



Audit of
Bulk and Break Bulk Revenues
at Port Everglades

Office of the County Auditor
Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Audit Conducted by:

Kathie-Ann Ulett, CPA, CFE, Deputy County Auditor
Jenny Jiang, CPA, CIA, Audit Manager
Sahil Grover, CPA, CIA, CFE, Audit Senior
Marcello Mazzoncini, Staff Auditor

Report No. 24-19
June 05, 2024



OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

June 05, 2024

Honorable Mayor and Board of County Commissioners:

Pursuant to our annual audit plan, we conducted an Audit of Bulk and Break Bulk Revenues at Port Everglades (Port). The objectives of our audit were to verify whether Bulk and Break Bulk cargo wharfage activities were reported accurately, and to determine whether Bulk and Break Bulk cargo wharfage revenues were accurate and complete. The audit covers Fiscal Year 2023, from October 1, 2022, to September 30, 2023.

We conclude that, except as noted in our report, the Bulk and Break Bulk cargo wharfage activities were reported accurately, and related wharfage revenues were accurate and complete for the applicable audit period. Opportunities for Improvement are included in the report.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation and assistance provided by the Port staff throughout our audit process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Monica Cepero, County Administrator
Andrew Meyers, County Attorney
Kimm Campbell, Deputy County Administrator
Michael Ruiz, Assistant County Administrator
Glenn Wiltshire, Acting Director, Port Everglades Department

TABLE OF CONTENTS

INTRODUCTION.....	1
Scope and Methodology	1
Overall Conclusion	2
Background	2
OPPORTUNITIES FOR IMPROVEMENT	4
1. Adequate Supporting Documentation Should be Submitted with Vessel Cargo Reports to Verify Quantities and Weights Reported for Bulk and Break Bulk Cargo Wharfage.....	4
2. Port’s Review and Reconciliation Procedures for Bulk and Break Bulk Cargo Wharfage Revenues Should be Enhanced.....	5
APPENDIX A - MANAGEMENT’S RESPONSE	6

INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted an audit of Bulk and Break Bulk Revenues at Port Everglades (Port). Our objectives were:

1. To verify whether Bulk and Break Bulk cargo wharfage activities were reported accurately by agents or approved vessel representatives (vessel agents).
2. To determine whether Bulk and Break Bulk cargo wharfage revenues were accurate and complete.
3. Any Opportunities for Improvement exist.

To determine whether Bulk and Break Bulk cargo wharfage activities were reported accurately by vessel agents, we performed walkthroughs of procedures related to billing of Bulk and Break Bulk wharfage activities, reviewed Vessel Cargo Reports (VCR) and reconciled supporting information from vessel agent documents (such as: Cargo Manifests, Summary Cargo Reports, etc.) to quantities and weights of Bulk and/or Break Bulk cargo reported on VCR.

To determine whether Bulk and Break Bulk cargo wharfage revenues were accurate and complete, we reviewed invoices issued for wharfage activities, verified rates and quantities charged, and tested compliance with the Port Tariff No. 12.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit included such tests of records and other auditing procedures deemed necessary. The audit period was Fiscal Year (FY) 2023, from October 1, 2022, to September 30, 2023. However,

transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that, except as noted in our report, the Bulk and Break Bulk cargo wharfage activities were reported accurately, and related wharfage revenues were accurate and complete for the applicable audit period. Opportunities for Improvement are included in the report.

Background

Port Everglades

Port Everglades is located within the cities of Fort Lauderdale, Hollywood, and Dania Beach, and spans over 2,190 acres. It is a leading container port in Florida and among the most active cargo ports in the United States.

Bulk Cargo

Bulk cargo is a shipping term for items that are shipped loosely and unpackaged as opposed to being shipped in packages or containers. An item may be classified as Bulk cargo if it is not containerized and easily secured on a vessel. Items such as gypsum, cement, rock, sand, etc. are examples of Bulk cargo.

Break Bulk Cargo

Break Bulk cargo is a shipping term for cargo that does not fit in a standard shipping container or cargo bin. Break bulk cargo is instead transported individually in bags, boxes, crates, drums, or barrels. Break Bulk is different from Bulk cargo, which is free flowing, liquid, or dry items shipped loosely and unpacked. Items such as automobiles, trucks, trailers, lumber, yachts/boats, steel, plywood, etc. are examples of Break Bulk cargo.

FY 2023 Bulk and Break Bulk Cargo Wharfage Revenues

Bulk and Break Bulk cargo wharfage revenues for FY 2023 were approximately \$8.2 and \$4.7 million, which represented approximately 4% and 3% of the Port's total operating revenues, respectively.

Bulk and Break Bulk Cargo Wharfage Revenue Billing Process

Port utilizes an internal billing system, PortControl, to track and bill for all vessel calls. Once a vessel departs the Port, the vessel agent or approved vessel representative is given 5 business days to submit the quantities and weights of Bulk and/or Break Bulk cargo, as applicable, to the Port to bill the associated charges. The Billing Section of the Port Finance Division receives billing information including Vessel Cargo Reports (VCR), containing weight of Bulk and/or Break Bulk cargo self-reported by vessel agents on a daily basis. If the vessel agent or approved vessel representative does not submit the information to the Port after 5 business days, a late charge is assessed for each business day thereafter. When it is determined that all services have been recorded in the PortControl system, the Harbormaster or other designated individual(s) sends the vessel record to the Billing Section to be billed. The Billing Section then creates an invoice based on Bulk and/or Break Bulk cargo wharfage activity self-reported and submitted by the vessel agent or approved vessel representatives on VCR. The Accounting Supervisor of the Billing Section verifies monthly that all vessel calls are billed.

Port Tariff No. 12

Port Tariff No. 12 (Tariff) provides rates, rules, and regulations applicable to Bulk and Break Bulk cargo wharfage activities at the Port. Tariff Item No. 535 provides billing rates, and Item No. 915 provides rules and regulations applicable to reporting of Bulk and Break Bulk cargo wharfage by vessel agents.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Adequate Supporting Documentation Should be Submitted with Vessel Cargo Reports to Verify Quantities and Weights Reported for Bulk and Break Bulk Cargo Wharfage.

As noted in the Background section, Vessel Cargo Reports (VCR) are required to be submitted by vessel agents to Port's Finance Division Billing Section (Billing Section). VCR contains self-reported data on quantities and weights of Bulk and/or Break Bulk cargo discharged from and loaded on vessels visiting the Port. During our audit, we selected a sample of 20 vessel visits (10 for Bulk cargo and 10 for Break Bulk cargo) during Fiscal Year (FY) 2023. We found that 10 (50%) (5 for Bulk cargo and 5 for Break Bulk cargo) out of the 20 vessel visits reviewed did not include submission of any supporting documentation for the Billing Section to verify quantities and weights of Bulk and/or Break Bulk cargo reported on the VCR.

Tariff No. 12, Item No. 915 states that "All Franchised Steamship Agents or Vessel Representatives shall, within five (5) business days after the departure of a vessel, report to the Port Everglades Department's Finance Division the amount of all cargo... discharged and loaded or in-transit... Such reports must be in the form of copies of the ship's manifest and certified statements showing the amount of cargo discharged or loaded..."

Supporting documentation (such as, copies of cargo manifests, cargo reports, etc.) contain detailed information (such as, type, quantity, weight, description, etc.) on cargo discharged/loaded on vessels visiting the Port. Due to a lack of alternative sources of independent verification of quantities and weights of Bulk and/or Break Bulk cargo reported on VCR, such supporting information are essential for the Port Billing Section staff to verify quantities and weights of Bulk and/or Break Bulk cargo reported on VCR to prevent misreporting or misclassification errors.

During the audit, we were able to obtain supporting documentation for the 10 vessel visits from associated vessel agents upon request. Through our review of the supporting documentation, we identified some misclassification and misreporting errors, further discussed in Opportunities

for Improvement No.2.

We recommend management require submission of supporting documentation along with Vessel Cargo Reports and ensure that data from supporting documentation reconciles with quantities and weights of Bulk and/or Break Bulk cargo reported on Vessel Cargo Reports.

2. Port's Review and Reconciliation Procedures for Bulk and Break Bulk Cargo Wharfage Revenues Should be Enhanced.

Port's Billing Section utilizes self-reported information by the vessel agents as the primary source to bill and issue invoices for Bulk and Break Bulk cargo wharfage activities. No other supporting documentation like cargo manifests, summary cargo reports, etc., are reviewed by the Billing Section staff to verify Bulk and/or Break Bulk cargo wharfage activities.

During our audit, we reviewed supporting documentation for a total twenty (20) vessel visits (10 for Bulk cargo and 10 for Break Bulk cargo), discharging and or loading Bulk and Break Bulk cargo at the Port during Fiscal Year (FY) 2023. For 1 out of 10 samples selected for Break Bulk cargo, we identified variances in weights of Break Bulk cargo reported on the VCR and amounts from the supporting documentation obtained from vessel agent. For 1 out of 10 samples selected for Bulk cargo, we identified a reporting error on part of vessel agent, where reported cargo was misclassified as Bulk instead of Break Bulk causing reported weights to be billed at lower rates. As a result, additional revenues were collected for both instances.

Although dollar amounts of revenue recovery in both instances are not material, adequate review and verification of supporting documentation is imperative to ensure that Bulk and Break Bulk cargo wharfage revenues billed are accurate and complete. Lack of VCR data verification may result in misreporting and misclassification errors go undetected and cause potential loss of cargo wharfage revenues for the Port.

We recommend management:

- A.** Review supporting documentation to verify quantities and weights of Bulk and/or Break Bulk cargo reported on Vessel Cargo Reports by vessel agents or approved vessel representatives. Such review can be performed on a sampling basis.
- B.** Investigate vessel visits with material variances identified through the review and determine if the variances result in any improper billings to the Port.

APPENDIX A - MANAGEMENT'S RESPONSE



Michael W. Ruiz, Assistant County Administrator

115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7333 • FAX 954-357-7360

MEMORANDUM

DATE: May 24, 2024

TO: Robert Melton, County Auditor

FROM: Michael W. Ruiz, Assistant County Administrator *Michael W. Ruiz*

SUBJECT: Management Response to County Auditor's Report on Audit of Bulk and Break Bulk Revenues at Port Everglades

The Port Everglades Department has reviewed the Office of the County Auditor's Report on the Audit of Bulk and Break Bulk Revenues at Port Everglades and submits the following as Management's response.

In summary, Management concurs with the Auditor's overall findings and conclusion. Detailed responses to the Opportunities for Improvement and Recommendations noted in the Auditor's report are below.

Opportunity for Improvement 1 (OFI 1): Adequate Supporting Documentation Should be Submitted with Vessel Cargo Reports to Verify Quantities and Weights Reported for Bulk and Break Bulk Cargo Wharfage.

Recommendation A: Management requires submission of supporting documentation along with Vessel Cargo Reports and ensures that data from supporting documentation reconciles with quantities and weights of Bulk and/or Break Bulk cargo reported on Vessel Cargo Reports.

Management's Response to OFI 1

A. Management concurs: Port staff have sent a notice to all ship agents representing companies handling Bulk and Break Bulk cargo reminding them to submit supporting documentation in compliance with the Tariff requirements.

Opportunity for Improvement 2 (OFI 2): Port's Review and Reconciliation Procedures for Bulk and Break Bulk Cargo Wharfage Revenues Should be Enhanced.

Recommendation A: Review supporting documentation to verify quantities and weights of Bulk and/or Break Bulk cargo reported on Vessel Cargo Reports by vessel agents or approved vessel representatives. Such review can be performed on a sampling basis.

Recommendation B: Investigate vessel visits with material variances identified through the review and determine if the variances result in any improper billings to the Port.

Management's Response to OFI 2

- A. Management concurs: Port staff will work with the County Auditor's Office to design an appropriate program to perform a review of this activity on a sample basis.
- B. Management concurs: Port staff will work with the County Auditor's Office to design appropriate procedures based on sampling along with thresholds for determining variances that are material and require billing adjustments.

cc: Monica Cepero, County Administrator
Kimm Campbell, Deputy County Administrator
Kevin Kelleher, Assistant County Administrator
Glenn Wiltshire, Acting Director, Port Everglades
Andrew J. Meyers, County Attorney
Kathie-Ann Ulett, Deputy County Auditor