



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

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APRIL 6, 2022

OUTLINE

1. Audit Objectives and Scope
2. Results of Applying Agreed-Upon Procedures
3. Causes
4. Criteria
5. Recommendations
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AUDIT OBJECTIVES AND SCOPE

- Overall Objective - To assess whether Comcast completely and accurately reported gross revenue and paid franchise fees and Public, Educational, and Governmental (PEG) fees owed to the City
 - Sub-objective 1: To verify if Comcast has paid franchise fees and PEG fees to the City
 - **Sub-objective 2: To verify the City is monitoring Comcast's compliance with the PEG and reporting requirements of the Franchise Agreement**
- Scope - January 2017 through January 2021

RESULTS OF APPLYING AUP

Agreed-Upon Procedures	Results
<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 was noted. The MOCC:</p> <ul style="list-style-type: none">• Receives Franchise Fees Reports and Quarterly Service Reports (Customer Service Reports) along with quarterly payments to the City from Comcast• Does not verify the accuracy and timeliness of these reports and payments.• Does not have a procedure in place to ensure Comcast provides PEG Channels without any additional fees.

RESULTS OF APPLYING AUP (CONTINUED...)

Agreed-Upon Procedures	Results
<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 was noted. The MOCC :</p> <ul style="list-style-type: none">• 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.

RESULTS OF APPLYING AUP (CONTINUED...)

Agreed-Upon Procedures	Results
<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> <ul style="list-style-type: none">• Annual Hiring Report• Annual Minority Business Enterprises (MBE) / Women Business Enterprises (WBE) Procurement Report• Grantee Annual Report• Quarterly [service] Reports• Franchise Fee Report	<p>Exception was noted.</p> <ul style="list-style-type: none">• According to MOCC, MOED, MWOBD, and DOF, they do not receive the following reports or do not receive them consistently.• None of the agencies are reviewing the reports.<ul style="list-style-type: none">○ Annual Hiring Report○ Annual MBE / WBE Procurement Report○ Grantee Annual Report

CAUSE I

The MOCC does not have policies and procedures in place to monitor Comcast's compliance with the Franchise Agreement.

- **Executive turnover** - The former Executive Director separated from the City in August 2020.
- **Policy and procedures for continuity** - 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.
- **Accessibility to the reports** - 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.

CAUSE II

- The Franchise Agreement requires multiple reports that are the responsibility of multiple agencies.
 - 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 responsibility regarding the Franchise Agreement.
- 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”).”

CRITERIA

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.”

RECOMMENDATIONS

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; and
- The City Administrator: (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).



Questions?