



November 5, 2007

Richard M. Graham  
 David A. Devine  
 Hood & Strong, LLP  
 60 Spear Street - Suite 400  
 San Francisco, CA 94105

Re: 2006 Management Letter dated October 24, 2007

Gentlemen:

Local 1000 was very disappointed that Hood & Strong chose to generate the referenced Management letter without including Local 1000 Management's Responses. It is Local 1000's understanding that in communicating internal control related matters identified in an audit for periods on or after December 15, 2006, AICPA guidelines dictate that Management may wish to prepare a written response to the auditor's communication regarding significant deficiencies or material weaknesses identified in the audit (AU Section 325.30). Local 1000 is requesting you provide us with a written response identifying the authority under auditing standards for excluding our Management's Responses previously discussed with you and incorporated in the draft 2006 Management Letter of October 24, 2007.

We are enclosing the heretofore referenced Management Responses to the subjects identified in your October 24, 2007 Recommendations to Management Letter.

a) Disbursement Documentation

The Local currently has written policies regarding documentation of expenses. The vast majority of expense claims submitted by members or staff are documented properly. When asked for specific examples you offered none. We don't doubt that there might be some we have waived, in particular parking fees; but may also have waived a receipt for good cause reasons on rare occasions.

b) Bank Account Reconciliation Procedures - 2007

The Bank Account you are referring to was opened in February 2007. At the time you reviewed this account in June, 2007 we had very little activity in this account as it had recently been opened.

Our current full monthly Bank Account Reconciliation Process is:

Wells Fargo Bank Accounts Maintained by Local 1000

- 1) There are no deposits in transit - monthly.
- 2) There are no outstanding checks - monthly.
- 3) There are no banking fees.
- 4) There is no NSF Checks

- A. Bank statements are sent to Michael Baratz.
- B. Bank statements are turned over to the Comptroller for reconciliation.

JIM HARD  
President

CATHY HACKETT  
Vice President  
and Secretary/Treasurer

MARC BAUTISTA  
Vice President  
for Treasury/Representation

YVONNE WALKER  
Vice President for Support

THE WELLER GROUP  
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- C. Reconciliations are sent to the Secretary/Treasurer.
- D. If there are any large items on the bank reconciliations, copies are given to all four officers.
- E. All Money Market transfers are signed by the Secretary/Treasurer.
- F. Any new bank accounts opened are all signed by the four officers as well as corporate resolutions issued by the Legal Department.

c) Segregation of Duties Within Local 1000 - 2007

We are keenly aware of the need to segregate duties, in light of the embezzlement that recently occurred of ACSS Funds, managed by CSEA.

We have developed the following procedures regarding segregation of duties:

1. Mail is opened by the Administrative Assistants.
2. Administrative Assistants sort out mail
  - A. General Administration
  - B. Accounting
  - C. Human Resources
  - D. Other Departments.
3. Comptroller's Assistant Prepares:
  - A. Check Request on all invoices
  - B. Check deposits
  - C. Photo copies all checks received
  - D. Reconcile check deposit slips vs. copies of checks received.
  - E. Comptroller makes bank deposits.
  - F. Copies of bank deposit slips attached to the reconciliations and copies sent to (Accounting) for recording and copies sent to CSEA Membership for recording.
4. Monthly summary of revenues sent to the Secretary/Treasurer for review.
5. All manual checks are signed in blue ink, by one of the four officers. Normally, there are only 4 to 5 checks per month.
6. All checks drawn are reviewed by Comptroller and amounts over \$1000.00 are reviewed again by Secretary/Treasurer.
7. When checks are completely signed-off by Local 1000, they are sent back to CSEA for mailing.

d) Disbursement to Establish Trust Account with Attorney

We discussed this matter with our attorney. The retainer for the Charter Defense Fund is indeed still being maintained by the attorney under specific instruction by Local 1000. Since certain invoices may have reflected confidential litigation matters, and CSEA also was not remitting payment for certain invoices on a timely basis, the attorney indeed had charged the trust fund account for certain outstanding invoices during 2006. The Local acknowledges that it was inappropriate for our attorney to charge certain legitimate matters not related to the attack on our charter to the trust funds; but we understand our attorney's doing so due to past problems with payment processing of invoices by CSEA. The non-charter invoices were finally paid on or about February 27, 2007 and appropriate adjustments were made. Otherwise, the attorney still

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maintains the trust fund with the appropriate debits for payments related to activities covered by the Charter Defense Fund and credits for interests earned on the outstanding amounts.

Hood & Strong is quite aware that someone in CSEA disseminated the draft June 15 Management Letter to individuals opposed to Local 1000 programs and officer's while CSEA Officers were running for re-election in September. Putting aside how CSEA got a copy of the draft which was to be submitted to only Local 1000, why would Hood & Strong choose to then issue the Management Letter without the Local 1000 Management Response? That last minute decision will likely cause unnecessary turmoil and confusion.

Sincerely,



Michael Baratz  
Chief of Staff

CC: Local 1000 Officers  
Local 1000 Council