



City of Seattle

Gregory J. Nickels, Mayor

Seattle City Light

Jorge Carrasco, Superintendent

January 29, 2008

Susan Cohen, City Auditor
Office of City Auditor
700 – 5th Avenue, Suite 2410
Seattle, WA 98104

Dear Ms. Cohen:

This letter is in response to the recent review by your office of travel at Seattle City Light (SCL). We appreciate this opportunity to respond to the recommendations made by your staff for strengthening SCL's internal controls for travel.

As indicated in your report, overall SCL is doing a good job of managing and controlling travel by its employees. The policy exceptions noted in the report were very limited amounting to only 1.5% of the total 2006 SCL travel expenditure. Recent management reports indicate use of exceptions declined significantly in 2007. City Light has been monitoring this and will continue to do so.

Based on their review, your staff made the following recommendations:

1. Tighten management controls for the travel approval process.

Management response: City Light employees travel significantly because of the unique nature of its power production system. We have large capital assets and operations not only in the Seattle area but throughout the region, including several locations in Washington, as well as Idaho and British Columbia. In addition, as one of the largest public power utilities in the nation, employees are required to confer on a regular basis with the Bonneville Power Administration (Portland, Oregon), a variety of regional governing bodies, other utilities in the region, and federal regulatory agencies and various national governing bodies located throughout the U.S. From time-to-time SCL may have highly specialized equipment issues that require international travel. This kind of travel is very different than most City departments may experience.

Approval for travel is provided by an employee's direct supervisor or manager who is most familiar with the business need for the travel as well as the budget available for that



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travel. Any out-of-country travel (other than to British Columbia) requires the approval of the officer in charge of the appropriate business unit. Keeping in mind the controls that are already in place and the reasons behind the current process, SCL concurs that it can tighten its management controls over the travel approval process.

City Light will review the travel approval process and document what level of authorization is required for various types of travel; e.g., routine operational travel within the region, out-of-state and out-of-country travel. In addition, SCL will develop and document some guiding principles for use by employees and their supervisors, managers, directors, and officers to ensure that a business need for all travel is identified and adequately documented before the travel is approved. The development and documentation of these guiding principles and procedures will be implemented and training provided by June 30, 2008.

2. Tighten controls for allowing exceptions to the City's travel policy.

Management response: The current SCL policy requires the travel agency to contact the SCL travel desk whenever a request is made for an airline ticket that will result in a fare that is \$200 or more above the cost of the lowest coach fare. Since nearly all exceptions fall under this limit, SCL would not have been notified at the time most exceptions actually occurred. City Light has confirmed with the travel agency that this is its policy and the travel agency has indicated that it will continue to comply with this requirement. City Light will work with the travel agency to develop and better utilize the notification process and available reporting and alerts to more closely monitor the use of exceptions when they actually occur and to ensure there is a clear and documented business purpose for those exceptions that exceed the \$200 limit.

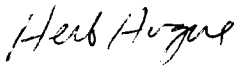
The fact that an exception exists does not necessarily mean SCL paid for or reimbursed the employee at the exception level. For example, if an employee wants to use a first class or premium upgrade and there is no business or medical need for the upgrade, the employee must purchase the ticket using his/her own credit card and will be reimbursed only the amount of the lowest coach fare at the time. Between the travel agency and SCL, an effort will be made to continue to reduce the use of exceptions in the ticketing process and to provide better documentation of the legitimate business reason for those exceptions that are allowed. Guidelines for ticketing and the use of exceptions will be incorporated into the travel policies and procedures developed, documented, and disseminated by June 30, 2008, as discussed above.

3. Consider investigating and seeking reimbursement from travelers who declined carriers.

Management response: There are a number of bonafide business reasons why an employee might decline the use of a particular carrier including untimely flight availability, chronic lateness, and a higher incidence of cancellations. City Light will review the use of this exception in 2006 and 2007 and provide more rigorous oversight of its use from this point forward. As outlined in Item 2, guidelines developed for the ticketing process and a more collaborative effort between SCL and the travel agency should help to reduce the use of exceptions such as this.

We appreciate the professional approach of your staff on this review and their input and recommendations regarding SCL's travel-related processes and procedures. Should you have any questions or concerns regarding this response and the follow-up effort, please direct them to the attention of Connie Griffith, Accounting Director. She may be reached by email or by phone at 206-684-0905.

Sincerely,



Herb Hogue
Chief Financial Officer

CLG:cgb