



PORT EVERGLADES DEPARTMENT - Port Director's Office
1850 Eller Drive - Fort Lauderdale, Florida 33316
954-523-3404 FAX 954-523-8713

MEMORANDUM

Exhibit 2

February 9, 2006

TO: Evan Lukic, County Auditor
THRU: Bertha Henry, Interim County Administrator
FROM: Phillip C. Allen, Port Director
SUBJECT: Response to your Preliminary Review of Cliff Berry, Inc.'s (CBI) Revenue Reporting to Port Everglades (Port) dated January 18, 2006

In subject report you recommended that the Board direct the County Administrator to take the following actions:

1. Recover all unpaid tariff and fee revenues, as well as applicable penalties,
2. Develop and implement procedures to review and verify franchise activity, and
3. Amend all future franchise agreements to include a requirement that all franchisees submit annual independent audits verifying the information reported under the provisions of the County's tariff.

In response, we offer the following:

1. As you are aware, in response to your review we have to date collected \$194,740.94 in fees and penalties from CBI for their Oily Waste and Sanitary Waste Franchise revenues. As your review is completed including any disputed amounts by CBI to be resolved, we will invoice and collect any outstanding revenues, including applicable penalties, due to the Port.
2. We will enhance the Port procedures to review and verify to the extent possible without audit, franchise activity reports. We are currently completing a review of our revenues by franchisee recommend changed business practices including a determination of what franchise revenues are appropriate to continue based on a risk and purpose analysis. Some franchise revenues may be insignificant and therefore not cost beneficial to continue. A report of recommendations including potential policy directions will be submitted to the County Commission within two months.
3. We agree that an audit requirement be added to those future franchise agreements that are ongoing after the policy determinations listed in (2) above. As part of the suspension settlement with CBI the Port Department gained such consent of the franchise holder for both its Sanitary Waste and Oily Waste Franchises.

Evan Lukic, County Auditor
February 9, 2006
Page Two

We will request voluntary compliance from other franchise holders where such audit requirement is cost effective. As new franchise applications are processed, we will incorporate such audit reports as part of their franchise conditions.

In those existing franchises that do not voluntarily comply, we will schedule staff audits of the activity, again subject to the cost effectiveness potential of such action.

We agree with your findings and recommendations listed in your review.

PA/clo