

**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, 2021, through December 31, 2021



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 24, 2024

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 20M90004 for the period of January 1, 2021, through December 31, 2021.

As a result of performing the agreed-upon procedures, we determined that in calendar year 2020 \$163,364 of navigation technology surcharges was not properly accounted for, as described in the Finding section of this report.

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

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/rs

Copy: Matthew Millspaugh, Assistant Director
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun
John Carlier, Port Agent
San Francisco Bar Pilots

Contents

| | |
|--|-----------|
| Independent Accountant’s Report on Applying Agreed-upon Procedures..... | 1 |
| Board Operations Surcharges, Billings, and Disbursements | |
| Schedule 1—2021 | 6 |
| Pilot Trainee Training Program Surcharges, Billings, and Disbursements | |
| Schedule 2—2021 | 7 |
| Pilot Continuing Education Surcharges, Billings, and Disbursements | |
| Schedule 3—2021 | 8 |
| Dispatch System Surcharges, Billings, and Disbursements | |
| Schedule 4—2021 | 9 |
| Pilot Boat Maintenance Surcharges, Billings, and Disbursements | |
| Schedule 5—2021 | 10 |
| Navigation Technology Billings and Expenses | |
| Schedule 6—2021 | 11 |
| Pilot Pension Plan Surcharges Fiscal Activity | |
| Schedule 7—2021 | 12 |
| Finding | 13 |
| Attachment—Board’s Response to Draft Report | |



MALIA M. COHEN
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, 2021, through December 31, 2021. The SFBP's management is responsible for the surcharge billing and disbursement schedules.

The Board has agreed to the procedures performed and acknowledged that they are appropriate to meet the Board's 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, and to report on findings based on the procedures performed. Additionally, the SFBP has agreed to and acknowledged that the procedures performed are appropriate for their 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 data-bbox="237 426 792 495">Schedule of Pilot Trainee Training Program Surcharges, Billings, and Disbursements</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. | 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. | We found no exceptions as a result of this procedure. |
| <p data-bbox="237 1213 743 1283">Schedule of Pilot Continuing Education Surcharges, Billings, and Disbursements</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. | We found no exceptions as a result of this procedure. |
| 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. |

| AGREED-UPON PROCEDURES | FINDINGS |
|---|---|
| 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 Pilot Dispatch System Surcharges, Billings, and Disbursements</p> 13. Sampled 15 invoices per year, and verified that the Pilot Dispatch System Surcharges were per vessel movement in accordance with the rate established by the Board. | 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 pilot dispatch system surcharges. | We found no exceptions as a result of this procedure. |
| 15. Sampled 15 invoices per year, and verified that Pilot Dispatch System Surcharge revenues (billings) were billed, collected, deposited, and accounted for in the Schedule of Pilot Dispatch System 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 Pilot Dispatch System Surcharges, Billings, and Disbursements contains the disbursements of surcharges in compliance with Harbors and Navigation Code and as approved by the Board. | We found no exceptions as a result of this procedure. |
| <p>Schedule of Pilot Boat Maintenance Surcharges, Billings, and Disbursements</p> 17. Sampled 15 invoices per year, and verified that the Pilot Boat Maintenance Surcharges were per vessel movement in accordance with the rate established by the Board. | We found no exceptions as a result of this procedure. |
| 18. Sampled 15 invoices per year, and verified the mathematical accuracy of the calculations for the amounts used for billings of Pilot Boat Maintenance Surcharges. | We found no exceptions as a result of this procedure. |
| 19. Sampled 15 invoices per year, and verified that Pilot Boat Maintenance Surcharge revenues (billings) were billed, collected, deposited, and accounted for in the Schedule of Pilot Dispatch System Surcharges, Billings, and Disbursements. | We found no exceptions as a result of this procedure. |

| AGREED-UPON PROCEDURES | FINDINGS |
|---|---|
| 20. Sampled 15 invoices per year, and verified that the Schedule of Pilot Boat Maintenance Surcharges, Billings, and Disbursements contains the disbursements of surcharges in compliance with Harbors and Navigation Code and as approved by the Board. | We found no exceptions as a result of this procedure. |
| <p>Schedule of Navigation Technology Billings and Expenses</p> <p>21. 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. |
| 22. 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. |
| 23. 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. | <p>FINDING: Based on our review of the calendar year (CY) 2021 navigation technology expenses, we determined that SFBP did not properly account for \$163,364 of the expenses in CY 2020. As a result, navigation technology expenses for CY 2020 were understated.</p> <p>See the Finding section.</p> |
| 24. 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>25. 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. |
| 26. 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. |

| AGREED-UPON PROCEDURES | FINDINGS |
|--|---|
| 27. 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. |
| 28. 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 A. Tarvin, CPA
Chief, Division of Audits

Sacramento, California

July 24, 2024

**Schedule 1—
2021 Board Operations Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

| | | | | |
|--|----|-------------------|----|------------------------|
| 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 |
| | | | | |
| Plus: Amount Billed in 2021 | | | | 1,467,323 |
| Less: Amount Remitted in 2021 | | | | <u>(1,496,678)</u> |
| Calculated Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | | <u>239,226</u> |
| | | | | |
| Accounts Receivable Details Historical Report as of December 31, 2021 | | | | 116,242 |
| Plus: Unremitted Surcharges to the Board as of December 31, 2021 | | | | <u>123,726</u> |
| Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | \$ | <u>239,968</u> 239,968 |
| | | | | |
| Unknown Difference Between Calculated Accounts Receivable less Account Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | \$ | <u>(742)</u> |
| | | | | |
| General Ledger as of December 31, 2021 | | | | 238,723 |
| Unknown Difference Between Accounts Receivable Historical Report and Unremitted Surcharges to the Board less General Ledger as of December 31, 2021 | | | | <u>\$ 1,245</u> |

Schedule 2—
2021 Pilot Trainee Training Program Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)

| | | | | |
|--|----|--------|----|-----------|
| Accounts Receivable Details Historical Report as of December 31, 2020 | \$ | 45,250 | | |
| Plus: Unremitted Surcharges to BOPC as of December 31, 2020 | | 52,620 | | |
| Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2020 | | 97,870 | \$ | 97,870 |
| Plus: Amount Billed in 2021 | | | | 786,810 |
| Less: Amount Remitted in 2021 | | | | (755,035) |
| Calculated Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | | 129,645 |
| Accounts Receivable Details Historical Report as of December 31, 2021 | | | | 60,535 |
| Plus: Unremitted Surcharges to the Board as of December 31, 2021 | | | | 69,765 |
| Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | | 130,300 |
| | | | \$ | 130,300 |
| Unknown Difference Between Calculated Accounts Receivable less Account Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | | (655) |
| | | | | (655) |
| General Ledger as of December 31, 2021 | | | | 129,330 |
| Unknown Difference Between Accounts Receivable Historical Report and Unremitted Surcharges to the Board less General Ledger as of December 31, 2021 | | | | 970 |
| | | | | 970 |

Schedule 3—
2021 Pilot Continuing Education Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)

| | | | | |
|--|----|--------|----|-----------|
| Accounts Receivable Details Historical Report as of December 31, 2020 | \$ | 22,610 | | |
| Plus: Unremitted Surcharges to BOPC 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 |
| Plus: Amount Billed in 2021 | | | | 327,390 |
| Less: Amount Remitted in 2021 | | | | (322,390) |
| Calculated Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | | 53,930 |
| Accounts Receivable Details Historical Report as of December 31, 2021 | | | | 27,325 |
| Plus: Unremitted Surcharges to the Board as of December 31, 2021 | | | | 26,900 |
| Accounts Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | | 54,225 |
| | | | \$ | 54,225 |
| Unknown Difference Between Calculated Accounts Receivable less Account Receivable Details Historical Report and Unremitted Surcharges to the Board as of December 31, 2021 | | | | (295) |
| General Ledger as of December 31, 2021 | | | | 53,890 |
| Unknown Difference Between Accounts Receivable Historical Report and Unremitted Surcharges to the Board less General Ledger as of December 31, 2021 | | | | 335 |
| | | | \$ | 335 |

**Schedule 4—
2021 Pilot Dispatch System Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

| Month | Surcharges Billed | Surcharges Collected |
|---------------|----------------------|-------------------------|
| December 2020 | \$ - | \$ - |
| January 2021 | - | - |
| February | - | - |
| March | - | - |
| April | - | - |
| May | - | - |
| June | - | - |
| July | - | - |
| August | - | - |
| September | - | - |
| October | 52,470 | 8,100 |
| November | 50,760 | 45,360 |
| December | 46,530 | 48,150 |
| Total | <u>\$ 149,760</u> | <u>\$ 101,610</u> |

**Schedule 5—
2021 Pilot Boat Maintenance Surcharges, Billings, and Disbursements
(Prepared by the San Francisco Bar Pilots)**

| Month | Surcharges Billed | Surcharges Collected |
|---------------|----------------------|-------------------------|
| December 2020 | \$ - | \$ - |
| January 2021 | - | - |
| February | - | - |
| March | - | - |
| April | - | - |
| May | - | - |
| June | - | - |
| July | - | - |
| August | - | - |
| September | - | - |
| October | 52,470 | 8,100 |
| November | 50,760 | 45,360 |
| December | 46,530 | 48,150 |
| Total | <u>\$ 149,760</u> | <u>\$ 101,610</u> |

Schedule 6—
2021 Navigation Technology Billings and Expenses
(Prepared by the San Francisco Bar Pilots—Adjusted)

| | | |
|--------------------------------------|-----------|------------------|
| Navigation Technology Billings 2017 | \$ | 177,880 |
| Navigation Technology Billings 2018 | | 342,640 |
| Navigation Technology Billings 2019 | | 345,160 |
| Navigation Technology Billings 2020 | | 331,800 |
| Navigation Technology Billings 2021 | | - |
| | | |
| Total Navigation Technology Billings | <u>\$</u> | <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* | | 189,245 |
| Navigation Technology Expenses 2021 | | - |
| | | |
| Total Navigation Technology Expenses | <u>\$</u> | <u>1,186,601</u> |

*Amount adjusted based on 2020 invoices paid in 2021. See the Finding

**Schedule 7—
2021 Pilot Pension Plan Surcharges Fiscal Activity
(Prepared by the San Francisco Bar Pilots)**

| | |
|--|------------------------------|
| 2021 Pension Surcharge Disbursements: ¹ | |
| Pension Surcharge Billings Reported to the Board (December 2020-November 2021) | \$ 10,279,263 |
| Less: Administrative Costs Paid | (37,575) |
| Surcharge Available for Disbursement to Beneficiaries | <u>10,241,688</u> |
| Less: Retained Amounts Due to Beneficiaries | (6,168) |
| Add: Disbursed Retained Amounts Due to Beneficiaries | 3,192 |
| Less: Deductions for Union Dues at Request of Beneficiaries | (7,950) |
| Less: Deductions for Heath Plan Dues at Request of Beneficiaries | <u>(491,311)</u> |
| Net Amount Remitted to Payroll Agent for Disbursement to Beneficiaries | <u><u>\$ 9,739,451</u></u> |
| Beneficiary Actual-to-Target Pension Amounts: | |
| Surcharge Available for Disbursement to Beneficiaries | \$ 10,241,688 |
| Beneficiary Total Target Pension Amount (December 2020-November 2021) | <u>12,693,362</u> |
| Over (Under) Target Pension Amounts | <u><u>\$ (2,451,674)</u></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—
Navigation technology
expenses were under-
reported**

The SFBP did not properly account for CY 2020 navigation technology expenses totaling \$163,364. During our review of CY 2021 expenses, we noted that two vendor invoices from December 2020 had not been included in the navigation technology report. As a result, the prior year (CY 2020) navigation technology expenses were understated by \$163,364, and the total expenses were less than the total billings by \$10,879. The prior-year schedule for Navigation Technology Billings and Expenses (Schedule 6) has been adjusted to reflect actual expenditures as of December 31, 2020.

In 2019, Harbors and Navigation Code section 1190.4 stated:

(a) There shall be a movement fee imposed as is necessary and authorized by the board to recover a pilot's costs for the purchase, lease, or maintenance of navigation software, hardware, and ancillary equipment that is authorized by the board as reasonable and necessary on or after January 1, 2017. . . .

(f) This section shall remain in effect only until January 1, 2021, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2021, deletes or extends that date.

**Attachment—
Board's Response to Draft Report**

**Board of Pilot Commissioners for the Bays of
San Francisco, San Pablo, and Suisun**

660 Davis Street, San Francisco, CA 94111
Phone: (415) 397-2253 Fax: (415) 397-9463
bopc@bopc.ca.gov
www.bopc.ca.gov



April 9, 2024

Joel James, Chief
State Controller's Office
Financial Audits Bureau, Division of Audits
3301 C Steet, Suite 725A
Sacramento, CA 95816

Re: 2021 Agreed Upon Procedures, San Francisco Bar Pilots

The Board of Pilot Commissioners (BOPC) has reviewed the State Controller's Office 2021 draft report on the surcharge billing and disbursement schedules of the San Francisco Bar Pilots (SFBP).

In reviewing the findings, the BOPC agrees with the information outlined in the report and finds the information accurate and complete.

Regarding the findings within Schedule 6 of the report, the BOPC recognizes the SFBP are collecting and reporting on the collection and billing of multiple surcharges, however we have concerns that the SFBP's accounting procedures may have allowed for overbilling of shipping industry customers compared to the expenses provided against those billings. Corrective action for issues within Schedule 6 are upon SFBP to undertake, however the BOPC will watch for any continuing pattern of the findings in future reports and as necessary address these patterns with the SFBP.

Respectfully,

Matthew Millspaugh

Matthew Millspaugh
Assistant Director
Board of Pilot Commissioners

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

www.sco.ca.gov