



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

**January 2017 through  
January 2021**

**Josh Pasch, CPA  
City Auditor  
December 31, 2021**



## TABLE OF CONTENTS

Independent Auditor's Report On Applying Agreed-Upon Procedures	1
Results of Agreed-Upon Procedures for the Baltimore City Cable Television Franchise Agreement	3
Appendix I: Management's Responses	7

## INDEPENDENT AUDITOR'S AGREED-UPON PROCEDURES REPORT

To the Directors:

We have performed the procedures enumerated on page 3, on the Baltimore City Cable Television Franchise Agreement (Franchise Agreement) by and between the Mayor and City Council of Baltimore (City) and Comcast of Baltimore City, LLC (Comcast) from January 2017 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 four-year period January 2017 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<sup>1</sup>; 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 2 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.

The procedures and the associated findings are included in the table on page 3.

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 AICPA and the *Government Auditing Standards*, except for peer review requirements. 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, respectively, on MOCC, MOED, MWOBD, and DOF 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.

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<sup>1</sup> Procedures for objective 1 are ongoing.

**Independent Auditor's Report On Applying Agreed-Upon Procedures for the Baltimore City Cable Television Franchise Agreement**

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We are required to be independent of MOCC, MOED, MWOBD, DOF 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 the City agencies' cooperation extended to us during our agreed-upon procedures engagement. The Management's responses are included in Appendix I. (see page 7).

Respectfully,



Josh Pasch, CPA  
City Auditor  
Baltimore, MD

CC:

1. Honorable Members of the Board of Estimates
2. Michael Huber, Mayor's Chief of Staff
3. Christopher Shorter, City Administrator
4. Henry Raymond, Director, DOF
5. James Bentley, Acting Director, MOCC
6. Jason Hardebeck, Director, Broadband Band and Digital Equity
7. Jason Perkins-Cohen, Director, MOED
8. Paul Taylor, Director, MWOBD

**Results of Applying Agreed-Upon Procedures for the Baltimore City Cable Television Franchise Agreement  
January 2017 through January 2021**

Agreed Upon Procedures	Results	Findings
<p>1. Verify that MOCC has a procedure in place to ensure Comcast provides PEG Channels without any additional fee or charge the Subscriber is paying for the Cable Services the Subscriber receives on the Cable System except as provided in the Franchise Agreement (Section 6.1, Provision of PEG Channels).</p>	<p>Exception Noted</p>	<p>Although the MOCC receives Franchise Fees Reports and Quarterly Service Reports (Customer Service Reports) along with quarterly payments to the City from Comcast to cover franchise fees, PEG Capital, PEG Operating and Youth Work underwriting, MOCC does not verify the accuracy and timeliness of these reports and payments. Additionally, MOCC does not have a procedure in place to ensure Comcast provides PEG Channels without any additional fees.</p>
<p>2. Verify that MOCC has a procedure in place to ensure Comcast provided the accurate number of Standard Definition and High-Definition channels and the number of hours on Video on Demand as stated in the Sections 6.2, 6.3, 6.4 of the Agreement.</p>	<p>Exception Noted</p>	<p>The MOCC doesn't have a procedure in place to properly monitor the number of Standard Definition and High-Definition channels, including the number of hours on Video on Demand.</p>
<p>3. Verify that MOCC and the City have in place both procedures to monitor compliance and agreement provisions to enforce such requirements, that from and after Effective Date, Comcast will provide or have been providing all required reports in a timely manner.</p>	<p>Exception Noted</p>	<p>According to MOCC, MOED, MWOB, and DOF, they do not receive the following reports or do not receive them consistently. None of the agencies are reviewing the reports.</p> <ul style="list-style-type: none"> <li>• Annual Hiring Report</li> <li>• Annual MBE / WBE Procurement Report</li> </ul>

Agreed Upon Procedures	Results	Findings
<ul style="list-style-type: none"> <li>• Annual Hiring Report</li> <li>• Annual Minority Business Enterprises (MBE) / Women Business Enterprises (WBE) Procurement Report</li> <li>• Grantee Annual Report</li> <li>• Quarterly [service] Reports</li> <li>• Franchise Fee Report</li> </ul>		<ul style="list-style-type: none"> <li>• Grantee Annual Report</li> </ul> <p>The lack of oversight -of the Franchise Agreement is due to:</p> <ul style="list-style-type: none"> <li>• The MOCC does not have policies and procedures in place to monitor Comcast's compliance with the Franchise Agreement. Formal policies and procedures promote compliance, accountability, consistency, and sustainability. For example, the former Executive Director separated from the City in August 2020. The staff member who has been depositing quarterly franchise fee payments does not have guidance on how to verify the accuracy of franchise fees, PEG payments and whether the reports are received timely as per the Franchise Agreement. Additionally, reports are not saved in a centralized place. The staff member is saving reports in the email and does not have access to prior reports received by the former Executive Director.</li> <li>• The Franchise Agreement requires multiple reports that are the responsibility of multiple agencies. However, it is not clear whether MOCC is responsible for receiving all reports and distributing them to respective agencies; or Comcast should submit reports to respective agencies. All agencies involved in this Agreed-Upon Procedures were not aware of their</li> </ul>

Agreed Upon Procedures	Results	Findings
		<p>responsibility regarding the Franchise Agreement. Also, the Franchise Agreement does not define the responsibility for Section 11.4, which states “not more than once per three year period, and upon thirty (30) days written notice to the Grantee, the City may require the Grantee to attend and participate in a scheduled performance review session, presided over by the City or its designee, within ninety (90) days after the close of each calendar year of the Franchise (“the Annual Public Performance Review Section”).”</p> <p>According to the Section 11 of Franchise Agreement, “the City shall have regulatory oversight over the Cable System to ensure compliance with the terms and conditions of this Agreement and Applicable Law, including, without limitation, the right to regulate and inspect the construction, operation, maintenance, repair, rebuild, enhancement, and removal of the Cable System, and all parts of the Cable System.....Regulation may be exercised through any City official, agency, department, duly established public commission, or other Person appointed or authorized by the City to support or assist the City in its regulatory responsibilities.”</p>

Agreed Upon Procedures	Results	Findings
		<p>We recommend:</p> <ul style="list-style-type: none"> <li>I. The Director of MOCC identify key contract terms relevant to MOCC and establish formal (written, approved, dated) policies and procedures to: (1) monitor Comcast's compliance with the Franchise Agreement and (2) retain documentation as evidence of MOCC's monitoring of the Franchise Agreement and to support Comcast's compliance with the Franchise Agreement; and</li> <li>II. The Mayor: (1) define how this contract will be managed and whether it would be beneficial to assign the oversight to one or multiple agencies; and (2) inform respective agency(ies).</li> </ul>

**APPENDIX I**

**Management's Response**

**Date:** March 1, 2021

**To:** Josh Pasch, City Auditor

**Subject:** Management Response to Report:  
Baltimore City Cable Television Franchise Fees AUP

Our responses to the agreed-upon procedures findings and recommendations are as follows:

**Recommendation # 1**

We recommend the Director of MOCC identify key contract terms relevant to MOCC and establish formal (written, approved, dated) policies and procedures to: (1) monitor Comcast's compliance with the Franchise Agreement and (2) retain documentation as evidence of MOCC's monitoring of the Franchise Agreement and to support Comcast's compliance with the Franchise Agreement.

**Management Response / Corrective Action Plan**

**Agree**   **Disagree**

**Implementation Date:** July 2022

**Action Plans and Milestones:**

- Action Plan Milestone # 1: Conduct review of Comcast Franchise Agreement to identify key contract terms, deliverables, and performance metrics to inform policy development.
- Action Plan Milestone # 2: Implement internal policy to review all franchisee submissions, ensure compliance, and document financial and operating performance on a monthly basis.
- Action Plan Milestone # 3: Convene the Cable Franchise Review Committee (CFRC) on a quarterly basis.

**Responsible Personnel:**

- James Bentley, Acting Director, MOCC

**Independent Auditor’s Report On Applying Agreed-Upon Procedures for the Baltimore City Cable Television Franchise Agreement**

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- Jason Hardebeck, Director, Broadband Band and Digital Equity

**Recommendation # II**

We recommend the City Mayor: (1) define how this contract will be managed and whether it would be beneficial to assign the oversight to one or multiple agencies; and (2) inform respective agency(ies).

**Management Response / Corrective Action Plan**

Agree   Disagree

**Implementation Date:** January 2023

**Action Plans and Milestones:**

- Action Plan Milestone#1: The Mayor shall establish CFRC with designated representatives from each of the following agencies:
  - MOCC
  - Law
  - MOBDE
  - MOED
  - MWOBD
  - DOT
- Action Plan Milestone #2: The CFRC shall meet quarterly to review all required reports and ensure compliance with the franchise agreement.
- Action Plan Milestone #3: MOCC shall prepare a summary of franchisee performance annually to be presented at the Board of Estimates.

**Responsible Personnel:**

- James Bentley, Acting Director, MOCC
- Jason Hardebeck, Director, Broadband Band and Digital Equity