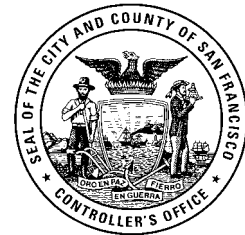


AIRPORT COMMISSION:

Concession Review of See's
Candies

**FINANCIAL AUDITS
DIVISION**



*March 2, 2006
05015*



CITY AND COUNTY OF SAN FRANCISCO

**OFFICE OF THE CONTROLLER
FINANCIAL AUDITS DIVISION**

**Ed Harrington
Controller**

**Monique Zmuda
Deputy Controller**

March 2, 2006

Audit Number 05015

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

President and Members:

The Office of the Controller presents its report concerning the review of See's Candies (See's). See's has a five-year lease with the San Francisco Airport Commission (Airport) of the City and County of San Francisco to operate a store and two mobile carts to sell candy on Airport property.

Reporting Period: November 5, 2002, through November 30, 2004

Rent Paid: \$710,444

Results:

See's correctly reported gross revenues of \$4,814,957 and, in all material respects, correctly paid its rent to the Airport.

Respectfully submitted,

Original signed by:

Noriaki Hirasuna

Director

INTRODUCTION

BACKGROUND

See's Candies (See's) entered a 5-year lease with the San Francisco Airport Commission (Airport) on November 5, 2002, to operate a store and two mobile carts to sell boxed chocolates and other confectionery products on Airport property. For the two-year review period, the lease required See's to pay the Airport percentage rent based on See's monthly gross revenues. The lease specified percentage rent of 12 percent, 14 percent and 16 percent based on a tiered rent structure of up to \$500,000, \$500,001 to \$1,000,000 and more than \$1,000,000, respectively. The percentage is applied based on cumulative revenues for each lease year.

SCOPE AND METHODOLOGY

The purpose of this review was to determine if See's complied with the reporting and payment provisions of its lease with the Airport. Our review covered the period from November 5, 2002, through November 30, 2004. To conduct the review, we examined the applicable terms of the lease and the adequacy of See's procedures for collecting, recording, summarizing, and reporting its gross revenues to the Airport.

To determine whether See's accurately reported its gross revenues to the Airport, we also 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, its monthly sales records, daily sales reports, cash register tapes and bank deposit records.

RESULTS

SEE'S CORRECTLY REPORTED ITS GROSS REVENUES AND CORRECTLY PAID ITS RENT

From November 5, 2002, through November 30, 2004, See's correctly reported \$4,814,957 in gross revenues and, in all material respects, correctly paid rent of \$710,444 to the Airport. The table below summarizes the reported gross revenues and rent paid to the Airport.

TABLE

Gross Revenues Reported and Rent Paid November 5, 2002, through November 30, 2004

	Gross Revenues	Rent Paid
November 5, 2002, through November 30, 2003	\$ 2,333,561	\$ 343,421
December 1, 2003, through November 30, 2004	2,481,396	367,023
Total	\$ 4,814,957	\$ 710,444

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the scope and methodology section of this report.

Staff: Kevin Baloca, Audit Manager
Nneka Gallaread

cc: Mayor
Board of Supervisors
Civil Grand Jury
Public Library