



**INDEPENDENT
AUDITOR'S REPORT
ON APPLYING
AGREED-UPON
PROCEDURES FOR
THE BALTIMORE CITY
CABLE TELEVISION
FRANCHISE
AGREEMENT**

**January 2018 through
January 2021**

**Josh Pasch, CPA
City Auditor
October 19, 2022**



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INDEPENDENT AUDITOR'S AGREED-UPON PROCEDURES REPORT

Honorable Bill Henry, Comptroller
and Other Members of the
Board of Estimates
City of Baltimore, Maryland

We have performed the procedures (see page 3) on the Baltimore City Cable Television Franchise Agreement (Franchise Agreement)¹ by and between the Mayor and City Council of Baltimore (City) and Comcast of Baltimore City, LLC (Comcast) from January 2018 through January 2021. The objective of the agreed-upon procedures set forth in this letter is for the Department of Audits within the Office of the Comptroller (the City Auditor) to assess whether Comcast completely and accurately reported gross revenue, as defined in the 2017 Franchise Agreement, paid franchise fees and Public, Educational, and Governmental (PEG) fees owed to the City during the three-year period January 2018 through January 2021. The Mayor's Office of Cable and Communication (MOCC), the Mayor's Office of Employment Development (MOED), the Mayor's Office of Minority and Women Owned Business Development (MWOBD) and the Department of Finance (DOF) are responsible for the oversight and monitoring of the Franchise Agreement. Comcast, MOCC, MOED, MWOBD, and DOF have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose which is to verify if: (1) Comcast has paid franchise fees and PEG fees to the City in accordance with the Franchise Agreement and (2) the City is monitoring Comcast's compliance with the PEG and reporting requirements of the Franchise Agreement from January 2017 through January 2021.

This report is for objective 1² and may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We have relied solely on information provided to us by Comcast in reaching the conclusion detailed in this report. During the three-year period under examination, Comcast paid the City \$19,377,048 in net franchise fees and \$4,065,779 in PEG fees, in accordance with Section 6.8B of the 2017 Franchise Agreement.

The procedures and the associated findings are included in the table on page 3. In summary, as of September 30, 2022, the Department of Audits identified an underpayment of franchise fees and PEG fees totaling \$19,744 and interest fees on

¹ The term of the Franchise Agreement is from January 2017 through January 2021. The 2017 franchise fee audit was completed by Lewis and Associates; as a result, the scope of our audit is from January 2018 through January 2021.

² The report for objective 2 was issued on April 6, 2022.

late payments totaling \$2,140. The underpayment totaling \$21,884³ should be remitted to Department of Finance, Bureau of Revenue Collections at 200 Holliday Street, Baltimore, Maryland 21202.

We were engaged by the City of Baltimore Comptroller's Office to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the *Government Auditing Standards*. Please note we were not engaged to and did not conduct an examination or review; the objective of which would be the expression of an opinion or conclusion on Comcast's internal control over compliance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Comcast and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

We wish to acknowledge Comcast's cooperation extended to us during our agreed-upon procedures engagement.

Respectfully,



Josh Pasch, CPA
City Auditor
Baltimore, Maryland
October 19, 2022

CC:

1. Honorable Mayor Brandon Scott
2. Honorable Comptroller Bill Henry
3. Christopher Shorter, City Administrator
4. Ebony Thompson, Acting Chief of Staff to Mayor
5. Michael Moiseyev, Director, DOF
6. Monica Lewis, Senior Director of Communications – Mayor's Office
7. Jason Perkins-Cohen, Director, MOED
8. Paul Taylor, Director, MWOBD

³ This amount is subject to change based on the timing of the settlement.

**Results of Applying Agreed-Upon Procedures for the Baltimore City Cable
Television Franchise Agreement
January 2018 through January 2021**

Agreed Upon Procedures	Results	Findings
1. Verify that Comcast subscriber charges and calculations for all services provided to Baltimore City citizens are accurate and in compliance with the 2017 agreement.	No exception was noted as a result of applying the procedure.	
2. Determine the completeness and accuracy of the number of subscribers.	No exception was noted as a result of applying the procedure.	
3. Verify that Comcast completely and accurately charged subscribers and paid Franchise Fees to the City in the amount equal to five percent (5%) of Gross Revenue.	Exception was noted as a result of applying the procedure.	<p>The Department of Audits identified total franchise fee underpayment of \$16,453. Specifically, Comcast errors resulted in total revenue variance and net underpayment respectively as follows:</p> <ul style="list-style-type: none"> • Calendar Year (CY) 2018 - \$57,920 and \$2,896 • CY 2019 - \$229,951 and \$11,498 • CY 2020 - \$41,178 and \$2,059

Agreed Upon Procedures	Results	Findings
<p>4. Verify that Comcast paid to the City PEG Access Capital Costs, including, without limitation, facilities and equipment, ongoing support of one percent (1%) of Gross Revenue per subscriber per month or, at the option of the City to be exercised in writing within 45 days of the 3rd, 5th, and 9th anniversaries of January 1, 2017 (Effective Date), an amount equal to \$0.90 per Subscriber per month in accordance with Section 6.7 of the Agreement.</p>	<p>Exception was noted as a result of applying the procedure.</p>	<p>The Department of Audits identified total PEG fee underpayment of \$3,291. Specifically,</p> <ul style="list-style-type: none"> • CY 2018 - \$579 • CY 2019 - \$2,300 • CY 2020 - \$412
<p>5. Verify that Comcast paid to the City operational costs relating to PEG Channels, ongoing support of twenty-five cents (\$0.25) per Subscriber per month. To ensure this per-subscriber payment is computed and paid in the same manner and on the same schedule as the Franchise Fees, clearly itemized as “PEG Operational Cost Support” on Grantee’s quarterly Franchise Fee payments in accordance with Section 6.8 of the Agreement.</p>	<p>No exception was noted as a result of applying the procedure.</p>	
<p>6. Verify that all payments are made on a quarterly basis and remitted within thirty (30) days after the last of each March, June, September, and December.</p>	<p>No exception was noted as a result of applying the procedure.</p>	

Agreed Upon Procedures	Results	Findings
<p>7. Verify that, interest on late payment if any, is accrued at a rate equal to the then-prevailing prime rate of interest for commercial loans as published in the Wall Street Journal. In addition, to verify that, interest is compounded daily, except as otherwise provided in the agreement in the event that any payment required by this agreement, including but not limited to the payment of franchise fees, is not actually received by the City on or before the applicable date fixed in this Agreement.</p>	<p>Exception was noted as a result of applying the procedure.</p>	<p>As of September 30, 2022, the Department of Audits calculated interest on late payments totaling \$2,140.</p>
<p>8. Verify that, Comcast reimbursed the City for the cost of audit or review if the audit or review reveals an underpayment to the City in an amount that exceeds four percent of the total amount due to the City from Comcast over the time and for the type of payment audited in accordance with Section 10.6 D of the Agreement.</p>	<p>No exception was noted as a result of applying the procedure.</p>	