

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

Independent Accountant's Report
on Applying Agreed-upon Procedures

**SAN FRANCISCO BAR PILOTS
AND THE SAN FRANCISCO BAR PILOTS
BENEVOLENT AND PROTECTIVE ASSOCIATION**

January 1, 2020, through December 31, 2020



BETTY T. YEE
California State Controller

April 2022



BETTY T. YEE
California State Controller

April 25, 2022

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 and the San Francisco Bar Pilots Benevolent and Protective Association. We applied the agreed-upon procedures to the surcharge schedules under Agreement Number 20M900004 for the period of January 1, 2020, through December 31, 2020.

As a result of performing the agreed-upon procedures, we determined that \$3,690 in surcharges was not correctly billed and was not in compliance with the Harbors and Navigation Code, as described in the Finding section of this report.

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

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/lr

cc: 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**

The State Controller’s Office (SCO) has performed the procedures described below, which were agreed to by the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun (Board) and the SCO, on the surcharge billing and disbursement schedules of the San Francisco Bar Pilots (SFBP) for the period of January 1, 2020, through December 31, 2020.

The SFBP’s management is responsible for the surcharge billing and disbursement schedules.

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun has agreed to the procedures performed and acknowledged that they are appropriate to meet the intended purpose of the engagement to evaluate the SFBP’s compliance with billing, collecting, depositing, and accounting for surcharges in accordance with selected criteria and Harbors and Navigation Code sections. Additionally, the SFBP has agreed to and acknowledged that the procedures performed are appropriate for its purposes. The procedures performed may not address all of the items of interest to a user of this report, and may not meet the needs of all users of this report; therefore, users are responsible for determining whether the procedures are appropriate for their purposes.

The procedures and associated findings are as follows:

AGREED-UPON PROCEDURES	FINDINGS
Schedule of Board Operations Surcharges, Billings, and Disbursements 1. Sampled 15 invoices per year, and verified that the mathematical accuracy of the calculations of billing rates charged for pilotage services was in accordance with the rates established in the Harbors and Navigation Code.	We found no exceptions as a result of this procedure.
2. Sampled 15 invoices per year, and verified that the mathematical accuracy of the calculations used for billing Board Operations Surcharges was in accordance with rates established by the Board.	We found no exceptions as a result of this procedure.
3. Sampled 15 invoices per year, and verified 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	FINDINGS
4. Sampled 15 invoices per year, and verified 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</p> <p>5. Sampled 15 invoices per year, and verified 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. Sampled 15 invoices per year, and verified 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. Sampled 15 invoices per year, and verified 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. Sampled 15 invoices per year, and verified that the Schedule of Pilot Trainee Training Program Surcharges, Billings, and Disbursements contains the disbursements of surcharges in compliance with Harbors and Navigation Code.	<p>FINDING : We found the pilot trainee training program surcharge amounts were over-billed as follows:</p> <p>Eighty dollars was billed and remitted per vessel move from July 17, 2020, through July 31, 2020; and from August 1, 2020, through August 4, 2020. The charge was based on eight program participants, although there were seven participants in the program during these periods. The charge should have been \$70 per vessel move. As a result, \$2,880 was over-billed and remitted for 288 vessel moves from July 17, 2020, through July 31, 2020; and \$810 was over-billed and remitted for 81 vessel moves from August 1, 2020, through August 4, 2020.</p> <p>See the Finding section.</p>
<p>Schedule of Pilot Continuing Education Surcharges, Billings, and Disbursements</p> <p>9. Sampled 15 invoices per year, and verified 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.

AGREED-UPON PROCEDURES	FINDINGS
10. Sampled 15 invoices per year, and verified 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.
11. Sampled 15 invoices per year, and verified 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. Sampled 15 invoices per year, and verified 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 Billings and Expenses</p> <p>13. Sampled 15 invoices per year, and verified that the Navigation Technology Surcharges were per vessel movement in accordance with the rates established by the Board.</p>	We found no exceptions as a result of this procedure.
14. Sampled 15 invoices per year, and verified 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. Sampled 15 invoices per year, and verified 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. Sampled 15 invoices per year, and verified 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 San Francisco Bar Pilot Pension Plan Surcharges Fiscal Activity</p> <p>17. Sampled 15 invoices per year, and verified 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.</p>	We found no exceptions as a result of this procedure.

AGREED-UPON PROCEDURES	FINDINGS
18. Sampled 15 invoices per year, and verified the mathematical accuracy of the calculations used for billing Pilot Pension Plan surcharges.	We found no exceptions as a result of this procedure.
19. Sampled 15 invoices per year, and verified that Pilot Pension Plan revenues (billings) were billed, collected, deposited, and accounted for in the Schedule of Pilot Pension Plan Surcharges Fiscal Activity.	We found no exceptions as a result of this procedure.
20. Sampled 15 invoices per year, and verified that the Schedule of Pilot Pension Plan Surcharges Fiscal Activity 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 engaged by the Board to perform this agreed-upon procedures engagement 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 SCO was not engaged to, and did not, conduct an examination or review, the objective of which would be to express an opinion or conclusion, respectively, on the SFBP's surcharge billing and disbursement schedules. Accordingly, the SCO does not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

The SCO is required to be independent of the SFBP and to meet other ethical responsibilities, in accordance with *Government Auditing Standards*, relating to agreed-upon procedures engagements.

The purpose of this report is to communicate to the Board and SFBP the results of the aforementioned agreed-upon procedures that the SCO performed in accordance with applicable standards. This report is not suitable for any other purpose. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

Sacramento, California

April 25, 2022

**Schedule 1—
2020 Board Operations Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

Accounts Receivable Details Historical Report as of December 31, 2019	\$ 103,468	
Plus: Unremitted Surcharges to the Board as of December 31, 2019	<u>102,527</u>	
Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2019	<u>\$ 205,995</u>	\$ 205,995
Plus: Amount Billed in 2020		1,333,280
Less: Amount Remitted in 2020		<u>(1,270,000)</u>
Calculated Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		<u>269,275</u>
Accounts Receivable Details Historical Report as of December 31, 2020		121,892
Plus: Unremitted Surcharges to the Board as of December 31, 2020		<u>146,689</u>
Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		<u>268,581</u> \$ 268,581
Unknown Difference Between Calculated Accounts Receivable less Account Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		<u>\$ 694</u>
General Ledger as of December 31, 2020		(268,306)
Unknown Difference Between Accounts Receivable Historical Report and Unremitted Surcharges to the Board less General Ledger as of December 31, 2020		<u>\$ 275</u>

**Schedule 2—
2020 Pilot Trainee Training Program
Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

Accounts Receivable Details Historical Report as of December 31, 2019	\$ 57,610	
Plus: Unremitted Surcharges to BOPC as of December 31, 2019	<u>60,185</u>	
Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2019	<u>\$ 117,795</u>	\$ 117,795
Plus: Amount Billed in 2020		575,090
Less: Amount Remitted in 2020		<u>(594,775)</u>
Calculated Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		<u>98,110</u>
Accounts Receivable Details Historical Report as of December 31, 2020		45,250
Plus: Unremitted Surcharges to the Board as of December 31, 2020		<u>52,620</u>
Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		<u>97,870</u> \$ 97,870
Unknown Difference Between Calculated Accounts Receivable less Account Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		<u>\$ 240</u>
General Ledger as of December 31, 2020		(97,555)
Unknown Difference Between Accounts Receivable Historical Report and Unremitted Surcharges to the Board less General Ledger as of December 31, 2020		<u>\$ 315</u>

Schedule 3—
2020 Pilot Continuing Education Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)

Accounts Receivable Details Historical Report as of December 31, 2019	\$ 25,235		
Plus: Unremitted Surcharges to BOPC as of December 31, 2019	26,290		
Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2019	\$ 51,525	\$ 51,525	
Plus: Amount Billed in 2020		276,375	
Less: Amount Remitted in 2020		(278,840)	
Calculated Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31,		49,060	
Accounts Receivable Details Historical Report as of December 31, 2020		22,610	
Plus: Unremitted Surcharges to the Board as of December 31, 2020		26,320	
Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		48,930	\$ 48,930
Unknown Difference Between Calculated Accounts Receivable less Account Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020		\$ 130	
General Ledger as of December 31, 2020			(48,890)
Unknown Difference Between Accounts Receivable Historical Report and Unremitted Surcharges to the Board less General Ledger as of December 31, 2020			\$ 40

Schedule 4—
2020 Navigation Technology Billings and Expenses
(Prepared by the San Francisco Bar Pilots)

Navigation Technology Billings 2017	\$ 177,880
Navigation Technology Billings 2018	342,640
Navigation Technology Billings 2019	345,160
Navigation Technology Billings 2020	331,800
	<hr/>
Total Navigation Technology Billings	<u>\$ 1,197,480</u>
Navigation Technology Expenses 2017	\$ 851,296
Navigation Technology Expenses 2018	102,115
Navigation Technology Expenses 2019	43,945
Navigation Technology Expenses 2020	25,881
	<hr/>
Total Navigation Technology Expenses	<u>\$ 1,023,237</u>

**Schedule 5—
2020 Pilot Pension Plan Surcharges Fiscal Activity
(Prepared by the San Francisco Bar Pilots)**

2020 Pension Surcharge Disbursements: ¹	
Pension Surcharge Billings Reported to the Board (December 2019-November 2020)	\$ 10,395,814
Less: Administrative Costs Paid	<u>(53,696)</u>
Surcharge Available for Disbursement to Beneficiaries	10,342,118
Less: Retained Amounts Due to Beneficiaries	(828)
Add: Disbursed Retained Amounts Due to Beneficiaries	7,913
Less: Deductions for Union Dues at Request of Beneficiaries	(7,650)
Less: Deductions for Health Plan Dues at Request of Beneficiaries	<u>(493,746)</u>
Net Amount Remitted to Payroll Agent for Disbursement to Beneficiaries	<u>\$ 9,847,807</u>
Beneficiary Actual-to-Target Pension Amounts:	
Surcharge Available for Disbursement to Beneficiaries	\$ 10,342,118
Less: Beneficiary Total Target Pension Amount (December 2019-November 2020)	<u>(11,912,429)</u>
Over (Under) Target Pension Amounts	<u>\$ (1,570,311)</u>

¹Pension 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 is no other retention or investment of Pension Plan Surcharge monies.

Finding

**FINDING—
Trainee Training
Program Surcharges
Over-Billed**

**Agreed-upon
Procedure Number 8**

The SFBP over-billed the trainee training surcharge to vessel companies for the periods of July 17, 2020, to July 31, 2020; and August 1, 2020, to August 4, 2020. The vessel companies were billed \$80 per vessel move based on eight trainees instead of \$70 per vessel move for seven trainees.

During fieldwork, the Board's Executive Director informed us that the Board had not removed a trainee from the count of the trainee training program participants after the trainee's contract expired. The trainee was no longer in the program after July 16, 2020. The Board did not communicate this information to the SFBP. The Executive Director provided an accounting of the correct number of training program participants for the months of July, August, and September 2020. The SFBP provided verification of the trainee count, and of the amount that was over-billed for the periods of July 17, 2020, to July 31, 2020; and August 1, 2020 to August 4, 2020. We determined that the trainee counts and billings for September 2020 were correct.

Eighty dollars was billed and remitted per vessel move for the periods of July 17, 2020, to July 31, 2020; and August 1, 2020, to August 4, 2020. The charge was based on eight program participants, although there were seven participants in the program during these periods. The charge should have been \$70 per vessel move. As a result, \$2,880 was over-billed and remitted for 288 vessel moves from July 17, 2020, to July 31, 2020; and \$810 was over-billed and remitted for 81 vessel moves from August 1, 2020, to August 4, 2020.

Harbors and Navigation Code section 1195(a) states:

In addition to other fees for pilotage, there shall be a surcharge in an amount established by the board for each movement of a vessel using pilot services for each pilot trainee who is enrolled in the pilot trainee training program established by the board.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

<http://www.sco.ca.gov>