

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Advertising Revenue Reported by Time Warner Cable of New York City For Its CityCable Advertising Division January 1, 2000—December 31, 2002

FN04-097A

May 20, 2005



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the reporting of advertising revenue by Time Warner Cable of New York City for its CityCable Advertising Division (Time Warner) and Time Warner's compliance with the terms of its franchise agreement with the New York City Department of Information Technology and Telecommunications (DoITT).

The results of our audit, which are presented in this report, have been discussed with officials from Time Warner and DoITT, and their comments have been considered in preparing this report.

These audits provide a means of ensuring that private concerns under contract with the City comply with the terms of their agreements, properly report revenues, and pay the City all fees due.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/gr

Report: FN04-097A
Filed: May 20, 2005

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the
Advertising Revenue Reported by
Time Warner Cable of New York City
For Its CityCable Advertising Division
January 1, 2000–December 31, 2002**

FN04-097A

AUDIT REPORT IN BRIEF

This audit determined whether Time Warner Cable of New York City (Time Warner): calculated and reported accurately its gross advertising revenue to the City; paid the appropriate franchise fees to the City; and corrected the conditions cited in a prior audit report.

Audit Findings and Conclusions

The audit found that Time Warner could not account for 3,194 (11.87 percent) of the 26,902 invoice numbers listed on CityCable's invoice registers and Billing Detail reports for the audit period. CityCable did not provide documentation that established whether these invoice numbers were for canceled transactions or whether they related to revenue received but not reported to the City. Therefore, we could not determine whether Time Warner accurately reported its gross advertising revenue to the City, and calculated and paid the appropriate fees due.

We did confirm that Time Warner corrected the conditions cited in the prior audit report (FN00-098A). In that regard, Time Warner reported and paid franchise fees on NY 1 revenue; ESPN cross-channel advertising revenue; production revenue; bad debt recoveries; and for January 2000, QUICS's advertising revenue distribution. We also verified that bad debt write-offs for the audit period were accurate and properly documented, and that Time Warner Cable's corporate offices in Stamford, Connecticut, now administers and books its corporate MSNBC cross-channel advertising revenue—therefore, that revenue is no longer reportable to the City.

Audit Recommendations

The audit recommended that Time Warner maintain detailed documentation to ensure that all invoice numbers are accounted for and that DoITT ensure that Time Warner implements the report's recommendation.

INTRODUCTION

Background

Time Warner's franchise agreement requires that it pay the City five percent of its gross revenue. With the exception of "national advertising spots carried over the System" and other listed exceptions (i.e., outside advertising agency commissions and bad debts), gross revenue includes all advertising revenue received directly or indirectly by Time Warner. For the period January 1, 2000, through December 31, 2002, CityCable reported gross advertising revenues totaling \$207.6 million, paying the City \$10.4 million in franchise fees. The City's Department of Information Technology and Telecommunications (DoITT) is responsible for monitoring Time Warner's compliance with the terms of its franchise agreement.

In 1990, Time Warner began selling local advertising time for its wholly-owned or partially-owned New York City-based cable companies¹ through its CityCable Advertising Division (CityCable). CityCable's main sources of advertising revenue are from "spot sales," and from "interconnect," "representative," "cross-channel," and "production" revenue.² Other advertising revenues may include "Barter Revenue" and bad debt recoveries. All franchise fees derived from advertising revenue are paid through Time Warner's Southern Manhattan Division.

Time Warner is required to submit quarterly gross Franchise Fee statements with its fee payments no later than 30 days after the last day of March, June, September, and December. Interest on late payments of franchise fees is assessed at the prime commercial lending rate of Chase Manhattan Bank. For the period January 1, 2000, through December 31, 2002, Time Warner reported gross advertising revenues for CityCable totaling \$207.6 million, paying the City \$10.4 million in franchise fees, as shown in Table I, following, and Appendix I.

Table I

CityCable Advertising
Gross Revenue Reported and Franchise Fees Paid
January 1, 2000, through December 31, 2002

CALENDAR YEAR	GROSS REVENUE	FEES PAID
January 1—December 31, 2000	\$ 58,679,239	\$ 2,933,962
January 1—December 31, 2001	64,451,229	3,222,560
January 1—December 31, 2002	84,421,637	4,221,081
TOTAL	\$207,552,105	\$10,377,603

¹ Time Warner affiliates include: Time Warner Southern Manhattan Division, Time Warner Northern Manhattan Division, Time Warner Eastern Queens Division, Time Warner Western Queens Division, Time Warner Brooklyn Division, Queens Inner Unity Cable System (QUICS)—in which advertising revenue was based on a 10 percent of total "cash flow" until January 22, 2000, when it became wholly-owned by Time Warner, and American Cablevision of Queens.

² Through 2002, CityCable, for a fee, produced commercials for companies interested in buying local advertising time. CityCable provided the necessary personnel, equipment (i.e., camera, sound, and editing equipment), and expertise to produce commercials. This ended in January 2003, when CityCable stopped producing commercials in New York City.

DoITT is responsible for monitoring Time Warner's compliance with the terms of its franchise agreement.

Objectives

Our audit objectives were to determine whether Time Warner accurately reported all gross advertising revenue to the City; calculated and paid the appropriate fees due; and corrected the conditions cited in the prior audit report.

Scope and Methodology

This audit covered the period January 1, 2000, to December 31, 2002. To achieve our audit objectives, we reviewed and abstracted the relevant terms and conditions pertaining to advertising revenue. We also reviewed the prior CityCable audit report (FN00-098A) and workpapers to familiarize ourselves with the previous audit's findings. To ascertain whether CityCable submitted its franchise fee statements and paid all its fees on time, we obtained and reviewed the Franchise Fee Payment schedules on file at DoITT. We compared DoITT's records with CityCable's quarterly calculation statements, checks, payment vouchers, and franchise fee analysis statements, and reconciled those statements to CityCable's general ledger, corresponding journal entries, billing detail reports, and invoice register. After comparing CityCable's reported gross income, bad debt write-offs, and bad debt recoveries, to its general ledger, we completed analytical reviews of those accounts to identify any material variances or inconsistencies.

We evaluated CityCable's internal controls over its revenue billing, collection, and reporting functions. We interviewed CityCable's Regional Director of Finance, who provided us with written procedures, a flow chart of operations, and an independent auditor's report for Time Warner Cable's New York City Division. Upon a review and analysis of this data, we prepared an Internal Control Questionnaire and interviewed CityCable's Regional Director of Finance and Regional Manager of Finance to enhance our understanding of CityCable's procedures and controls. Based on their responses, we determined which areas required detailed testing.

To determine whether CityCable accurately reported its advertising revenue, we completed a detailed schedule of each revenue account (spot sales advertising, interconnect revenue, representative fees, production revenue, and cross-channel revenue), and traced each account to the amounts reported on CityCable's Quarterly Franchise Fee statements submitted to the City for the audit period. We then reconciled the revenue from each account in the general ledger detail to CityCable's income statements and to its monthly invoice registers for the entire three-year audit period. For the last quarter (October-December) of each year, we traced all the journal entries in each general ledger revenue account to the corresponding billing detail reports.

To determine whether all invoices were included and accounted for, we reviewed CityCable's invoice register, selecting the first and last invoice numbers, and determined a population of 26,902 invoices for the three-year audit period. Using a random number table, we judgmentally selected a sample of 36 invoice numbers for detailed testing. We traced each of the 36 invoices, to the invoice register and then to the corresponding contract, invoice, confirmation, and affidavits of performance, which indicated the cost of the advertisements, the date and time that the advertisements aired, and a description and length of each advertisement.

Since we noticed numbering gaps on the invoice register, we isolated those invoice numbers to determine whether the numbering gaps pertained to invoices related to advertising revenue. We obtained the accounts receivable aging report and compared the invoice numbers on the aging report to our schedule of missing invoice numbers.

We also determined whether CityCable's Barter (Trade) Revenue, (i.e., trading open advertising time slots for another company's products or services) was properly recorded, accurately reported, and whether the amounts reported represented "fair market value," as required by §1.31 of the franchise agreement. In addition, we traced the "barter" revenue reported to the City for the three-year audit period to the monthly billing detail reports and the general ledger. We then judgmentally selected the last quarter of each year for the three-year audit period (the highest quarters in the audit period), and traced the billing detail to the trade agreement or order contract, insertion order, invoice, affidavit of performance, and order confirmation.

To determine whether Bad Debt Recoveries were accurate, properly reported, and were gross of commissions from collection agencies, we reconciled the general ledger account for bad debt recoveries to the quarterly Franchise Fee Statements submitted to the City for the three-year audit period. We traced the reported amounts to the general ledger detail, corresponding journal entries and to CityCable's Franchise Fee Analysis. We then traced all 72 journal entries for the audit period to the supporting documentation and to the collection agencies' remittances and payments from advertising clients that were previously written-off.

To determine whether deductions for advertising commissions were accurate, we judgmentally selected the last quarter of each audit year, and compared the total commission fees reported to the fees listed in the billing detail and the general ledger. We then recalculated each commission fee for the test period.

To determine whether CityCable fairly stated its Bad Debt Write-Offs, we reconciled the bad debts recorded in the General Ledger to the bad debts reported on the Franchise Fee statements for the three-year audit period. We reviewed all 94 journal entries for the audit period and traced each entry to supporting documentation and the general ledger detail. We then traced each journal entry to the invoice register to assure that each write-off was accounted for.

The results of our tests, while not projectable to all reportable revenue categories, were designed to provide us with a reasonable basis to assess the appropriateness of the amounts reported and the fees paid to the City.

Finally, we determined whether CityCable corrected the prior audit's findings, i.e., whether CityCable correctly reported revenue from NY 1, ESPN, MSNBC, production revenue, and whether it adequately documented its bad debt write-offs, properly credited bad debt recoveries, and whether QUICS properly reported its portion of advertising revenue until January 2000—when QUICS became a wholly-owned subsidiary of Time Warner Cable New York City. Specifically, we reviewed:

- CityCable's general ledger to determine whether CityCable maintained a separate account for NY 1 revenue. We traced the amounts from the general ledger account to the amounts reported to the City.

- CityCable’s ESPN cross-channel advertising revenue in the general ledger. We traced the amounts from the general ledger to the monthly billing detail, the journal entries, and to the revenue reported to the City.
- All production revenue on the billing detail from CityCable’s Production Department and traced those revenues to CityCable’s general ledger and related journal entries and then to the production revenue reported to the City.
- Bad debt write-offs for the audit period. We traced the bad debt write-offs to the general ledger, the journal entries, the invoice registers, and then to the bad debt write-offs reported to the City.
- Bad debt recoveries for the audit period. We traced the bad debt recoveries to the general ledger, the journal entries, its monthly cash window deposit summary, and then to the recovered revenue reported to the City.
- CityCable’s general ledger and monthly billing details to determine whether accounts for MSNBC cross-channel advertising revenue were properly included in the amounts reported to the City.
- CityCable’s general ledger and QUICS’s workpapers for January 2000, to determine whether the proper amount for advertising revenue was transferred to QUICS and was properly included in its quarterly statements reported to the City that included the amounts for January 2000.

Scope Limitation

CityCable did not provide documentation to account for 3,194 invoice numbers recorded in its invoice registers and Billing Detail reports. Thus, we were unable to determine whether gross revenue was accurately reported and the appropriate fees were paid to the City. (See the Findings section of this report for more details regarding this matter.)

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included all tests considered necessary under the circumstances. The audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with Time Warner officials during and at the conclusion of this audit. A preliminary draft report was sent to Time Warner and DoITT officials and was discussed at an exit conference on February 23, 2005. On March 2, 2005, we submitted a draft report to Time Warner and DoITT officials with a request for comments. We received written responses from DoITT on April 7, 2005, and from Time Warner on April 18, 2005.

Time Warner did not agree with our recommendation that it maintain detailed documentation to ensure that all invoice numbers are accounted for stating that “documentation of canceled invoice numbers is unnecessary” since “the CAM Eclipse system . . . is a state-of-the art system meeting standard accounting practices and is used by other cable systems.” Time Warner

further stated that it is “currently working with CAM to address this issue,” but claimed that since CAM is a third party vendor, there is no assurance that any action will be taken.

A DoITT official stated that he has discussed the audit with senior financial officials of Time Warner Cable and that the Time Warner officials advised that they will be contacting management from the Compulink and Eclipse computer systems in an effort to have the software revised to capture all invoice numbers and their status.

The full texts of Time Warner’s and DoITT’s comments are included as addenda to this final report.

FINDINGS

Time Warner could not account for 3,194 of the invoice numbers on CityCable's invoice registers and Billing Detail reports. This represents 11.87 percent of the 26,902 invoice numbers—the population of invoice numbers for the audit period. CityCable did not provide documentation and our audit tests of the available records did not allow us to determine whether these invoice numbers were for canceled transactions or whether they related to revenue received but not reported to the City. Therefore, we could not determine whether Time Warner accurately reported its gross advertising revenue to the City and calculated and paid the appropriate fees due.

CityCable officials maintain that the missing invoice numbers were canceled and deleted invoices from its *Compulink* and *Eclipse* computer systems. However, CityCable was not able to document its assertion.

We did confirm that Time Warner corrected the conditions cited in the prior audit report (FN00-098A). In that regard, Time Warner reported and paid franchise fees on NY 1 revenue; ESPN cross-channel advertising revenue; production revenue; bad debt recoveries; and for January 2000, QUICS's advertising revenue distribution. In addition, we verified that bad debt write-offs for the audit period were accurate and properly documented, and that Time Warner Cable's corporate offices in Stamford, Connecticut, now administers and books its corporate MSNBC cross-channel advertising revenue—therefore, it is no longer reportable to the City by CityCable.

RECOMMENDATIONS

Based on our findings, we make the following recommendations:

1. Time Warner should maintain detailed documentation to ensure that all invoice numbers are accounted for.

Time Warner Response: “The CAM Eclipse system used to insert commercials to our air is a state-of-the-art system meeting standard accounting practices and is used by other cable systems. When an advertisement order is canceled, the system drops the identification number (referred to as an invoice number) initially assigned to it and no document is produced. There is no bill issued without an invoice number and therefore documentation of canceled invoice numbers is unnecessary.”

Time Warner responded further that it “is currently working with CAM to address this issue,” but claimed that since “CAM is a third party vendor . . . there is no assurance that an amicable compromise can be reached.”

Auditor Comment: We have no way of knowing whether all missing invoice numbers resulted from canceled advertising orders. In fact, during the audit, CityCable officials provided us with a July 1, 2004, memorandum (attached as Appendix II), which shows that a gap was caused by a revision in an advertising agreement and not by a cancellation, which leads us to question Time Warner's response. Obviously, there are other reasons for gaps in invoice numbers, making it imperative that Time Warner ensure that its system generates documentation to provide an adequate audit trail for missing invoice numbers.

Finally, we question how a system can meet standard accounting practices if it is not accountable for almost 12 percent of invoice numbers. Standard accounting practices requires a system to have controls that ensure that all transactions are recorded and that guarantee the numerical sequence of pre-numbered documents. Such a system maintains proper checks and balances and ensures the completeness of recorded revenue.

2. DoITT should ensure that Time Warner implements the report's recommendation.

DoITT Response: A DoITT official stated that he has discussed the audit with senior financial officials of Time Warner Cable. The DoITT official stated that the Time Warner "officials have advised me that they will be contacting management from the Compulink and Eclipse computer systems in an effort to have the software revised to capture all invoice numbers and their status."

Time Warner CityCable Advertising Revenue
 Reported Revenues, Franchise Fees Paid
 Audit Number: FN04 - 097A
 Audit Period: January 1, 2000 to December 31, 2002

	Reported Citycable Advertising Revenue	Citycable Advertising - Franchise Fee Due and Paid
2000		
1st Quarter	\$12,570,699	\$604,592
2nd Quarter	14,701,606	774,316
3rd Quarter	12,842,299	641,695
4th Quarter	18,564,635	913,359
Subtotal	\$58,679,239	\$2,933,962
2001		
1st Quarter	\$11,576,366	\$578,818
2nd Quarter	14,841,358	742,068
3rd Quarter	15,486,817	774,340
4th Quarter	22,546,687	1,127,334
Subtotal	\$64,451,229	\$3,222,560
2002		
1st Quarter	\$15,144,963	\$757,248
2nd Quarter	18,954,580	947,729
3rd Quarter	20,172,584	1,008,629
4th Quarter	30,149,510	1,507,475
Subtotal	\$84,421,637	\$4,221,081
Total	\$207,552,105	\$10,377,603

MEMORANDUM

To: [REDACTED]
From: [REDACTED]

Cc: [REDACTED]

July 1, 2004

In the normal cost of business today, I encountered an example of the exact problem the auditors have noted where invoice numbers are remaining unused. I will illustrate below:

One of our AEs submitted an order in May to begin running June 7 for the client [REDACTED] (See Fig 1). New copy should have been received by the traffic department before the flight began but was never received. Revisions were submitted to traffic to change the start dates (see Fig 5). Order # 11051015 was canceled and a new order was entered that reflects the new start dates (order #11052090). Bear in mind that order 11051015 was canceled, but the profile still remains in the system, without lines or miscellaneous charges.

Figure 2 is a small sample of the verification detail during the flight dates showing the order as Missing Copy. Because the AE neglected to submit a revision to traffic BEFORE pre billing was run, there were still verification files for the order even though the spots never aired. Figure 3 is the portion of the AE's pre billing for this client proving that all the revenue for these two orders remained unverified. Although verification files do exist and there is an invoice number (145158) set aside to bill these orders, there is no revenue to bill. Figure 6 shows the invoice for June with the amount of \$0 for the amount.

Figure 7 illustrates the system, not anyone in the traffic or billing department, removing the invoice due to no verified revenue.

Although a report showing invoice numbers in the data base not used can be generated, the system cannot associate orders with this numbers because the order don't exist anymore. We currently print this report monthly (See figure 8), but it only shows invoice #'s removed but not corresponding orders.

TWCC Insertion Order

NY1 Revenue
Revenue Category
Traffic Info
Agency Commission
Co-op Contract
Invoice by Brand
Print Spot Rates
TW Products

Contract # 11051015
Close Date 5/11/2004
Advertiser [Redacted]
Agency [Redacted]
Rep Firm [Redacted]
Billing Address [Redacted]

Start Date 6/7/04
End Date 8/8/04
Total Units 423
Gross Total \$15,345.00
Total BBS 0
Agency Net \$15,345.00
Total Com 423
Rep Firm Net
Estimate #
Cat NY1 Food Items GR1

Package Bill
Order Status Type
Vendor %
NEW COPY TO COME

Contract Link Number 1 of 1
Start Date 6/7/2004
Stop Date 8/8/2004
RC Quarter 3
Discount %
Weeks 9

Contract Description
Manufacturer
Special Handling
Contract Invoices Comments
Export File Name
Contract Description
Manufacturer
Special Handling
Contract Invoices Comments
% Split
Contract Description
Manufacturer
Special Handling
Contract Invoices Comments

Contract Description
Manufacturer
Special Handling
Contract Invoices Comments
Export File Name
Contract Description
Manufacturer
Special Handling
Contract Invoices Comments
% Split
Contract Description
Manufacturer
Special Handling
Contract Invoices Comments

Contract Description
Manufacturer
Special Handling
Contract Invoices Comments
Export File Name
Contract Description
Manufacturer
Special Handling
Contract Invoices Comments
% Split
Contract Description
Manufacturer
Special Handling
Contract Invoices Comments

Network	Pr	Start	Stop	Dayparts	Prg#	Segment	S Type	Wk	M	T	W	Th	F	S	Sn	:00	Spots	Rate	Line Total	On/Off	Description	Spec	Type
1	ESPN	30	06/07/04	08/08/04	0:00	2:00		1	1	1	1	1	1	1	1	:30	54	\$75.00	\$4,050.00		6x per week		6a-m
2	OXY	35	06/07/04	08/08/04	19:00	20:00		1	1	1	1	1	1	1	1	:30	27	\$135.00	\$3,645.00		3x per week		4p-m
3	ESPN2	15	06/07/04	08/08/04	15:00	24:00		2	2	2	2	2	2	2	2	:30	108	\$0.00	\$0.00		12x per week		4p-m
4	CNBC	20	06/07/04	08/08/04	6:00	17:00		1	1	1	1	1	1	1	1	:30	45	\$80.00	\$4,050.00		10x per week		4p-m
5	CNNIn	20	06/07/04	08/08/04	6:00	17:00		2	2	2	2	2	2	2	2	:30	90	\$0.00	\$0.00		10x per week		6a-m
6	LMN	35	06/07/04	08/08/04	19:00	24:00		1	1	1	1	1	1	1	1	:30	36	\$100.00	\$3,600.00		4x per week		6a-m
7	FOOD	5	06/07/04	08/08/04	6:00	24:00		1	1	1	1	1	1	1	1	:30	63	\$0.00	\$0.00		4x per week		4p-m
																							6a-m

Management Approval: [Signature] Date: 5-11

Figure 2

Verification Detail (Unverified)

Run Date: Jun 28, 2004
Page: 68 of 144

Report Date: 06/25/2004 thru 06/27/2004

Group By: Salesperson

Region: ALL
Network: ALL
Customer: ALL
Salesperson: ALL
Sales Office: ALL
Order Number: ALL
Company Entity: ALL
Exclude Scheduled Makegoods: Yes
Minimum Priority: 3

Summarize Threshold by Region: Yes
Show Zero Rate Spots: Yes
Page break: No

Salesperson:

Order#	Customer	Sip	Office	PD	Contract	Reference	Est Order	Est Client	Estimate	Product
11046572	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Line#	Spot Title	Relat	Market	Day	Time	Rate	Scheduled	End Date	Status	Makegood Info
17	[REDACTED]	R021	QINBN	ESPN	20:00-24:00	225.00	06/27/04 23:45:00	06/27/2004	Technical/Other	Erkl of live flight
						\$325.00				
11052080	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Line#	Spot Title	Relat	Market	Day	Time	Rate	Scheduled	End Date	Status	Makegood Info
1	Missing Copy	R007	QINBN	ESPN	00:00-02:00	75.00	06/25/04 01:45:55	06/27/2004	Unknown	Makegood Info
2	Missing Copy	R007	QINBN	ESPN	00:00-02:00	75.00	06/26/04 00:34:28	06/27/2004	Unknown	
3	Missing Copy	R007	QINBN	DXY	19:00-20:00	135.00	06/25/04 19:10:53	06/27/2004	Unknown	
3	Missing Copy	R007	QINBN	ESP2	15:00-24:00	0.00	06/25/04 18:22:35	06/27/2004	Unknown	
3	Missing Copy	R007	QINBN	ESP2	15:00-24:00	0.00	06/25/04 22:52:35	06/27/2004	Unknown	
4	Missing Copy	R007	QINBN	ESPN	15:00-24:00	0.00	06/26/04 16:25:20	06/27/2004	Unknown	
4	Missing Copy	R007	QINBN	CNFM	06:00-17:00	0.00	06/26/04 06:34:52	06/27/2004	Unknown	
6	Missing Copy	R007	QINBN	CNFM	06:00-17:00	0.00	06/26/04 12:04:52	06/27/2004	Unknown	
6	Missing Copy	R007	QINBN	FOOD	06:00-24:00	0.00	06/25/04 22:06:28	06/27/2004	Unknown	
6	Missing Copy	R007	QINBN	FOOD	06:00-24:00	0.00	06/26/04 08:41:34	06/27/2004	Unknown	
						Total:	18.15:03	06/27/2004	Unknown	
						Total:	\$285.00			
						Total:	\$510.00			

APPENDIX II

(Page 4 of 8)

Run Date: Jun 29, 2004 09:34:07
Page: 176 of 192

Requested Region: ALL ALL REGIONS SELECTED
Requested Retail Unit: ALL ALL RETAIL UNITS SELECTED
Requested Group: ALL ALL GROUPS SELECTED
Requested Network: ALL ALL NETWORKS SELECTED
Requested Customer: ALL ALL CUSTOMERS SELECTED
Requested Salesperson: ALL ALL SALESPERSONS SELECTED
Requested Sales Office: ALL ALL SALESPERSONS SELECTED
Sales Group

Figure 3

Prebill Summary Report

Detail by Salesperson
Billing Period Close: Jun 27, 2003
Sort Order: Salesperson\Custom

Order Line	Customer	Cust ID	Offc	Reg	Retail Grp	Ntwk	Start Date	End Date	Qty	Mtchd	Rate	Billing Period Gross	Unverified Revenue	Verify Revenue	
<p>000031359 P</p> <p>Estimate: 2,250.00 0.00 2,250.00</p> <p>\$4,200.00 \$0.00 \$4,200.00</p>															
<p>Ext Order: 11045210 2</p> <p>Ext Client: S0145</p> <p>Product: NY1</p>															
11045210					QNBN	NY1	12/22/03	12/12/04	12	12	100.00	1,200.00	0.00	1,200.00	
11045210					QNBN	NY1	12/15/03	12/12/04	8	8	100.00	800.00	0.00	800.00	
<p>Ext Order: 11045211 8</p> <p>Ext Client: S0145</p> <p>Product: NY1</p>															
11045211					QNBN	NY1	12/22/03	12/12/04	12	12	125.00	1,500.00	0.00	1,500.00	
11045211					QNBN	BET	12/22/03	12/12/04	4	4	75.00	300.00	0.00	300.00	
11045211					QNBN	CNN	12/22/03	12/12/04	8	8	150.00	1,200.00	0.00	1,200.00	
11045211					QNBN	CRT	12/22/03	12/12/04	12	12	0.00	0.00	0.00	0.00	
11045211					QNBN	FNC	12/22/03	12/12/04	8	8	100.00	800.00	0.00	800.00	
11045211					QNBN	COM	12/22/03	12/12/04	8	8	0.00	0.00	0.00	0.00	
11045211					QNBN	HLN	12/22/03	12/12/04	12	12	0.00	0.00	0.00	0.00	
<p>Estimate: \$2,000.00 \$0.00 \$2,000.00</p>															
<p>Ext Order: 11051017 1</p> <p>Ext Client: S0389</p> <p>Product: NY1</p>															
11051017					QNBN	NY1	06/21/04	08/22/04	4	0	95.00	380.00	380.00	0.00	0.00
<p>Estimate: \$5,800.00 \$0.00 \$5,800.00</p>															
<p>Ext Order: 11052090 2</p> <p>Ext Client: S0389</p> <p>Product: NY1</p>															
11052090					QNBN	ESPN	06/21/04	08/22/04	6	0	75.00	450.00	450.00	0.00	0.00
11052090					QNBN	OXY	06/21/04	08/22/04	3	0	135.00	405.00	405.00	0.00	0.00
11052090					QNBN	ESP2	06/21/04	08/22/04	12	0	0.00	0.00	0.00	0.00	
11052090					QNBN	CFN	08/21/04	08/22/04	10	0	0.00	0.00	0.00	0.00	
11052090					QNBN	LMN	08/21/04	08/22/04	4	0	100.00	400.00	400.00	0.00	0.00
<p>Estimate: \$360.00 \$360.00 \$0.00</p>															

Figures

This order is 22% of Rate Card.
 Cancel New Revised
 Revision # 121051511800

Agency Commission
 Co-op Contract
 Invoice by Brand
 Print Spot Rates
 TV Products

Traffic Info
 Coop New Client
 Misc Political

Difference \$11,295.00
 Difference 378

Start Date 6/21/04 End Date 8/22/04
 Total Units 378 Gross Total \$11,295.00
 Total BBs 0 Agency Net \$11,295.00
 Total Com 378 Rep Firm Net

Advertiser [Redacted]
 Agency [Redacted]
 Rep Firm [Redacted]
 Billing Address [Redacted]

Package Bill	Jun 04	\$1,255
Order Status/Type	Jul 04	\$5,020
Bonus	Aug 04	\$5,020
Deleted	Sep 04	
Firm	Oct 04	
Spon	Nov 04	
Vendor	Dec 04	
%	Jan 05	
	Feb 05	
	Mar 05	
	Apr 05	
	May 05	
	Jun 05	

NEW COPY TO COME
 [Redacted]

Contract Description
 Manufacturer
 Special Handling
 Contract Invoice Comments

Export File Name
 Cat NY1 Food Items GR1
 Estimate #
 Make Good Within Flight

Contract Description
 Manufacturer
 Special Handling
 Contract Invoice Comments

Contract Description
 Manufacturer
 Special Handling
 Contract Invoice Comments

Contract Link Number 1 of 1 Start Date 6/21/2004 Stop Date 8/22/2004 RCQuarter 3 Discount % Weeks 9
 Contract Units: Brooklyn/Queens

Network	Pr	Start	Stop	Dayparts	Prq#	Segment	Type	wk	M	T	W	Th	F	S	Sa	Spots	Rate	Total	Description	Spec	Type
R	ESPN	30	06/21/04	0:00	2:00				1	1	1	1	1	1		30	\$4	\$75.00	\$4,050.00	6x per week	6a-m
R	OXY	35	06/21/04	19:00	20:00											27	\$135.00	\$3,645.00	3x per week	4p-m	
R	ESPN2	15	06/21/04	08:00	15:00				2	2	2	2	2	2		108	\$0.00	\$0.00	12x per week	4p-m	
R	CNNIn	20	06/21/04	08:00	17:00				2	2	2	2	2	2		90	\$0.00	\$0.00	10x per week	6a-m	
R	LMN	35	06/21/04	19:00	24:00				1	1	1	1	1	1		36	\$100.00	\$3,600.00	4x per week	4p-m	
R	FOOD	5	06/21/04	08:00	24:00				1	1	1	1	1	1		63	\$0.00	\$0.00		6a-m	

Management Approval: _____ Date: _____

Figure 6

The screenshot displays a financial application window with a table of data. The table has seven columns and two rows of data. The first row is for August 2004, and the second row is for September 2004. The values in the columns are: 210, 0.0, 6275.00, 0.00, 0.00, 0.00, and 0.00 for August; and 84, 0.0, 2510.00, 0.00, 0.00, 0.00, and 0.00 for September. Below the table, there is a status bar with the text 'WV-149158 Jun/04 07/01/04 11052090'. The interface also includes a header area with the number '11052090' and a sidebar on the right with several buttons.

Aug/04	210	0.0	6275.00	0.00	0.00	0.00
Sep/04	84	0.0	2510.00	0.00	0.00	0.00

WV-149158 Jun/04 07/01/04 11052090

Figure 7

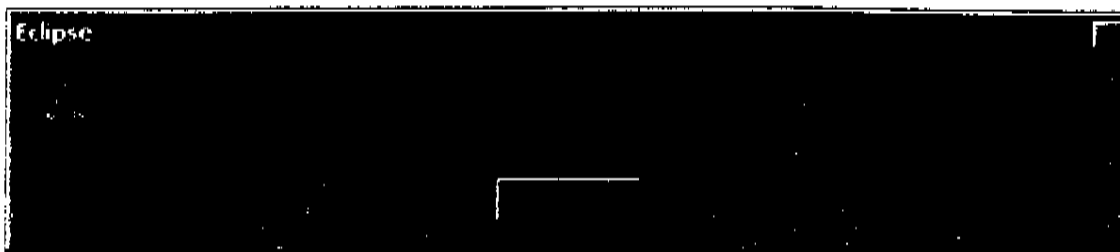


Figure 8

June 2004

Cam20040701123356

Invoice INV-144815: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-144927: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-144964: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-144998: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-144999: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145061: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145111: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145113: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145143: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145144: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145155: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145157: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-144749 cannot be regenerated due to insufficient privileges
Invoice INV-144750 cannot be regenerated due to insufficient privileges
Invoice INV-144751 cannot be regenerated due to insufficient privileges
Invoice INV-144752 cannot be regenerated due to insufficient privileges
Invoice INV-144747 cannot be regenerated due to insufficient privileges
Invoice INV-144748 cannot be regenerated due to insufficient privileges
Invoice INV-144753 cannot be regenerated due to insufficient privileges
Invoice INV-144754 cannot be regenerated due to insufficient privileges
Invoice INV-144769 cannot be regenerated due to insufficient privileges
Invoice INV-144770 cannot be regenerated due to insufficient privileges
Invoice INV-144771 cannot be regenerated due to insufficient privileges
Invoice INV-144789 cannot be regenerated due to insufficient privileges
Invoice INV-144790 cannot be regenerated due to insufficient privileges
Invoice INV-144791 cannot be regenerated due to insufficient privileges
Invoice INV-144792 cannot be regenerated due to insufficient privileges
Invoice INV-144793 cannot be regenerated due to insufficient privileges
Invoice INV-144794 cannot be regenerated due to insufficient privileges
Invoice INV-145415: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145454: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145486: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145487: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145488: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145489: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145771: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145806: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invalid Invoice : No Orders attached to this Invoice Invoice has been deleted
Invoice INV-145828: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-145906: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-146076: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-146078: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-146130: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-146131: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted
Invoice INV-146132: No Prebill or Misc charges are attached to this invoice. Invoice has been deleted



TIME WARNER CABLE
Media Sales

11 West 19 Street
New York, NY 10011

Tel 212.367.0600

April 18, 2005

Helen Haber
Audit Supervisor
The City of New York
Office of the Comptroller
Executive Offices
1 Centre Street
New York, NY 10007-2341

Dear Ms. Haber:

We are in receipt of the Audit Report dated January 21, 2005, and have responded as follows:

The CAM Eclipse system used to insert commercials to our air is a state-of-the art system meeting standard accounting practices and is used by other cable systems. When an advertisement order is canceled, the system drops the identification number (referred to as an invoice number) initially assigned to it and no document is produced. There is no bill issued without an invoice number and therefore documentation of canceled invoice numbers are unnecessary.

E&Y has done extensive IT /Advertising Sales audits in other Time Warner Eclipse sites and has not noted this as an exception.

Although Time Warner is currently working with CAM to address this issue, CAM is a third party vendor and there is no assurance that an amicable compromise can be reached.

Sincerely,

Barbara Fox
Regional Director Finance and Business
Time Warner Cable Media Sales - NYC Region

Cc: Tom Longstreet-Vice President Finance - Time Warner Cable NYC
Terence Raffery-General Manager - Time Warner Cable NYC
Kathy Scopp - Vice President Legal - Time Warner Cable Media Sales
Seth Zaslavsky-Vice President Finance - Time Warner Cable Media Sales- Corporate



**DEPARTMENT OF INFORMATION TECHNOLOGY
AND TELECOMMUNICATIONS**

75 Park Place, 9th Floor
New York, NY 10007
(212) 788-5700

GINO P. MENCHINI
Commissioner
Chief Information Officer

April 7, 2005

Greg Brooks
Deputy Comptroller
Office of the Comptroller
One Centre Street, Room 530
New York, NY 10007-2341

Re: Audit reports on the Advertising Revenue Reported by Time
Warner Cable of New York City for its City Cable Advertising (CCA)
Division January 1, 2000-December 31, 2002
FN04-097A

Dear Deputy Comptroller Brooks:

I have been discussing the CCA audit with TWC senior financial officials. TWC officials have advised me that they will be contacting management from the Compulink and Eclipse computer systems in an effort to have the software revised to capture all invoice numbers and their status.

Should you have any questions please contact me at 212-788-6490.

Sincerely,

Marvin E. Fields
Executive Director
Franchise Administration

c: Gino Menchini, Commissioner (DoITT)
Agostino Cangemi, Deputy Commissioner/ General Counsel (DoITT)
Margery Brown, Deputy Commissioner (DoITT)
John Winker (DoITT)

