

Rita C. Villa
Certified Public Accountant

January 19, 2009

Executive Board
Cuesta College Federation of Teachers, AFT Local 4909
PO Box 8106
San Luis Obispo, CA 93403

Gentlemen:

In planning and performing my audit of the financial statements of the Cuesta College Federation of Teachers, Local 4909 (the "Federation") for the year ended June 30, 2008, I considered the Federation's internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control. However, I noted one matter involving internal control and its operation that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect the Federation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition relates to the number of signatures required on a Federation check. The Federation requires only one signature on a check. The American Federation of Teachers ("AFT") recommends that its affiliated locals require two signatories on each check. We recommend this approach to the Federation, and it is wise to make the rule that no officer can sign a check to reimburse themselves.

During my audit, I became aware of other matters that I would like to bring to your attention, but I have not reiterated all of the detailed points raised in the letter dated November 20, 2008 sent by Julie Hoffsten, CPA to your president and treasurer. I recommend that supporting documentation be retained to support all expense reimbursements. The following summarizes my comments and recommendations regarding other matters.

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Constitution

The Federation is operating under a constitution that requires a vote by the Executive Board on any expenditure exceeding \$200. I recommend that this provision be modified to exclude expenditures on items that have been approved during the annual budget process, such as per capita payments and release time.

Pass-Through for Per Capita Increases

While the AFT Constitution requires increases in per capita rates by both AFT and the California Federation of Teachers be passed on to members in the form of higher dues, in my experience, it is not unusual for locals using percentage dues to retain the same percentage and assume that members' annual experience increments will satisfy this requirement. In the Federation's case, however, the extensive legal expenses incurred in 2007-2008 have contributed to a significant loss for the year. I suggest that you consider a graduated increase in percentage dues from the existing rate of 1.2% to at least 1.3%.

Release Time

I recommend that your executive board minutes record the allocation by individual of the reassigned time granted to the Federation in its contract with the San Luis Obispo County Community College District.

Informational Returns

The Federation has been inconsistent in issuing 1099 forms to recipients who have received stipends of \$600 or more. Although such a recipient should report stipends on their personal tax return whether or not they received a 1099 form, the Federation should establish a policy that all such payments will be recorded on an annual 1099 form. During the budget process, I recommend that an explanation be given to all those receiving stipends that these are taxable amounts.

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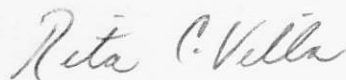
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COPE Account

The Federation has established a Committee on Political Education funded by voluntary donations. A separate bank account has been established. This year, most of the expenditures out of this account were donations in support of matters of social concern. I recommend that the COPE account be used solely for political contributions to candidates, because the donations received by the COPE are small relative to the size of any political campaign, and because the Internal Revenue Service characterizes such accounts as specifically organized to make candidate contributions.

This report is intended solely for the information and use of the executive board and management of the Federation, and is not intended to be and should not be used by anyone other than these specified parties. Please do not hesitate to contact me if you wish to discuss any of these suggestions.

Sincerely



Rita C Villa, CPA