

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER U-35131

LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE

Docket No. U-35131, In re: Investigative Audit into the Managerial and Financial Activities of Dixie Electric Membership Corporation.

(Decided at the May 25, 2022 Business and Executive Session.)

Overview

At the February 21, 2019 B&E, based on Staff's recommendation, the Commission directed Staff to open an audit of Dixie Electric Membership Corporation ("DEMCO" or "Company") to focus on the Company's operating system, managerial activities, and accounting practices. Staff's recommendation was based upon its review of a Postlethwaite & Netterville, APAC ("P&N") internal audit conducted by DEMCO in March 2018, which focused on costs savings for various DEMCO projects – comparing internal vs. external costs savings; however, a cost savings analysis was not completed due to DEMCO's management system lacking the function to capture historical data.

Staff initiated the instant audit on February 21, 2019 and retained Resolved Energy Consulting to assist Staff in conducting this audit at the Commission's September 2019 B&E. Staff's Audit Report was filed into the record on December 1, 2021 and published in the Commission's Official Bulletin dated December 10, 2021 for intervention and comment. DEMCO filed correspondence indicating its concurrence with Staff's Audit Report on February 1, 2022. Subsequent to said filings, Staff and DEMCO filed a Joint Report and Draft Order on March 9, 2022 providing notice to the Commission that all issues in this docket are resolved, and requested Commission consideration at an upcoming Business and Executive Session.

This Commission, having reviewed and considered the Joint Report and Draft Order finds said Joint Report to be acceptable and issues this Order memorializing the same.

Jurisdiction

The Commission exercises jurisdiction over public utilities in Louisiana pursuant to Article IV, Section 21(B) of the Louisiana Constitution, which states:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Staff's Audit Report

In performing the audit, Staff issued four rounds of discovery, reviewed independent, third-party information, as well as conducted several rounds of interviews with key DEMCO employees as well as some Board Members. Along with conducting the referenced interviews, Staff's scope of the audit included: reviewing the prior audits conducted by P&N and Bolinger, Segars, Gilbert & Moss, L.L.P.; examining policies and procedures that DEMCO currently has in place; and reviewing the Company's 2019 and 2020 Strategic Plans. Staff's Audit Report was filed on December 1, 2021, and made four recommendations.¹ Staff's recommendations included continued education and training for DEMCO's Board Members, adoption of detailed procedures for key operational functions, implementing more cross-training of personnel, and a follow-up audit in 2024 related to the implementation of the Company's strategic plan based upon the P&N audit as well as Staff's audit.

Joint Report

On February 1, 2022, DEMCO filed its concurrence with Staff's Audit Report, including the recommendations. Thereafter, DEMCO and Staff filed a Joint Report and Draft Order into the record on March 9, 2022 providing notice to the Commission that there are no unresolved issues in this proceeding, and requested that the Commission consider the Joint Report and Draft Order at an upcoming B&E.

Commission Consideration

This matter was considered at the Commission's May 25, 2022 Business and Executive Session. On motion of Commissioner Greene, seconded by Chairman Boissiere and unanimously adopted, the Commission voted to require DEMCO to submit to a follow-up audit in 2024.

¹ A copy of Staff's Audit Report is attached hereto as Exhibit A.

Therefore, it is ORDERED:

- 1) Commission Staff shall conduct a follow-up audit in 2024 to determine the outcome of DEMCO's implementation of its updated strategic plan.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA

June 13, 2022



A handwritten signature in blue ink, appearing to read "B. Frey".

BRANDON M. FREY
SECRETARY

A handwritten signature in blue ink, appearing to read "Lambert C. Boissiere, III".

DISTRICT III
CHAIRMAN LAMBERT C. BOISSIERE, IIIA handwritten signature in blue ink, appearing to read "Mike Francis".

DISTRICT IV
VICE CHAIRMAN MIKE FRANCISA handwritten signature in blue ink, appearing to read "Foster L. Campbell".

DISTRICT V
COMMISSIONER FOSTER L. CAMPBELLA handwritten signature in blue ink, appearing to read "Eric F. Skrmetta".

DISTRICT I
COMMISSIONER ERIC F. SKRMETTAA handwritten signature in blue ink, appearing to read "Craig Greene".

DISTRICT II
COMMISSIONER CRAIG GREENE

Louisiana Public Service Commission



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December 1, 2021

BRANDON M. FREY
Executive Secretary

KATHRYN H. BOWMAN
Executive Counsel

JOHNNY E. SNELGROVE, JR.
Deputy Undersecretary

2021 DEC -1 AM 8:25
LOUISIANA PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Ms. Terri Bordelon
Louisiana Public Service Commission
Records and Recordings
602 N. Fifth St.
Galvez Bldg, 12th Fl.
Baton Rouge, LA 70802

Re: Docket No. X/U-35131, LPSC, ex parte, In re: *Investigative Audit into the Managerial and Financial Activities of Dixie Electric Membership Corporation.*

Dear Ms. Bordelon:

Enclosed for filing is *Staff's Audit Report* in the above referenced docket. In conjunction with this filing, please convert this Docket from X-35131 to U-35131 and publish for intervention and comment in the Commission's next Official Bulletin.

Also, please note that the enclosed affidavit is a copy. Once the original is received, I will provide the same for filing into the record.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Kathryn H. Bowman

/h
Enclosure
cc: Service List

**INVESTIGATIVE AUDIT INTO THE
MANAGERIAL AND FINANCIAL
ACTIVITIES
OF
DIXIE ELECTRIC MEMBERSHIP
CORPORATION**

Docket No. U-35131

**CONDUCTED ON BEHALF OF THE
LOUISIANA PUBLIC SERVICE COMMISSION
BY
RESOLVED ENERGY CONSULTING, LLC**

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Executive Summary

At the February 21, 2019 Business and Executive Session, the Louisiana Public Service Commission (“LPSC” or the “Commission”) directed Staff to open an audit and seek assistance from an outside consultant to conduct an audit of the managerial and accounting practices of Dixie Electric Membership Corporation (“DEMCO” or the “Cooperative”). DEMCO, the largest electric cooperative in Louisiana, is a non-profit rural electric cooperative serving over 112,000 members in seven southeast parishes in Louisiana.

Prior to the Commission’s directive, DEMCO retained Postlethwaite & Netterville, APAC (“P&N”) in March 2018 to conduct an audit related to various allegations, job financial analysis and contracting matters. These allegations originated from separate complaints of employees regarding improper relationships between vendors, DEMCO’s Chief Executive Officer (“CEO”) at that time, and Board members, as well as an investigative story indicating the then CEO and Board president received free work provided by the Cooperative. The Commission’s directive was based on Staff’s recommendation following Staff’s review of the P&N audit, including supporting documentation, as well as meetings with P&N regarding its audit of DEMCO. The results of the P&N audit, released October 2018, confirmed one Board member, as well as current and former employees, had received perks from vendors and/or contractors. The previous CEO resigned, and the Board president stepped down but remains on the Board. Staff recommended that the Commission conduct an audit to focus on the Cooperative’s operating system, managerial activities, and accounting practices.

In performing the audit, Staff issued four rounds of discovery, reviewed independent, third-party information, as well as conducted several rounds of interviews with key DEMCO employees and Board members. The scope of the audit included the following:

- Review prior audits conducted by independent third parties Postlethwaite & Netterville and Bolinger, Segars, Gilbert & Moss, L.L.P.
- Examine the policies and procedures that DEMCO currently has in place.
- Review the Cooperative’s 2019 and 2020 Strategic Plans.
- Interview current DEMCO management, employees, as well as Board members.

Based on observations made during the audit, the following recommendations are made highlighting areas by which DEMCO can improve their business practices.

Reinforce Tone at the Top – Staff interviewed members of the Board of Directors regarding training, communication with the Cooperative, and receiving gifts from vendors and contractors. DEMCO has been active in adding clarification to their policies and procedures, including policies for the Board Members; however, Staff recommends that Board Members be more conscious of the policies and take a more engaged approach to knowing their roles.

Adopt a Formalized Detailed Procedures Manual –While DEMCO is making progress on formalized, detailed procedures, as further described below, Staff recommends DEMCO create detailed step by step procedures for its operations. Furthermore, Staff recommends DEMCO look into cross-training of personnel, especially office staff, so that work continuity is not affected when a staff member is on leave, or a position becomes open.

Follow-up Audit - In 2024, Staff recommends conducting a follow-up audit to determine the outcome of DEMCO's implementation of its updated strategic plan resulting from the P&N audit, as well as the recommendations within this audit.

Overview and Background

Pursuant to the Commission's directive, Staff filed a *Notice of Proceeding* on February 22, 2019 initiating an audit at the Commission of DEMCO's operating system, managerial activities, and accounting practices. At the Commission's September 2019 Business and Executive Session, the Commission retained Resolved Energy Consulting, LLC ("REC") to assist Staff in the audit of DEMCO (herein collectively "Staff"). The Commission's audit was initiated following the results of an internal audit conducted by P&N, on behalf of DEMCO, confirming allegations that employees and Board Members had received unauthorized perks from contractors and vendors.

P&N was retained in 2018 to conduct an internal audit regarding matters related to cost savings analysis for jobs as identified by DEMCO's management, compliance with Cooperative policies regarding change orders, job estimating process and allegations of DEMCO's board Members receiving unauthorized perks. This audit was the result of various allegations received

regarding DEMCO's contracting methodologies, including unauthorized perks for employees and Board Members. P&N reviewed the Cooperative's policies and procedures and conducted interviews with select members of management to gain an understanding of DEMCO's processes, procedures and controls in place. The focus of P&N's audit was on costs savings for various DEMCO projects – comparing internal vs. external costs savings. P&N attempted a costs savings analysis; however, was unable to complete the analysis due to the Cooperative's management system at the time lacking the function to capture historical data. Ultimately, P&N found that DEMCO suffered from an organizational culture that did not establish or enforce a clear code of ethics, resulting in:

- a. A lack of internal controls,
- b. A lack of formalized policies and procedures
- c. Non-compliance with established policies, and
- d. A lack of monitoring controls.¹

P&N concluded that development of a culture of ethical behavior and compliance with DEMCO's Code of Ethics, including formal and informal policies and procedures was imperative for effective risk mitigation, compliance, fraud prevention and detection.² DEMCO's Board Members, CEO, and senior management played critical roles in “setting the tone at the top” within the Cooperative, which in turn sets DEMCO's guiding values, ethical principles and organizational culture. P&N observed that as DEMCO continues to expand in its number of services, Board Members, and employees, the formalization of policies and procedures, expectations of adherence to policies, implementation of monitoring controls, enforcement and accountability to policies, and focus on creating and maintaining an ethical culture should be considered as an integral component in DEMCO's continued growth. Finally, P&N found that the Board should focus its approach on assuring that management is provided within the Cooperative, rather than taking on management responsibilities itself.

Based on P&N's audit findings, the DEMCO Board of Directors passed a resolution directing DEMCO management and the new CEO to begin implementing the provided recommendations. REC's review assessed the progress made by DEMCO and recommends additional tasks to further that progress.

¹ *Postlewaite and Netterville Audit of DEMCO*, page 2

² *Ibid.*, page 5

In order to begin the instant audit, Staff first determined the scope of its review, which consisted of a review of the Cooperative's current policies and procedures, conducting interviews with selected employees and Board Members, and reviewing additional information based on the results of the reviews and interviews. Interviews were done remotely via video conferencing due to the travel restrictions in place because of COVID-19. In addition, no on-site visits were made. As such, the audit procedures were somewhat limited since auditors were not able to physically be on-site to conduct in-person interviews, observe first-hand DEMCO's business and operations processes as well as test any Company processes. It should be noted that DEMCO's management, as well as the Cooperative's attorneys, were present during all of the remote interviews. In addition to the above procedures, Staff reviewed the findings and recommendations from the P&N audit, as well as the 2019 Action Plan and 2020 Strategic Plan which incorporated the findings from the P&N audit into the annual goals of the Cooperative. At the time of this report, DEMCO has not made any changes to either the Action Plan and Strategic Plan and continues to implement the goals set forth in both documents.

Staff's consultants reviewed various DEMCO's policies such as, Board and employee ethics training, purchasing and other accounting policies, and operational policies such as work orders and vendor selection. Along with the policies reviewed, twelve initial interviews were conducted with Board members, and other management and employees such as, the General Manager, Vice President of Finance, and the Director of Operations. After the initial interviews, eight follow-up interviews were conducted with other employees, including a lineman, a lineman supervisor and a purchasing clerk.

Overall, Staff saw progress from DEMCO based on the P&N internal audit. DEMCO has made considerable progress re-evaluating and defining the roles and responsibilities of the Board of Directors as recommended by P&N. The Company has also made numerous efforts on improving the organizational culture including implementing an anonymous reporting portal for employees and vendors to report any concerns. Also, as mentioned in the P&N audit report, DEMCO reviewed and updated their employee and Board Member policies such as gift reporting and purchasing. Based on observations made during this audit, Staff makes the following recommendations highlighting areas which DEMCO can improve their business practices.

RESULTS AND RECOMMENDATIONS

I. Board Governance and Communication

Based on the P&N audit, DEMCO began requiring newly appointed Board Members to undertake a formal orientation detailing their responsibilities and acknowledge receipt of the Code of Ethics, all of which is tracked and documented by the Board Liaison within the CEO's office. The Cooperative also created a Board Governance Committee that meets quarterly with the main purpose of monitoring and enforcing accountability of Board policies. Communications between Board Members and DEMCO management are received through the office of the CEO and a communications log is kept by the Board Liaison that reports directly to the CEO.

Further, DEMCO Board Members are required to take annual ethics training in order to obtain a Credentialed Cooperative Director ("CCD") certification from the National Rural Electric Cooperative Association ("NRECA"). Members must obtain certification within two years of being appointed to the Board. At the time of this audit, all thirteen Members have received the CCD certification. Eleven out of the thirteen Board Members have also obtained higher levels of certifications from NRECA.

While new policies are in place focusing on orientation and training of new Board Members, Staff noticed during interviews with longer-term Members that those Members did not seem to have a thorough knowledge of the policies in general. During these interviews, and when Staff followed-up with some Members regarding the policies, the Cooperative pointed out that all Members have an electronic tablet containing a copy of the policies to be reviewed/referenced as necessary. While Staff supports additional technology as a helpful tool, technology, in this case a personal tablet, should not substitute for an understanding of Cooperative policies. NRECA International, Ltd. publishes a series of training modules, collectively known as Technical Assistance Guides. In Module 3: Roles and Responsibilities of Electric Cooperative Boards of Directors, it states that Board of Director duties include loyalty, obedience, and due care:

- Loyalty means that the Director is loyal first to the cooperative entity.
- Obedience means that the Director performs his or her duties in accordance with applicable laws, bylaws, contracts, and policies.

- Due care means that the Director performs his or her duties in good faith, in a manner he or she reasonably believes to be in the best interests of the cooperative, and with care that an ordinarily prudent person in a similar position would use under similar circumstances.³

Staff's opinion is that familiarity with a cooperative's policies is part of a Board of Director's duty of obedience and due care. Importantly, as noted in the prior P&N audit and observed by Staff, the Board Members are responsible for setting the tone of the organization, which should include familiarity with the cooperative and its policies.

STAFF RECOMMENDATION NO. 1

Board membership is a great responsibility and should reflect loyalty, obedience and due care to the Cooperative and its members. Each Board Member should understand their roles as Board Members of the Cooperative, including each member's ongoing role in providing necessary strategic leadership of the Cooperative. Further, and to enhance each member's role, the Board Members should at a minimum continue annual training on ethics, communications with DEMCO management, and CCD certifications.

II. Organizational Culture

The P&N audit found employees expressed unease regarding retaliation from DEMCO management for reporting concerns regarding the Cooperative's business practices and unauthorized perks. P&N conducted an anonymous employee survey to help determine the overall attitude and morale of DEMCO employees. Based on the survey results, DEMCO implemented a reporting system, EthicsPoint, for employees as well as vendors/contractors to report any concerns online or through a toll-free hotline and allows the respondent the option to remain anonymous. The reporting system assigns the anonymous person a "case number" and will only communicate through the anonymous reporting portal. Once a report is made, the report cannot be deleted. The Quality and Compliance Manager receives the emails from EthicsPoint and will then direct it to the appropriate chain of command for investigating the case. DEMCO has a "Reporting Procedures" policy within their Code of Ethics to determine what follow-up is required and who

³ *Guides for Electric Cooperative Development and Rural Electrification, Module 3 of NRECA's Technical Assistance Guides: Roles and Responsibilities of Electric Cooperative Boards of Directors, page 51*

will conduct the investigation depending on the type of report or complaint received. Staff's consultants reviewed the results of the Cooperative-wide survey in addition to the detailed case report log. The Cooperative has also implemented a digital Employee Suggestion Program to encourage employees to provide creative solutions to improve the effectiveness and efficiency of DEMCO's operations. Suggestions that are implemented will be recognized and a monetary amount is awarded. No recommendation is needed at this time as it appears DEMCO has taken action to address the organizational culture concerns from the prior P&N audit.

III. Policies and Procedures/Internal Controls

In response to the P&N audit, DEMCO reviewed and updated several policies for both employees and Board Member, as well as created some new policies. The Company revised the following policies:

- Code of Ethics and Business Conduct
- Delegations from the Board of Directors to the CEO/General Manager
- Purchase of Materials, Supplies and Equipment for Cooperative Use
- Extension or Relocation of Electrical Facilities to Individual Residential Customers
- Extension or Relocation of Electrical Facilities to New or Expanded Subdivision Developments
- Extension or Relocation of Electrical Facilities for Commercial, Industrial, and Other Business Developments
- Callout
- Vehicle Replacement
- Underground Line Inspection Procedure
- Overhead Line Inspection Procedure
- Use of Mechanic Shop
- Whistleblower
- Employee Corrective Action
- Drugs and Alcohol
- Dress and Grooming Standards
- Acceptable Use of Phones and Other Electronic Devices

- Bargaining Unit Promotions and Transfers
- Selection of Employees
- Transportation
- Corporate Credit Cards
- Cooperative Newsletter

In addition to the revised policies, DEMCO implemented the following new policies:

- Surplus Vehicle and Equipment Disposition
- Vehicle and Equipment Maintenance and Repair
- Inventory of Materials and Supplies
- Adverse Weather Conditions
- Gift Policy
- Outside Contractor Pre-Qualification, Selection and Approval
- Extraordinary Disasters or Extenuating Circumstances Emergency Contractor and Material Purchasing
- Engineering Design, Review and Cost Estimations

The Cooperative is making progress in revising outdated policies, including more clarification, as well as creating new policies that are relevant with the Cooperative's operations. However, when Staff requested detailed procedures for certain operations within the Cooperative, such as the work order process and the purchase order process, DEMCO was not able to provide any for review. The Company was able to provide "guidelines" for contracts, bids, change orders and supplier management and vendor vetting. Overall, Staff recommends DEMCO create detailed step-by-step procedures for operations such as the work order process, purchasing (inventory and non-inventory), contracts and bids, and all other operations of the Cooperative. These procedures will help ensure that the processes are correctly and consistently performed, and expected results are obtained. Furthermore, the procedures will provide an important training tool for new employees and will support workflow continuity in the event a current employee leaves a position. Staff further makes recommendations below specific to individual policies.

Staff also reviewed Cooperative policies and conducted interviews with Board Members and employees regarding said policies and internal controls. During this review, Staff determined more internal controls would be beneficial in promoting operational efficiency and reliability. For example, during one interview, Staff was told that anyone can open a work order or change order. It would be advantageous for the Cooperative to have only designated personnel initiate work orders and change orders. This restriction will limit the number of open orders, which was an issue pointed out by the Cooperative during interviews and provide more reliability for the process. From discussions with the Cooperative, the implementation of the new software will assist with more controls for this process.

- **Gift Reporting Policy**

The Cooperative updated their Code of Ethics to add more clarification for non-routine transactions by Board Members and employees from vendors and contractors. The policy now provides specific instances and amounts that are required to be reported. DEMCO employees are required to disclose all gifts, gratuities, and/or business courtesies that equal to or exceed \$200 in value, including multiple gifts from same source received in a calendar year totaling \$200 or more, through EthicsPoint. Board Members and the CEO are required to report the receipt of any gift, gratuity or courtesy that are equal to or exceed \$500, including multiple gifts from same source received within a calendar year totaling \$500 or more, through EthicsPoint as well. Additional reviews and approvals of non-routine transactions have been added as well. Gift approval is required from the employee's department Vice President or Director and subsequently required to be approved by the CEO in advance of receiving the gift and reporting. Disclosure reports are presented to the President of the Board, the CEO and the Chief Financial Officer and copies are retained by the office of the CEO. Vendors and contractors are not required to report any gift giving but they are welcome to report through EthicsPoint. No recommendation is needed at this time as it appears DEMCO has taken action to address the gift reporting concerns from the prior P&N audit.

- **Purchasing and Contracts**

The P&N audit observed DECMCO had not clearly defined the delegation of authority for purchasing and contracting processes. DEMCO has several purchasing policies in place depending on the type of purchase. An approved vendor list is kept on file to assure that material, equipment, and services are not procured from suppliers appearing on the Government Prohibited Parties and Debarment List. This list is reviewed and updated during the first quarter of the year. Jobs are bid out using the approved list of vendors who are able to bid on those jobs. Sealed bids are opened and recorded by the Purchasing Manager and two members of the Purchasing Committee, a sub-Committee of the Board of Directors. Generally, the lowest competent and qualified offer is selected by the Purchasing Manager and submitted for review to the Purchasing Committee. On occasion the lowest bidder is not selected, justification as to why is required to be included in the presentation made to the Purchasing Committee. After reviewing the recommended bid or bids, the Purchasing Committee will then send their recommendations to the Board of Directors for final approval. During the audit, DEMCO made progress by updating their Financial Impact Authority procedures and finalized an authority matrix. The matrix provides clarification on what level of approval is needed for various purchase types, ensuring employees won't have any confusion on the level of authority required for approval.

- **Timekeeping**

The Cooperative developed a revised timekeeping policy based on a recommendation from the P&N Audit. P&N found there was a lack of employee training on timekeeping along with confusion among employees as to how to code time and no monitoring of supervisors making changes to employee timecards. The revised policy addresses these concerns and provides more clarification and examples for the coding of time as well as a reporting procedure to monitor the reasons behind changing an employee's timecard after submission.

- **Work Order/Change Order Process**

The Cooperative stated during interviews that the work order and change order processes will change when the new information technology system is implemented (see section on Information Technology) in June of 2021. Currently, the process is all manual and anyone can initiate a work/change order, which results in poor tracking and verification of the work completed. Furthermore, DEMCO was unable to provide any written detailed procedures for the current processes. Thus, there is no consistent standard by which tasks are conducted and evaluated.

Through review of DEMCO's policies and procedures, Staff has concluded that the Cooperative has made progress in expanding existing policies with more clarification, as well as creating new policies where needed. However, the Cooperative could not provide detailed procedures for various operational functions when requested by auditors.

STAFF RECOMMENDATION NO. 2

Staff recommends that DEMCO prioritize the drafting and adoption of formal detailed procedures for key operational functions throughout the Cooperative such as the work order process, change order process and the purchasing process. As previously concluded, these procedures will help ensure that the processes are correctly and consistently performed, and expected results are obtained. Furthermore, the procedures will provide an important training tool for new employees and will support workflow continuity in the event a current employee leaves a position. This was also a recommendation from the P&N audit.

IV. Employee Training

As a result of the P&N audit, DEMCO created an annual training plan for employees to strengthen the skills, knowledge, and abilities of employees and fill any training gaps that may exist. A needs assessment is done, and an annual training plan is designed, for all employees. Major training programs include:

- Lineman Career Development Plan;
- Quarterly Training for training on DEMCO's mission, vision and values, accountability, coaching and teamwork for management;

- Coop 1-2-1 for in-house cross-training between departments that might interact with each other;
- Supervisor Training on processes and procedures specific to DEMCO;
- Safety, Compliance and Human Resources eLearning through ExecuTrain;
- Supervisor and Manager Development Program through NRECA; and
- Louisiana Lineman Training Program through a third-party vendor.

In addition to the above offerings, the Cooperative has also addressed critical training needs, such as training for DEMCO's new software programs. Based on interviews and written documentation, DEMCO has taken action to implement an effective and systematic training program for its employees, especially for its linemen. Such programs, when implemented correctly and utilized by employees, should result in improved safety and service. One shortcoming was observed in interviews that there may not be sufficient coverage for office work in case of employee absence or a vacancy.

STAFF RECOMMENDATION NO. 3

Staff recommends DEMCO implement more cross-training of personnel, especially office staff, so that work continuity is not affected when a staff member is on leave or a position becomes open. Also see Staff Recommendation No. 2 regarding the need for detailed written procedures that can help facilitate the recommended cross-training.

V. Information Technology

One major challenge for the Cooperative is that their current billing and accounting software has limited monitoring capabilities, and essentially is outdated. The current software does not keep track of who and when data is being accessed; in addition, the logs are not in a format that can be used to pull data and create reports. A user must manually search through various types of log files to find what they are looking for. At the beginning of the audit, DEMCO was in the process of choosing a new software system that had the ability to provide more monitoring and internal controls within the system. In November 2020, the Cooperative made the decision to go

with National Information Solutions Cooperative (“NISC”) with a goal of implementation in June of 2021.

This new system would be replacing an outdated system that has limitations for user oversight in addition to issues communicating with DEMCO’s mapping and staking software. The Cooperative stated that once the NISC system is in place, it will also allow more automated management of numerous processes such as work orders and change orders, contribution in aid of construction, and timekeeping. NISC has the ability to log every activity, provide an audit trail, and will allow DEMCO to assign specific types of access to different users. The implementation of the NISC software is on schedule with the Cooperative going live with the new billing and accounting software in June 2021. As the new NISC system was not yet installed and functioning during the fieldwork portion of this audit as well as COVID limitations as previously discussed, Staff is not able to comment on the ability of the new system to improve the billing and accounting processes. Staff recommends this system be reviewed in the next audit.

Conclusion

DEMCO is still in the process of reviewing and implementing recommendations from the prior P&N audit. The Cooperative has been diligent in reviewing and incorporating recommendations from the P&N audit, devising a strategic plan to address those recommendations, and implementing its plan. The Cooperative has moved toward compliance with the P&N audit recommendations with more oversight and monitoring of internal and operational functions, as well as providing an improved organizational culture for its employees. However, Staff makes the following recommendations to further improve the Cooperative’s operating systems, managerial activities, and accounting practices:

RECOMMENDATION NO. 1

Board Members are responsible for setting the tone of the organization. Board membership is a great responsibility and should reflect loyalty, obedience and due care to the Cooperative and its members. Each Board Member should understand their roles as Board Members of the Cooperative, including each member's ongoing role in providing necessary strategic leadership of the Cooperative. Further, and to enhance each member's role, the Board Members should at a minimum continue annual training on ethics, communications with DEMCO management, and CCD certifications.

RECOMMENDATION NO. 2

DEMCO should prioritize the drafting and adoption of formal detailed procedures for key operational functions throughout the Cooperative such as the work order process, change order process and the purchasing process. These procedures will help ensure that the processes are correctly and consistently performed, and expected results are obtained. Furthermore, the procedures will provide an important training tool for new employees and will support workflow continuity in the event a current employee leaves a position.

RECOMMENDATION NO. 3

DEMCO should implement more cross-training of personnel, especially office staff, so that work continuity is not affected when a staff member is on leave or a position becomes open.

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. U-35131

LOUISIANA PUBLIC SERVICE COMMISSION, EX PARTE

In re: Investigative Audit into the Managerial and Financial Activities of Dixie Electric Membership Corporation.

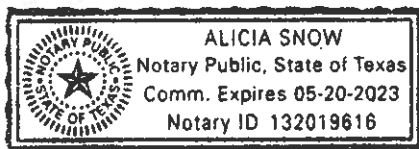
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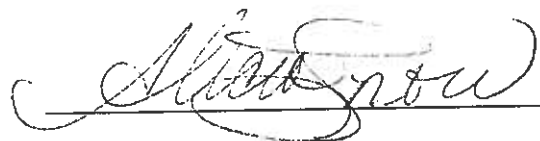
STATE OF TEXAS
COUNTY OF TRAVIS

I, Karl J. Nalepa, Consultant to the Louisiana Public Service Commission, being duly sworn, do hereby state that I have prepared and reviewed the above and foregoing Staff Audit Report and that the matters contained therein are true and accurate to the best of my knowledge, information and belief. I have no known conflict of interest in representing the Louisiana Public Service Commission in this proceeding.

 11/30/21
Karl J. Nalepa
Staff Consultant
Louisiana Public Service Commission

Sworn and subscribed to before me this 30th day of November 2021.




Notary ID No.
My Commission Expires May 20, 2023

**Service List for X-35131
as of 12/1/2021**

Commissioner(s)

Eric Skrmetta
Craig Greene
Lambert C. Boissiere, III.

LPSC Staff Counsel

Kathryn Bowman, LPSC Staff Attorney

LPSC Staff

Donnie Marks, LPSC Utilities Division
Robin Pendergrass, LPSC Auditing Division
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**Company : Dixie Electric Membership Corporation
(DEMCO)**

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