



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

October 31, 2001

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

**SUBJECT: DEPARTMENT OF CONSUMER AFFAIRS
CABLE TELEVISION FRANCHISE AUDITS**

Under the County Code Section 16.64.010, cable television franchisees (cable companies) pay the County a franchise fee based on their gross receipts. The Department of Consumer Affairs (DCA) requested audits of five cable companies serving fourteen cable television franchise areas to determine whether the cable companies properly reported their gross receipts and paid the correct franchise fees to the County. In March 2000, we contracted with Simpson and Simpson, CPAs, to perform these master agreement audits.

Simpson and Simpson issued their audit report in October 2001. The audits indicated that four of the cable companies had underpaid the County by a total of \$31,455 (see attachment). The auditors also indicated that one of the cable companies, Adelphia, did not provide all the documents needed to verify its gross receipts and that additional franchise fees might be due to the County. According to DCA, it has collected all of the underpaid franchise fees, except for the \$19,980 due from Adelphia.

Simpson and Simpson discussed the results of these audits with DCA and each cable company. DCA is in the process of determining the appropriate penalty to assess Adelphia for failing to provide the needed documents and how to collect the underpaid franchise fees and penalties. DCA management indicated they will report to your Board on these issues within sixty days.

Please call me if you have any questions or would like to review any of the individual reports.

JTM:DR:JS

Attachment

- c: David E. Janssen, Chief Administrative Officer
- Violet Varona-Lukens, Executive Officer
- Department of Consumer Affairs
- Pastor Herrera, Jr., Director
- Fern Taylor, Acting Chief, Telecommunications Franchising
- Public Information Office
- Audit Committee

**DEPARTMENT OF CONSUMER AFFAIRS
CABLE TV FRANCHISE AUDITS**

Franchisee	Audit Period	Amount Due to County
Adelphia	1995 - 1999	\$ 19,980 (1)
Charter Communications	1995 - 1999	11,077 (2)
MediaOne	1995 - 1999	333 (2)
Insight Communications	1995 - 1999	65 (2)
Liberty Cable	1998 - 1999	0
Total Due		\$ 31,455

(1) This amount does not include additional assessments that may be due for failing to provide records supporting advertising revenues, lease receipts, and other income reported for the years ended December 31, 1995, 1996, 1997, 1998 and 1999.

(2) Charter Communications, MediaOne and Insight Communications have paid the underpaid franchise fees to the County.