



**CITY OF ATLANTA**  
City Auditor's Office  
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August 2020

## **Performance Audit:**

### **Comcast Franchise Fees**

#### **What We Found**

Comcast errors in the 4th quarter of 2019 resulted in a net underpayment of \$15,246 in franchise fee revenue to the city. Comcast franchise fee payments are calculated through the NRSA (National Revenue Share Application) database, which contained errors in the rate codes used to determine how much the city was due in franchise fee payments. Depending on how long the database has contained these errors, it is possible that the city may be due more in franchise fees since the effective date of the 2009 agreement.

We recommend the city 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. We also recommend that the Chief Financial Officer 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.

While franchise agreement audit functions seem to be consistent with audits that the Office of Revenue performs, city code does not explicitly identify the city department responsible for managing the Comcast franchise fee agreement.

We recommend the Chief Financial Officer develop a procedure within its departmental policy to audit any franchise using the city right-of-way.

Comcast's database of eligible service addresses appears to be missing 27,303 Atlanta addresses and incorrectly codes 2,181 addresses as being in the city.

We recommend the city work with the 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.

#### **Why We Did This Audit**

We undertook this audit at the request of City Council. Comcast provides cable services to customers and collects franchise fees from those customers. Comcast then pays franchise fees to the city of Atlanta as compensation for use of its public rights-of-way and easements. Citizens have expressed concerns that Comcast overcharged city subscribers and under-paid quarterly franchise fees owed the city. According to the city's franchise agreement with Comcast, franchise fees are calculated as a percentage gross revenue. We assessed whether Comcast completely and accurately reported this revenue and paid franchise fees owed to the city between January 2017 through December 2019.

#### **What We Recommended**

To ensure franchise fee payments are complete and accurate, we recommend that the Chief Financial Officer:

- periodically monitor the Comcast franchise fee agreement to confirm that Comcast is complying with agreement terms
- develop a procedure to audit any franchise using city right-of-way
- work directly with Comcast to determine how much the city is due in franchise fees and collect all amounts owed from Comcast
- work with the GIS group to follow-up with Comcast to ensure that the city received the appropriate credit for addresses between 2017 through 2019

For more information regarding this report, please use the "contact" link on our website at [www.atlaudit.org](http://www.atlaudit.org)

## Management Responses to Audit Recommendations

### Summary of Management Responses

**Recommendation #1:** We recommend that the Chief Financial Officer 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.

**Response & Proposed Action:**

Pursuant to 2019 agreement (19-O-1598), the Franchising Authority (City) may conduct an audit no more than once annually to ensure payments in accordance with this Agreement. The most recent Comcast audit concluded in July 2020. Thus, the next audit engagement will occur post - July 2021 and will follow this cadence annually thereafter.

**Timeframe:** December 2020

**Agree**

**Recommendation #2:** We recommend that the Chief Financial Officer develop a procedure within its departmental policy to audit any franchise using the city's right-of-way.

**Response & Proposed Action:**

The Department of Finance will develop audit processes and a thorough audit methodology for any franchise using the city's right-of-way. Currently, the City has more than 25+ franchises. The Department of Finance may elect to utilize the services of Georgia Municipal Association (GMA) or other external vendor to support compliance with this recommendation.

**Timeframe:** March 2021

**Agree**

**Recommendation #3:** We recommend that the Chief Financial Officer 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.

**Response & Proposed Action:**

The Department of Finance will partner with Comcast to review revenue allocations and collect all amounts owed from Comcast plus interest as authorized by contractual agreement. The Department of Finance will review and

**Agree**

incorporate internal audit's methodology, processes and work paper analysis to develop a comprehensive understanding of Comcast franchise operations for continuous compliance with this recommendation.

**Timeframe:** January 2021

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**Recommendation #4:** We recommend that the Chief Financial Officer 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 receives the appropriate credit for these addresses between 2017 through 2019.

**Response & Proposed**

**Action:** The Department of Finance agrees to work with the GIS group to validate addresses miscoded within the city limits. It should be noted that Finance will be challenged to commit resources from another department (GIS group is in AIM) to work on this project as their resource and/or time commitments may be restricted. However, Finance is committed to partnering with AIM to craft a timeline and resource allocation that is agreeable to both parties (AIM and Finance) to support compliance with this recommendation

**Agree**

**Timeframe:** June 2021

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