Division of Unclaimed Funds is responsible for the safekeeping and return of monies designated as “unclaimed.” The overall mission of the division is to return unclaimed funds to the rightful owners. Each year, due to death, inadvertence or forgetfulness, more than 200,000 people and organizations lose track of monies and intangible personal property in Ohio. Common examples of unclaimed funds are: dormant checking and saving accounts, insurance proceeds, unclaimed wages and employment benefits, uncashed checks and money orders, undelivered stock and dividends, forgotten rent and utility deposits and intangible contents of safe-deposit boxes.

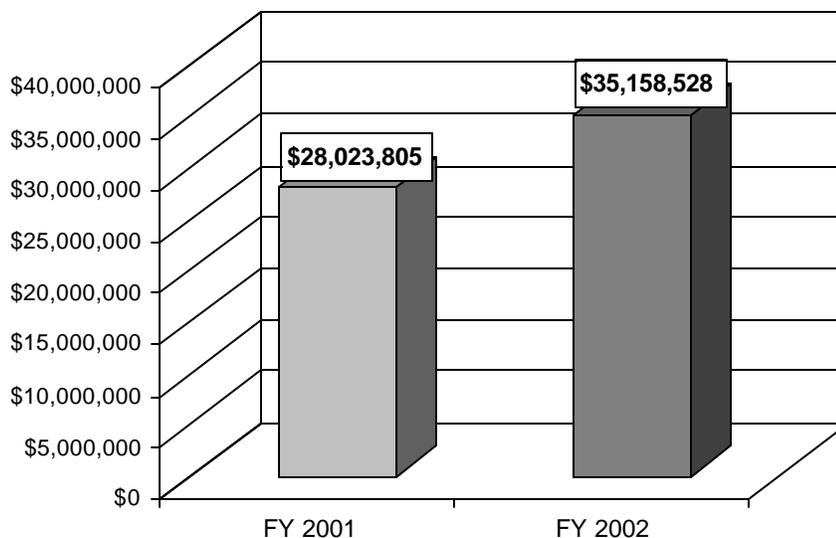
Division Has Another Record Year

The Division of Unclaimed Funds paid another record number of claims in FY 02. More than 44,700 claims were paid, which represents 65,040 properties. The return of \$35,158,527 to current or former Ohio residents exceeded last year’s record of \$28 million. Through mutual agreements with other states this fiscal year, \$1,707,644 was paid to other states in which the original account owner resided at the time of the holder-reporting period.

Reported Funds Remain High

In FY 02, the division achieved its second highest total of reported funds with \$86.9 million, a credit to the division’s aggressive outreach to financial professionals. The previous fiscal year saw the highest total ever with \$100.8 million in unclaimed funds reported.

Unclaimed Funds Returned



Searching on the Web Produces Results

The division's Internet site continues to be the most common means of returning unclaimed funds to their rightful owners. The Web site, www.com.state.oh.us, is updated monthly and contains the names of all Ohio unclaimed account owners. Users can print a claim form from their own computers. The site also provides links to the National Association of Unclaimed Property Administrators (NAUPA) so users can search for accounts being held by other states. In FY 02, a record 55 percent (24,796) of claims paid were initiated through the Web site.

Community Outreach

The division's community outreach program raises public awareness of unclaimed funds accounts that the division holds on behalf of private individuals and organizations. These accounts number 2.1 million and hold a combined worth of \$250 million.

To raise awareness, the division supplies a list of names and accounts within each county to all 88 county treasurer offices. In its highest profile outreach, the division administers its Treasure Hunt, in which employees travel throughout the state bringing all of the unclaimed funds account information to conferences, job fairs and local government days. The

division's Treasure Hunt also participates in the Department of Commerce's display at the Ohio State Fair. At the 2001 State Fair, the division located the owners of 1,528 accounts worth \$282,503.

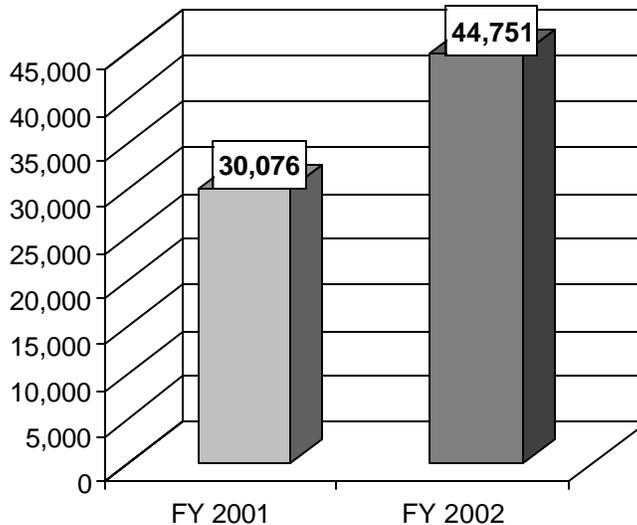
Supporting Ohio Housing Finance Agency

Until the rightful owners are located, unclaimed funds are used by the Ohio Department of Development's Ohio Housing Finance Agency (OHFA) to guarantee and fund low- and moderate-income housing programs. During FY 02, the division provided OHFA with \$59,283,206 in loans. Unclaimed funds are also used to support economic development by guaranteeing performance bonds for the Minority Business Bond Fund. In addition, the Ohio General Assembly used \$55 million to help ensure a balanced state budget.

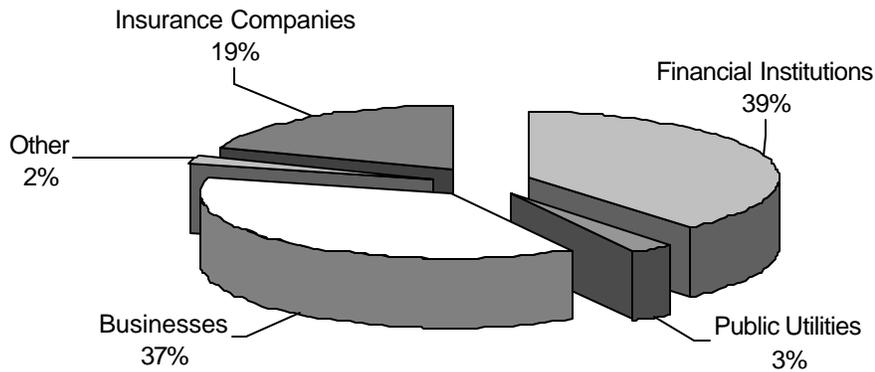
New Technology

In March 2002, the division began using a new Unclaimed Property System application. This system allows the division to receive electronic reports in the standard NAUPA format, which will increase the number of reports received electronically and be consistent with 27 other states' unclaimed property offices.

Claims Paid by Year



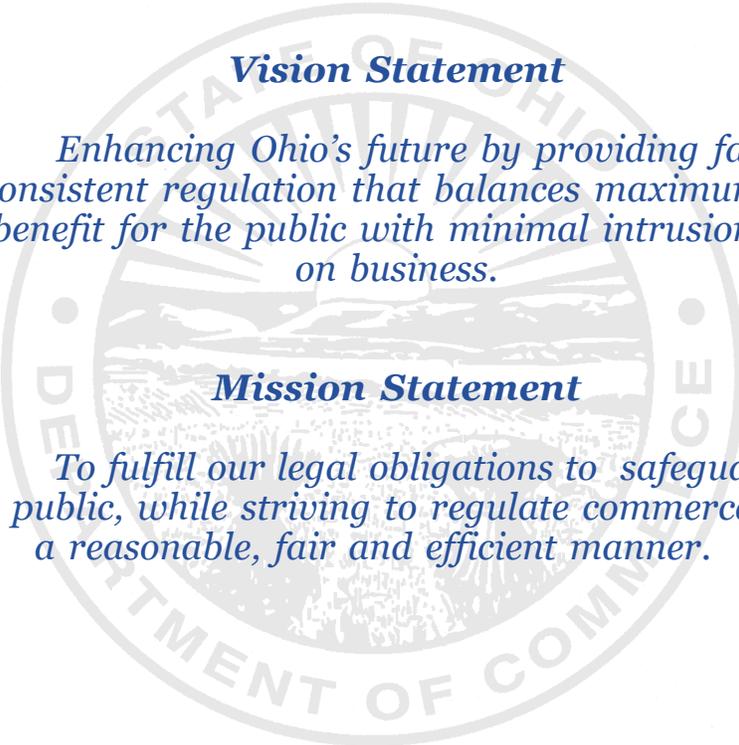
Unclaimed Funds by Type of Holder FY 2002



Preventing Funds from Being “Unclaimed”

In addition to returning unclaimed funds to their rightful owners, the division also works to prevent funds from falling into “unclaimed” status. All holders are required to show “due diligence” by notifying the claimants at least 30 days prior to reporting their funds to the state. To avoid funds from being turned over to the division, claimants should respond to all notifications from financial institutions, insurance companies and other holders within the time-frame listed. Below are additional tips on how to prevent funds from being reported as unclaimed:

- Keep accurate and current records of bank accounts, insurance policies, stock certificates, utility and rent deposits, and safe deposit box locations;
- Keep accounts active through customer-initiated contact with the holders of your property through activity on your account. **Accrual of interest does not count;**
- Cash all checks for dividends, wages, refunds and insurance settlements;
- Notify a family member or trusted adviser of the location of your records;
- Prepare a checklist of the above items to be used in notifying all concerned parties if you change your address.

The seal of the State of Ohio Department of Commerce is a circular emblem. It features a central landscape with a sun rising over a body of water, with hills in the background. The words "STATE OF OHIO" are arched across the top, and "DEPARTMENT OF COMMERCE" is arched across the bottom. Two small circles separate the top and bottom text.

Vision Statement

Enhancing Ohio's future by providing fair, consistent regulation that balances maximum benefit for the public with minimal intrusion on business.

Mission Statement

To fulfill our legal obligations to safeguard the public, while striving to regulate commerce in a reasonable, fair and efficient manner.



**The Ohio Department of Commerce
77 South High Street
23rd Floor
Columbus, Ohio 43215-6123**

An Equal Opportunity Employer and Service Provider