

**BOARD OF PILOT COMMISSIONERS
FOR THE BAYS OF SAN FRANCISCO,
SAN PABLO AND SUISUN**

Independent Accountant's Report

AGREED-UPON PROCEDURES

For the Review of the

SAN FRANCISCO BAR PILOTS

January 1, 2018, through December 31, 2018



BETTY T. YEE
California State Controller

March 2020



BETTY T. YEE
California State Controller

March 17, 2020

Allen Garfinkle, Executive Director
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun
660 Davis Street
San Francisco, CA 94111

Dear Mr. Garfinkle:

The State Controller's Office has applied agreed-upon procedures for the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun for the review of the San Francisco Bar Pilots. We applied the agreed-upon procedures under Agreement No. 17M900005-2 for the period of January 1, 2018, through December 31, 2018.

We found that \$120 was billed and remitted per vessel move for pilot trainee training program surcharges from November 16, 2018, to November 28, 2018. The charge was based on eight program participants, although there were only seven participants in the program during this period. The charge should have been \$105 per vessel move. As a result, \$4,725 was overbilled and remitted for 315 vessel moves during this period.

As mutually agreed at the exit conference on March 6, 2020, we will not issue a draft report.

If you have any questions, please contact Joel James, Chief, Financial Audits Bureau, by telephone at (916) 323-1573.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Roma Cristia-Plant, Assistant Director
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun
Captain Joseph Long, Port Agent
San Francisco Bar Pilots

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BETTY T. YEE
California State Controller

**INDEPENDENT ACCOUNTANT’S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Executive Director of the Board of Pilot Commissioners for the Bay of San Francisco, San Pablo and Suisun

The State Controller’s Office (SCO) has performed the procedures enumerated below, which were agreed to by the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun (Board) to test financial-schedule data against selected criteria; the procedures included determining conformance with selected criteria and Harbors and Navigation Code sections for the period of January 1, 2018, through December 31, 2018. The procedures were performed to assist the Board in evaluating the San Francisco Bar Pilots compliance with billing, collecting, depositing, and accounting for surcharges. This agreed-upon procedures engagement was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. The accuracy of the records is solely the responsibility of the San Francisco Bar Pilots. Consequently, the SCO makes no representation regarding the sufficiency of the procedures described below or the accuracy of the accounting records provided, either for the purpose for which this report has been requested or for any other purpose.

The procedure and associated findings are as follows:

AGREED-UPON PROCEDURES (AUP)	RESULTS
Schedule of Board Operations Surcharges, Billings, and Disbursements (Schedule 1) 1 – Sampling 15 invoices per year, verify that the mathematical accuracy of the calculations of billing rates charged for pilotage services were in accordance with the rates established in the Harbors and Navigation Code.	We found no exceptions as a result of this procedure.
2 – Sampling 15 invoices per year, verify that the mathematical accuracy of the calculations used for billing Board Operations Surcharges were in accordance with rates established by the Board.	We found no exceptions as a result of this procedure.
3 – Sampling 15 invoices per year, verify that Board Operations Surcharges were billed, collected, deposited, and accounted for in the Schedule of Board Operations Surcharges, Billings and Disbursements.	We found no exceptions as a result of this procedure.

AGREED-UPON PROCEDURES (AUP)	RESULTS
4 – Sampling 15 invoices per year, verify that the Schedule of Board Operations Surcharges, Billings and Disbursements contains the disbursements of surcharges in compliance with Harbors and Navigation Code.	We found no exceptions as a result of this procedure.
<p>Schedule of Pilot Trainee Training Program Surcharges, Billings, and Disbursements (Schedule 2)</p> <p>5 – Sampling 15 invoices per year, verify that the surcharges used for the training program were per trainee, per vessel movement, in accordance with the rates established by the Board.</p>	We found no exceptions as a result of this procedure.
6 – Sampling 15 invoices per year, verify the mathematical accuracy of the calculations used for billing surcharges for the trainee training program.	We found no exceptions as a result of this procedure.
7 – Sampling 15 invoices per year, verify that revenues (billings) were billed, collected, deposited, and accounted for in the Schedule of Pilot Trainee Training Program Surcharges, Billings and Disbursements.	We found no exceptions as a result of this procedure.
8 – Sampling 15 invoices per year, verify that the Schedule of Pilot Trainee Training Program Surcharges, Billings and Disbursements contains the disbursements of surcharges in compliance with Harbors and Navigation Code.	We found that \$120 was billed and remitted per vessel move for the pilot trainee training program surcharges from November 16, 2018, to November 28, 2018. The charge was based on eight program participants, although there were only seven participants in the program during this period. The charge should have been \$105 per vessel move. As a result, \$4,725 was overbilled and remitted for 315 vessel moves during this period.
<p>Schedule of Pilot Continuing Education Surcharges, Billings, and Disbursements (Schedule 3)</p> <p>9 – Sampling 15 invoices per year, verify that the surcharges used for the pilot continuing education program were per vessel movement in accordance with the rates established by the Board.</p>	We found no exceptions as a result of this procedure.
10 – Sampling 15 invoices per year, verify the mathematical accuracy of the calculations used for billing surcharges for the pilot continuing education program.	We found no exceptions as a result of this procedure.

AGREED-UPON PROCEDURES (AUP)	RESULTS
11 – Sampling 15 invoices per year, verify that revenues (billings) were billed, collected, deposited, and accounted for in the Schedule of Pilot Continuing Education Surcharges, Billings and Disbursements.	We found no exceptions as a result of this procedure.
12 – Sampling 15 invoices per year, verify that the Schedule of Pilot Continuing Education Surcharges, Billings and Disbursements contains the disbursements of surcharges in compliance with Harbors and Navigation Code.	We found no exceptions as a result of this procedure.
<p>Schedule of Navigation Technology Surcharges, Billings, and Disbursements (Schedule 4)</p> 13 – Sampling 15 invoices per year, verify that the Navigation Technology Surcharges were per vessel movement in accordance with the rates established by the Board.	We found no exceptions as a result of this procedure.
14 – Sampling 15 invoices per year, verify the mathematical accuracy of the calculations for the amounts used for billings of the Navigation Technology Surcharges.	We found no exceptions as a result of this procedure.
15 – Sampling 15 invoices per year, verify that revenues (billings) were billed, collected, deposited, and accounted for in the Schedule of Navigation Technology Surcharges, Billings and Disbursements.	We found no exceptions as a result of this procedure.
16 – Sampling 15 invoices per year, verify that the Schedule of Navigation Technology Surcharges, Billings and Disbursements contains the disbursement of surcharges in compliance with Harbors and Navigation Code.	We found no exceptions as a result of this procedure.
<p>Schedule of Pilot Pension Plan Surcharges, Billings, and Disbursements (Schedule 5)¹</p> 17 – Sampling 15 invoices per year, verify that the San Francisco Bar Pilot Pension Plan (Pilot Pension Plan) surcharges were per the applicable mill rate per high-gross-registered ton for each vessel subject to the basic bar pilotage fee and surcharges in accordance with the Harbors and Navigation Code and the rates approved by the Pension Plan Fiduciary.	We found no exceptions as a result of this procedure.

¹ The accompanying schedule, as revised by the Board of Pilot Commissioners, is titled 2018 Pilot Pension Plan Surcharges Fiscal Activity.

AGREED-UPON PROCEDURES (AUP)	RESULTS
18 – Sampling 15 invoices per year, verify the mathematical accuracy of the calculations used for billing Pilot Pension Plan surcharges.	We found no exceptions as a result of this procedure.
19 – Sampling 15 invoices per year, verify that Pilot Pension Plan revenues (billings) were billed, collected, deposited, and accounted for in the Schedule of Pilot Pension Plan Surcharges, Billings and Disbursements.	We found no exceptions as a result of this procedure.
20 – Sampling 15 invoices per year, verify that the Schedule of Pilot Pension Plan Surcharges, Billings and Disbursements contains the disbursements of surcharges in compliance with Harbors and Navigation Code and as approved by the Pilot Pension Plan Fiduciary.	We found no exceptions as a result of this procedure.

The SCO was not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion on the Agreed-Upon Procedures set forth in the accompanying schedules². Accordingly, the SCO does not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun, and the San Francisco Bar Pilots. It is not intended to be and should not be used by anyone other than those specific parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

Sacramento, California

March 17, 2020

²The accompanying schedules were prepared by the San Francisco Bar Pilots and included as supplementary information at the request of the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun.

**Schedule 1—
2018 Board Operations
Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

Unremitted Surcharges at December 31, 2017	\$ 218,093
Less: Amount of 2017 Surcharges Remitted in 2018	<u>(218,093)</u>
Unremitted 2017 Surcharges Remaining at December 31, 2018	<u>\$ -</u>
Total Surcharges Remitted in 2018	\$ 1,270,332
Less: Amount of 2017 Surcharges Remitted in 2018	<u>(218,093)</u>
Total 2018 Surcharges Remitted in 2018	<u>\$ 1,052,239</u>
Total Surcharge Billings for 2018	\$ 1,264,997
Less: Total 2018 Surcharges Remitted in 2018	<u>(1,052,239)</u>
Unremitted Surcharges at December 31, 2018	<u>\$ 212,758</u>

**Schedule 2—
2018 Pilot Trainee Training Program
Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

Unremitted Surcharges at December 31, 2017	\$ 144,079
Less: Amount of 2017 Surcharges Remitted in 2018	<u>(144,079)</u>
Unremitted 2017 Surcharges Remaining at December 31, 2018	<u><u>\$ -</u></u>
Total Surcharges Remitted in 2018	\$ 1,179,670
Less: Amount of 2017 Surcharges Remitted in 2018	<u>(144,079)</u>
Total 2018 Surcharges Remitted in 2018	<u><u>\$ 1,035,591</u></u>
Total Surcharge Billings for 2018	\$ 1,173,790
Less: Total 2018 Surcharges Remitted in 2018	<u>(1,035,591)</u>
Unremitted Surcharges at December 31, 2018	<u><u>\$ 138,199</u></u>

**Schedule 3—
2018 Pilot Continuing Education
Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

Unremitted Surcharges at December 31, 2017	\$ 1,234
Less: Amount of 2017 Surcharges Remitted in 2018	<u>(1,234)</u>
Unremitted 2017 Surcharges Remaining at December 31, 2018	<u><u>\$ -</u></u>
Total Surcharges Remitted in 2018	\$ 113,195
Less: Amount of 2017 Surcharges Remitted in 2018	<u>(1,234)</u>
Total 2018 Surcharges Remitted in 2018	<u><u>\$ 111,961</u></u>
Total Surcharge Billings for 2018	\$ 128,610
Less: Total 2018 Surcharges Remitted in 2018	<u>(111,961)</u>
Unremitted Surcharges at December 31, 2018	<u><u>\$ 16,649</u></u>

**Schedule 4—
2018 Navigation Technology
Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

Total Surcharges Received in 2018	\$ 342,520
Less: Amount of 2017 Surcharges Received in 2018	(30,280)
Total 2018 Surcharges Received in 2018	<u>\$ 312,240</u>
Total Surcharge Billings for 2018	\$ 342,640
Less: Total 2018 Surcharges Received in 2018	(312,240)
Total Uncollected Surcharges at December 31, 2018	<u>\$ 30,400</u>
Navigation Technology Sources of Funds:	
Total Sources Available at December 31, 2017	\$ 1,004,098
Surcharge Billings	342,640
Total Sources Available at December 31, 2018	<u>1,346,738</u>
Navigation Technology Uses of Funds:	
Total Uses at December 31, 2017	851,296
Line of Credit Interest Paid in 2018	36,633
Principal Loan Payment in 2018	121,036
Loan Pay Down in 2018	150,000
Recovered Navigation Technology Costs in 2018	65,482
Total Uses at December 31, 2018	<u>1,224,447</u>
Difference Between Sources and Uses	<u>\$ 122,291</u>
Checking Account Reconciliation:	
Checking Account Balance December 31, 2018	\$ 94,122
2018 Surcharge Billings Not Yet Transferred to Checking Account	28,320
Unrecovered 2018 Approved Navigation Technology Costs	(151)
Total	<u>\$ 122,291</u>

**Schedule 5—
2018 Pilot Pension Plan Surcharges
Fiscal Activity
(Prepared by the San Francisco Bar Pilots)**

2018 Pension Surcharge Disbursements: ¹	
Pension Surcharge Billings Reported to BOPC (December 2017-November 2018)	\$ 10,361,439
Less: Administrative Costs Paid	<u>(25,480)</u>
Surcharge Available for Disbursement to Beneficiaries	10,335,959
Less: Retained Amounts Due to Beneficiaries	(13,332)
Add: Disbursed Retained Amounts Due to Beneficiaries	58,705
Less: Deductions for Heath Plan Dues at Request of Beneficiaries	<u>(483,909)</u>
Net Amount Remitted to Payroll Agent for Disbursement to Beneficiaries	<u><u>\$ 9,897,423</u></u>
Beneficiary Actual-to-Target Pension Amounts:	
Surcharge Available for Disbursement to Beneficiaries	\$ 10,335,959
Beneficiary Total Target Pension Amount (December 2017-November 2018)	<u>10,058,710</u>
Over (Under) Target Pension Amounts	<u><u>\$ 277,249</u></u>

¹ Pension Surcharge amounts billed in one month are available to be disbursed in the following month. On occasion, the Plan Primary Fiduciary may withhold a beneficiary's monthly payment(s), typically until a successor in interest can be determined. Otherwise, there retention or investment of Pension Plan Surcharge monies.

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>