

AUDIT OF ADELPHIA CABLE COMMUNICATIONS - TELESAT ACQUISITION LIMITED PARTNERSHIP FRANCHISE FEE

AUDIT REPORT

Report by the
Office of the County Comptroller

Martha O. Haynie, CPA
County Comptroller

County Audit Division

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AUDIT OF ADELPHIA CABLE COMMUNICATIONS -
TELESAT ACQUISITION LIMITED PARTNERSHIP
FRANCHISE FEE

Adelphia owns, operates, and manages cable TV systems and other related telecommunications businesses. Operations consist primarily of selling video programming. In the quarterly reporting period of January 1999 through March 1999, Adelphia reported gross revenues of \$2,940,100 from their Orange County subscribers.

March 2000
Report No. 285

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March 24, 2000

Mel Martinez, County Chairman
And
Board of County Commissioners

We have conducted an audit of the Adelphia Cable Communications Franchise Fee. The audit was limited to a review of the quarterly cable franchise fees paid to Orange County by Adelphia Cable Communications for the period of January 1, 1999 through June 30, 1999.

Responses to our Recommendations for Improvement were received from the Orange County Cable Franchising Authority Communications Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Orange County Cable Franchising Authority Communications Division and Adelphia Cable Communications during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator

EXECUTIVE SUMMARY

Executive Summary

The scope was limited to ensuring Adelphia Cable Communications remitted the proper amount of cable franchise fees to the Orange County franchising authority based on the five percent requirement set forth in Chapter 12, Community Antenna Television Systems; Cable Television, ETC., Section 12-31. During our review, we noted the following:

Adelphia Cable Communications did not remit the January – March 1999 franchise fee payment of \$147,005.04 to Orange County on time. The payment was received 10 days past due. A late fee payment of \$735.03 is due to the County from Adelphia.

During the course of the audit, we noted that Adelphia had not paid Orange County the quarterly franchise fee on franchise area 29, the Huckleberry development, since its acquisition in December of 1995. The area contains about 225 active households. Adelphia remitted the unpaid fees for the entire four-year period on October 30, 1999. The fee payment of \$16,766.83 was based on five percent of \$335,336.69 in revenue from the franchise area. An 18 percent late payment penalty should be assessed on the amount remitted since it was paid past the due date.

The Orange County Cable Franchising Authority Communications Division concurred with our recommendation for improvement and corrective action has been undertaken.

ACTION PLAN

Review of the Adelpia Cable Communications Franchise Fees
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATION
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.						We Recommend the County:
A)	X			X		Collect the \$735.03 late fee for the March 1999 franchise fee payment from Adelpia and ensure that all future late franchise fee payments are assessed a late fee.
B)	X			X		Assess and collect from Adelpia the \$5,174.02 late charge for the late payment of the franchise fee relating to the Huckleberry development.

INTRODUCTION

Background

Adelphia Cable Communications is located on Vineland Road, in Orlando. This location, with 85 employee positions as of October 1, 1999, handles the call center, installations, sales, and repairs for the Orange County, Florida franchise area. All financial information is assimilated at the corporate office in Pennsylvania.

Adelphia owns, operates and manages cable TV systems and other related telecommunications businesses and has 3,895 employees. Operations consist primarily of selling video programming. Per information from Market Guide, revenues were \$432.5 million for the six months ended June 30, 1999.

In the quarterly reporting period of January 1999 through March 1999, Adelphia reported gross revenues of \$2,940,100.88 from their Orange County subscribers. They paid the County a five percent franchise fee on that revenue or \$147,005.04.

In the area, Adelphia has three headends that transmit the cable signals for their subscribers. Adelphia serves over 28,000 regular service cable subscribers in Orange County as of June 1, 1999.

**Scope, Objectives,
and Methodology**

The scope was limited to ensuring Adelphia Cable Communications remitted the proper amount of cable franchise fees to the Orange County franchising authority based on the five percent requirement set forth in Chapter 12, Community Antenna Television Systems; Cable Television, ETC., Section 12-31.

The audit objectives were to assure that bona fide revenues are accounted for and revenue amounts were properly calculated.

We computed the total Orange County revenues for Adelphia from their billing system information for the month of January 1999.

INTRODUCTION



We recalculated Adelphia's 1999 first and second quarter franchise fee calculation worksheets for accuracy.

We verified that Orange County non-subscriber revenues were calculated correctly by ensuring that the allocation percentages attributable to Orange County were properly calculated.

We verified that streets coded as not within Orange County were located outside the geographic boundaries of the County by tracing the street name from the franchise tax report to the Central Florida Street Atlas.

We verified that franchise fee payments for the audit period were received by Orange County from Adelphia on time by comparing the date the payment was received to the due date.

Overall Evaluation

In our opinion, Adelphia is properly remitting the cable franchisee fee revenues for the period audited as required except for the instance noted in the report.

RECOMMENDATION FOR IMPROVEMENT

1. The County Should Ensure Adelphia Is Assessed Appropriate Late Fees

During our review, we noted the following:

- A) Adelphia did not remit the January through March 1999 franchise fee payment of \$147,005 to Orange County by the required due date. The payment was received on May 25, 1999 (due date May 15, 1999), ten days past the due date. A late fee payment of \$735.03 is due to the County from Adelphia.
- B) Adelphia did not pay Orange County the quarterly franchise fee on one franchise area (Huckleberry development) served by the company. Further, we found that Adelphia had not paid the county any franchise fee on the revenues from that development since its acquisition in December of 1995. The area contains about 225 households with active accounts.

Subsequent to this discovery, Adelphia sent the County the unpaid fees for the entire four-year period on October 30, 1999. The fee payment totaled \$16,766.83 (five percent fee on \$335,336.69 of revenues). However, an 18 percent late payment penalty of \$5,174.02 needs to be assessed and paid on the amount since it was paid past the 45 day due date limit.

Orange County Code Chapter 12 Sec. 12-31(b) requires the franchisee to make payment for each quarter not later than 45 calendar days after the end of each calendar quarter. Section 12-31(g) allows for the County to receive late charge fees from the franchisee in the amount of 18 percent per annum if the payment is not received by the due date.

We Recommend the County:

- A) Collect the \$735.03 late fee for the March 1999 franchise fee payment from Adelphia and ensure that

RECOMMENDATIONS FOR IMPROVEMENT



all future late franchise fee payments are assessed a late fee.

- B) Assess and collect from Adelphia the \$5,174.02 late charge for the late payment of the franchise fee relating to the Huckleberry development.

Management's Response:

As follow-up to your draft report, the County has assessed Adelphia Cable Communications the monies owed and has given Adelphia Cable Communications ten (10) business days from the date of February 24, 2000 to remit payment in the amount of \$5,909.05.

The County does and will continue to assess a late fee payment on franchise fees not paid to the County starting on the 46th day. Also be advised that an additional reminder notice is sent to all franchisees half way into this 45-day calendar period.