

January 02, 2024

Toks Omishakin, Secretary  
California State Transportation Agency  
915 Capitol Mall, Suite 350-B  
Sacramento, CA 95814

Dear Secretary Toks Omishakin,

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, 2023.

Should you have any questions please contact Allen Garfinkle, Executive Director, at (415) 397-2253, [allen.garfinkle@bopc.ca.gov](mailto:allen.garfinkle@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 Board 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, 2023, the Wet Cargo representative of the shipping industry seat on the Board is vacant.

The BOPC goals are:

- 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.
- Establish and charge surcharges to fund BOPC's operations and programs, and Board approved pilot equipment.

## **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 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 three 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 five staff, the Board can nimbly respond to and 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 implemented. Financial decisions regarding 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. Board staff prepare reports containing budgetary information, including but not limited to, revenue, expenditures and fiscal forecasting to the Board's Financial Committee. The Finance Committee reviews and makes recommendations regarding surcharge rates to the Board which ultimately reviews and approves or rejects the recommendations. 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: Matthew Millspaugh, Assistant Director; Allen Garfinkle, Executive Director.

The information included below discusses the entity-wide, continuous processes in place to

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ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the BOPC's monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Allen Garfinkle, Executive Director; Assistant Director, Matthew Millsbaugh. As a very small organization, the BOPC's two executive staff mentioned above are responsible for ensuring continuous processes are in force to ensure internal control systems are working as intended. The two executive staff are also responsible for identifying potential issues that may negatively impact the BOPC's ability to carry out its mission, identify and implement solutions which are monitored to ensure that the issues been resolved and/or the solution implemented do not create other cascading issues. As executive staff are involved in the day-to-day operations of the of the BOPC, and the BOPC has a very limited number of staff (three total), monitoring and reviewing systems may at times be delayed. The BOPC received authority for one additional staff in FY 2022-2023, bringing BOPC staff total to five (including the executive staff) which should increase staff resources to carry out day-to-day operations and allow executive staff more time for monitoring and reviewing BOPC practices, and resolving related issues.

## **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, and middle management.

The following methods were used to identify risks: brainstorming meetings, audit/review results, and external stakeholders.

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

The BOPC is a very small organization, as such 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 three professional staff (Staff Services Manager 1, and two Associate Governmental Program Analyst). A loss of any one of the BOPC's 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: Control 1**

Workforce and succession planning, accompanied with well written desk manuals would help mitigate steep learning curve inherent in personnel succession. Additionally, the

implementation of the BOPC's IT Modernization Project, which is in its early stages to digitize/modernize the BOPC's business processes, will help ensure data integrity and create more efficient work processes/flow and help ensure information moves from one staff person to the next as needed. The combination of these controls could reduce the risk of having a key person dependence in a small organization.

## **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