



# Performance Audit: Comcast Franchise Fees September 15, 2020

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# Audit Objectives

- Has Comcast completely and accurately charged subscribers and paid franchise fees to the city in accordance with the 2009 agreement?
- Did Comcast accurately bill and remit fees for PEG (public, education and governmental) programming in accordance with the 2009 agreement?
- Does the city have procedures in place to oversee the Comcast agreement?

# Scope and Methodology

- reviewed federal, state, and city code provisions related to franchise agreements
- interviewed staff from the city's Office of Revenue, Law Department, and City Planning, as well as staff from Comcast, and community stakeholders
- reviewed the Office of Revenue's policies and procedures and DEAM's mailroom policies and procedures
- reviewed Comcast's financial reports from 2017 through 2019 that support the franchise fee payments made to the city
- analyzed financial reports received from Comcast for the 4th quarter of 2019 to determine the accuracy and completeness of franchise fee payments made to the city
- worked with staff from the Department of City Planning, who used ArcGIS (Geographic Information System) to compare the city's list of addresses to Comcast's list of serviceable addresses to assess whether the city was receiving full credit in its franchise fee payments

# Findings Overview

- Comcast accurately charged customers fees to support public television.
- Errors in Comcast's database reduced franchise revenue.
- Comcast deducted \$163,000 from 2018 franchise fee payment.
- City identifies no clear responsibility for managing franchise agreement.
- Additional revenue may be due as a result of missing addresses.

# Comcast Accurately Charged Customers Fees to Support Public Television

Exhibit 9: Comcast Charged \$207,984 In PEG Interest Over a Seven Year Period

Calendar Year	Pass Through PEG Fee (Interest)	Pass Through PEG Fee (Principal)	Total PEG Fee Paid by Subscribers
2010	\$45,529	\$34,545	\$80,074
2011	\$49,029	\$65,476	\$114,505
2012	\$41,405	\$70,014	\$111,419
2013	\$33,230	\$78,044	\$111,274
2014	\$23,766	\$90,086	\$113,852
2015	\$13,035	\$102,715	\$115,750
2016	\$1,832	\$67,639	\$69,471
<b>Subtotals</b>	<b>\$207,827</b>	<b>\$508,519</b>	<b>\$716,346</b>
		Overestimation	\$8,362
<b>Total</b>	<b>\$207,984</b>	<b>\$500,000</b>	<b>\$707,984</b>

Source: Auditor's analysis of PEG pass-through calculation provided by Comcast.

# Errors in Comcast's Database Reduced Franchise Revenue

- Comcast under-reported video gross revenue for the 4th quarter of 2019 by \$349,864 and over-reported video gross revenue by almost \$45,000 during the same period.
- Errors in the 4th quarter of 2019 resulted in a net underpayment of \$15,246



# Comcast Deducted \$163,000 from 2018 Franchise Fee Payment

- The city allowed Comcast to deduct \$163,000 from a 2018 franchise fee payment as reimbursement for occupational license fees that Comcast said it paid in error.
- City code does not explicitly identify a city department responsible for verifying that the payments the city receives from Comcast are accurate and consistent with supporting documentation.

# City Identifies No Clear Responsibility for Managing Franchise Agreement

- Franchise agreement audit functions appear consistent with audits that the Office of Revenue performs, but city code does not explicitly identify the city department responsible for managing the Comcast franchise fee agreement.
- Revenue's departmental policies include procedures to conduct revenue audits of business tax customers.
- Revenue has never performed a detailed audit of the Comcast franchise fee payments received to date, which may result in undetected franchise fee payment errors.



# Additional Revenue May Be Due as a Result of Missing Addresses

- The city's GIS staff identified 2,181 addresses outside of the city limits that were coded as Atlanta addresses, and 27,303 addresses within the city limits that were missing from the database or miscoded to another jurisdiction.
- Comcast relies on its address database to identify the subscribers in the city, which if miscoded, would result in incomplete or inaccurate calculation of franchise fee revenue due to the city.

# Recommendations

The Chief Financial Officer should:

- periodically monitor the Comcast franchise fee agreement to confirm that Comcast is complying with agreement terms by requesting supplemental financial records, as needed, to support the quarterly franchise fee payments made.
- develop a procedure within its departmental policy to audit any franchise using the city's right-of-way.
- work directly with Comcast to determine how much the city is due in franchise fees by identifying the appropriate revenue allocations that should be included in franchise fee payments to the city, and collect all amounts owed from Comcast plus interest.
- work with the Department of City Planning's GIS group to follow-up with Comcast to determine the total number of addresses that are miscoded within city limits and ensure that the city received the appropriate credit for these addresses between 2017 through 2019.

# Questions?

Full Report:

<http://www.atlaudit.org/audit-reports.html>

