

**Follow-Up Audit of the
Adelphia Cable
Communications
Franchise Fee**

**Report by the
Office of County Comptroller**

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**Report No. 308
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December 19, 2001

Richard T. Crotty, County Chairman
And
Board of County Commissioners

We have conducted a follow-up audit of Adelphia Cable Communications – Telesat Acquisition Limited Partnership Franchise Fee. Our original review included the period of January 1, 1999 to June 30, 1999. Testing of the status of the previous Recommendations for Improvement was performed for the period August 1, 2001 through September 30, 2001. Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review.

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
Jim Evans, Regulatory Enforcement Coordinator, Communications Division

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

FOLLOW-UP AUDIT OF THE ADELPHIA CABLE COMMUNICATIONS FRANCHISE FEE
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We Recommend the County:				
A)	Collect the \$735.03 late fee for the March 1999 franchise fee payment from Adelphia and ensure that all future late franchise fee payments are assessed a late fee.		X		
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.	X			

INTRODUCTION

INTRODUCTION



Follow-up Audit of the Adelphia Cable
Communications Franchise Fee

Scope and Methodology

The audit scope consisted of a follow-up to the previous audit of Adelphia Cable Communications – Telesat Acquisition Limited Partnership Franchise Fee dated March 2000. Testing of the status of the previous recommendations was performed for the period August 1, 2001 through September 30, 2001.

To determine if the County collected the \$735.03 late fee for the March 1999 franchise fee payment and the \$5,174.02 late charge for the late payment of the franchise fee relating to the Huckleberry development, we reviewed the Orange County Comptroller's Finance Department payment receipts from Adelphia.

To ensure that all late franchise fee payments were assessed a late fee, we reviewed all quarterly franchise fee payments made by Adelphia for July 1999 to June 2001 to determine if the payments were received within forty-five days after the end of the respective calendar quarter. If a payment was not timely received, we determined if the applicable late fee was assessed and collected.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up Audit of the Adelphia Cable
Communications Franchise Fee

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

We noted the following concerns during the previous audit:

- A) Adelphia did not remit the January through March 1999 franchise fee payment of \$147,005 to the 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 since its acquisition in December of 1995. Although during the audit, Adelphia paid the unpaid fees of \$16,766.83, a late payment of \$5,174.02 needs to be assessed and paid on the amount since it was paid past the 45 day due date limit.

We Recommend the County:

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

Status:

- A) Partially Implemented. During our review we found that the \$735.03 late fee payment was received by Orange County on March 27, 2000. However, during our review we noted that Adelphia remitted the October through December 1999 franchise fee payment of \$145,991 three days late. As such, a late fee payment of \$218.99 is due to the County from

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



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Adelphia. In addition, we found that the June 2001 franchise fee payment of \$139,911 was not received until September 20, 2001. Adelphia subsequently paid a late fee of \$4,140 for this payment. However, our calculation revealed that the late fee payment should have been \$2,588.36. As such, Adelphia is due a refund of \$1,322.65 (net of the above \$218.99 late fee not paid).

- B) Implemented. During our review we found that the \$5,174.02 late fee payment was received by Orange County on March 27, 2000.

In October of 2001, a complete restructuring of the cable franchise fee payments took place as a result of Florida Statutes Chapter 202: Communications Services Tax Simplification Law. This law requires franchisees to no longer pay the County directly; instead, fees are paid to the Department of Revenue (DOR). After collection, the DOR distributes the appropriate portion of the tax to local governments.

We Recommend the County refund Adelphia \$1,332.65 for the overpayment of late fees.

Management's Response:

The Communications Division is in complete agreement with the outcome of the follow-up audit that was completed regarding unpaid franchise fees by Adelphia to Orange County. Furthermore, the Communications Division agrees with the issuance of a refund to Adelphia Cable in the amount of \$1,332.65 as a result of an overpayment to the County from Adelphia. The refund paperwork has been completed, and Adelphia should receive their refund within thirty days.