

December 30, 2019

David S. Kim, Secretary  
California State Transportation Agency  
915 Capitol Mall, Suite 350-B  
Sacramento, CA 95814

Dear Mr. David S. Kim,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact Roma Cristia-Plant, Assistant Director, at (415) 397-2253, [roma.cristia@bopc.ca.gov](mailto:roma.cristia@bopc.ca.gov).

## **GOVERNANCE**

### **Mission and Strategic Plan**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (BOPC or Board), a special-funded, single-purpose state entity, was established and has continuously served since 1850 to license, train and regulate qualified mariners to navigate ships that are 750 tons or greater that call on the San Francisco Bays, its tributaries, including the Ports of Stockton and Sacramento, and Monterey Bay. The BOPC's mission is to provide competent, efficient and regulated pilotage to ensure the protection and safety of persons, vessels, property and ecosystems in the BOPC's jurisdiction at no cost to the taxpayer.

The BOPC is mission and goal is to:

- Establish the number of maritime pilots needed based on current economic trends and other factors.
- License maritime pilots, including ensuring that all licensed pilots and trainees are fit for duty.
- Adopt training standards and administer training programs for pilots and pilot trainees.
- Investigate incidents involving pilots.
- Administer the San Francisco Bar Pilot Pension Plan, as defined in State law, including the selection of a Primary Fiduciary that sets a surcharge that funds pensions.
- Make recommendations to the Legislature regarding rates pilots charge for their services.
- Establish and charge surcharges to fund BOPC's operations and programs, and Board-approved pilot equipment.

The BOPC consists of eight commissioners appointed by the Governor, confirmed by the Senate, and includes: two members who are Board-licensed pilots, two members who represent the shipping industry, three members of the public, and the California Transportation Agency Secretary, who is a ex officio, non-voting member. As of December 31, 2019, all Board member positions are filled. The

BOPC has four full-time, permanent staff, with one position vacant as of December 31, 2019.

BOPC-licensees have exclusive authority to navigate vessels in the BOPC's jurisdiction, and have organized themselves as the San Francisco Bar Pilots (SFBP). The SFBP charges Legislatively-established "pilotage rates" upon the delivery of services to its shipping customers. The SFBP, on behalf of the BOPC, also charges and collects from its customers BOPC-designated surcharges that support the BOPC, its programs and pays for BOPC-approved pilot equipment. All of BOPC's operations and programs are paid for by the shipping industry.

The BOPC principally administers two programs--the Pilot Trainee Training Program and the Pilot Continuing Education Program. For administrative and operational purposes, the BOPC contracts with a variety of state and other governmental entities including the following:

- California Highway Patrol (CHP) for administrative support services, including accounting, budgets, contracts, purchasing and personnel.
- Department of Justice for legal support, including Board Counsel and legal assistance with maritime incident investigations.
- Regents of the University of California, on behalf of the San Francisco Department of Occupational and Environmental Medicine for pilot and trainee medical examinations and fitness determinations.
- California State University Maritime Academy for administration of Pilot Trainee Training Program selection examinations, and for Pilot Continuing Education Program courses.
- California Department of Human Resources, Selection Service Program, for administration of Pilot Trainee Training Program selection examination.
- California State Controller's Office for audits of pilotage rates and various BOPC-designated surcharges.
- California Department of Technology for information technology services.
- California Department of Transportation for information technology services, planning and reporting support.

The BOPC also contracts with private entities including the SFBP, various Commission Investigators, a CPA firm for pension plan calculations, and an international pilot training firm to ensure that its mission is accomplished.

Statutory provisions applicable to the BOPC are found in the Harbors and Navigation Code sections 1100 *et seq.* BOPC-promulgated regulations can be found in Title 7 of the California Code of Regulations, sections 201-237.

## **Control Environment**

The BOPC is governed by a by an eight-member Board, and meets monthly to conduct business. The President of the Board has established several committees of the Board that thoroughly review issues, and make recommendations to the Board. The Board is the decision-maker.

The BOPC is a constituent entity of the California Transportation Agency (CalSTA). CalSTA provides governmental oversight assistance to the BOPC.

The Board is responsible for the integrity and ethical values of the organization. The Board appoints the Executive Director. The Executive Director reports to the Board, and is responsible for the day-to-

day operations of the organization. The Assistant Director is appointed by the CalSTA Secretary. The Assistant Director reports to the Executive Director, the Board and the CalSTA Secretary, and also directly supervises the two professional staff.

To ensure the integrity and ethical values of the organization, the Board, through its executive staff, ensures that Conflict of Interest regulations are appropriate, all Board members, staff and certain contractors timely file Statements of Economic Interests (Form 700) and complete ethics training. The Board also posts whistle blower information in a location that is accessible to the Board and the public.

The Executive Director ensures the hiring of competent staff, and the Assistant Director ensures the provision of adequate control systems, and the documentation thereof.

The Executive Director's performance is annually evaluated by the Board. The Executive Director evaluates the performance of the Assistant Director, and the Assistant Director evaluates the professional staff's performance.

### **Information and Communication**

As a very small organization with four staff, the Board can nimbly respond to make operational and programmatic decisions on a flow basis. Operational, programmatic and administrative issues are discussed between professional staff and executive staff as they arise, solutions are arrived at and immediately implemented.

Financial decisions within the Board's annual budget are made by the executive staff, Executive staff prepare budget change proposals to ensure sufficient budgetary authority to achieve the BOPC's mission. Financial decisions involving surcharges set by the Board are made by the Board's Finance Committee at quarterly meetings, and ultimately reviewed and approved by the Board. The Finance Committee and Board meetings are public, and the Finance Committee and the Board provide an opportunity for the public to provide input prior to making decisions.

### **MONITORING**

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Allen Garfinkle, Executive Director; and Roma Cristia-Plant, Assistant Director.

As a very small organization, the BOPC's two executive staff are responsible for ensuring that potential problems are identified, solutions are found, and implemented and monitored to ensure that the problem has been resolved or that the solution did not create other problems. Since the executive staff are involved with the day-to-day operations, there are insufficient staff not involved with day-to-day operations to review and/or monitor the control systems.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun risk assessment process: executive management.

The following methods were used to identify risks: brainstorming meetings, other/prior risk assessments, consideration of potential fraud, and other.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, and tolerance level for the type of risk.

Since the BOPC is a very small organization, informal processes are used to identify and assess risks to its mission.

## **RISKS AND CONTROLS**

### **Risk: Key Person Dependence and Succession Planning**

The BOPC has two executive staff (Executive Director and Assistant Director), and two professional staff (Associate Governmental Program Analyst and Administrative Assistant II). A loss of any one or both professional staff would put a significant strain on the remaining staff to ensure that mission critical work is completed. A loss of one or both executive staff would seriously impact the BOPC's ability to carry out its mission.

#### **Control: A. Workforce and Succession Planning**

Workforce and succession plan could reduce the risk of having a key person dependence in a small organization.

### **Risk: Resource Management--Allocation, Leave Balance**

Staff with high leave balances create impacts to either staffing availability if the leave is used or the budget if staff with high leave balances retire. If staff takes the excess leave time, there is insufficient staff available to ensure that mission critical work gets done. If staff retire with high leave balances, the BOPC's small budget may not be able to pay off the leave balance and still pay for mission critical items within the budget's legal limit.

#### **Control: A. Monitoring Leave Balances**

The BOPC should monitor staff leave balances, and encourage staff to use excess leave time to the extent that the use of the leave time does not impact the completion of mission critical tasks.

### **Risk: Small Organization Mission Risks Contracting Out**

Since the BOPC is a very small entity with four full-time staff and a part-time Board, the BOPC must contract with other governmental entities to achieve its mission. While inter-agency agreements have worked out relatively well for the BOPC, often the BOPC's workload is secondary to the workload of the contracted entity, causing delays and other programmatic issues related to the BOPC's operations.

### **Control: A. Monitor and Manager Inter-agency Agreements**

To ensure that the BOPC's mission is appropriately and timely completed, BOPC staff strive to ensure a good working relationship with the staff of other governmental entities that it contracts with. The BOPC is also diligent in writing inter-agency contract scopes of work to ensure that the contracting entity knows the work that is expected, and the timetable to complete the workload.

### **CONCLUSION**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Allen Garfinkle, Executive Director**

CC: California Legislature [Senate (2), Assembly (1)]  
California State Auditor  
California State Library  
California State Controller  
Director of California Department of Finance  
Secretary of California Government Operations Agency