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AIRPORT COMMISSION:

Concession Review of
Burger Joint, Inc.

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CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

February 22, 2007

San Francisco Airport Commission
P.O. Box 8097
San Francisco International Airport
San Francisco, CA 94128-8097

President and Members:

The Office of the Controller presents its report concerning the review of Burger Joint, Inc. (Burger Joint). Burger Joint has a ten-year lease, expiring on December 29, 2014, with the Airport Commission of the City and County of San Francisco to operate a restaurant, Mission Bar & Grill, at the San Francisco International Airport.

Reporting Period: December 30, 2004, through December 31, 2005

Rent Paid: \$446,701

Results:

Burger Joint reported gross revenues of \$3,989,179 to the Airport Department (Airport); however, its accounting records showed it earned gross revenues of \$4,018,108, or approximately \$29,000 more than it reported to the Airport. This occurred because Burger Joint failed to report revenues to the Airport for the first two days it conducted business in December 2004 as well as making other clerical errors. As a result, Burger Joint owes \$2,649 in additional rent and \$974 in late interest charges.

Burger Joint's response is attached to this report. The Controller's City Services Auditor-Financial Audits will follow up with the Airport on the status of the recommendations.

Respectfully submitted,

Noriaki Hirasuna
Director of Financial Audits

INTRODUCTION

BACKGROUND

Burger Joint, Inc. (Burger Joint) operates the Mission Bar & Grill, under a ten-year lease with the Airport Commission (Commission) of the City and County of San Francisco, at the San Francisco International Airport (SFO). The lease's rent commencement date was December 30, 2004.

The lease requires Burger Joint to pay the Airport Department (Airport) the greater of a minimum annual guarantee or a tiered percentage rent of eight to twelve percent of its respective gross revenues per lease year.

SCOPE AND METHODOLOGY

The purpose of this review was to determine whether Burger Joint complied with the reporting and payment provisions of its lease with the Commission. Our review covered the period from December 30, 2004, through December 31, 2005.

To conduct the review, we examined the applicable terms of the lease and the adequacy of Burger Joint's procedures for collecting, recording, summarizing, and reporting its gross revenues to the Airport. To determine whether Burger Joint accurately reported its gross revenues to the Airport, we compared its reported gross revenues to those recorded in its internal monthly summary records for all months of the review period. We tested, on a sample basis, Burger Joint's monthly sales records, daily sales reports, and bank statements. We also determined whether Burger Joint had any outstanding payments due to the Airport for the review period.

RESULTS

BURGER JOINT MADE MINOR ERRORS IN REPORTING ITS REVENUES

Burger Joint reported \$3,989,179 in gross revenues and paid \$446,701 to the Airport Department (Airport). However, Burger Joint recorded in its monthly records gross revenues of \$4,018,108, or approximately \$29,000 more in sales than it reported to the Airport. Out of the \$29,000 in underreported sales, \$20,543 relates to Burger Joint's failure to report and pay rent for revenues during the first two days it conducted business in December 2004. The remaining underreported amount of \$8,386 appears to be the result of clerical errors made in 2005. According to Burger Joint's owner, management does not review for accuracy the rental statements its accountant prepares before Burger Joint submits them to the Airport. As a result, Burger Joint underpaid its rent by \$2,649. The table below summarizes the results of our review.

TABLE

Gross Revenues Reported and Rent Paid

	Gross Revenues Reported	Unreported Revenues	Rent Paid	Additional Rent Due
December 2004	\$ 0	\$20,543	\$ 0	\$1,643
January 1, 2005, through December 31, 2005	3,989,179	8,386	446,701	1,006
Total	\$3,989,179	\$28,929	\$446,701	\$2,649

Burger Joint's lease requires it to pay monthly interest of 1.5 percent for any overdue rental payments. Accordingly, Burger Joint should pay interest of \$974 on additional rent due, which was calculated through January 31, 2007.



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RECOMMENDATIONS

We recommend that the Airport Department take the following actions:

1. Bill and collect from Burger Joint \$2,649 in underpaid rent.
2. Collect from Burger Joint \$974 in late interest charges for rent it did not pay during the review period.
3. Advise Burger Joint to review the accuracy of its monthly rental statements prior to submitting them to the Airport.

We conducted this review in accordance with generally accepted government auditing standards. We limited our procedures to those areas specified in the scope and methodology section of this report.

Staff: Kevin Baloca, Audit Manager
Houman Boussina

BURGER JOINT, INC. RESPONSE TO THE AUDIT

Comments provided as text only

I reviewed the draft report concerning the concession review of Burger Joint, Inc. (dba Mission Bar & Grill). I agree with the recommendations made in the report.

Nidal Nazzal
President, Burger Joint



cc: Mayor
Board of Supervisors
Civil Grand Jury
Public Library

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