

News from.....

NIAGARA FALLS CITY COUNCIL

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City audit of NTCC reveals lack of internal controls, unsubstantiated expenditures and more

Approximately four months ago the Niagara Falls City Council retained a private accounting firm to conduct an audit and review of the financial records of the Niagara Tourism and Convention Corporation (NTCC). This City Council decision resulted after a series of sometimes heated conversations inside City Hall and within the greater Niagara Falls tourism community as to the quality of the tourism promotion job that was being done by the NTCC.

“As City Council Chairman I insisted time and again over the past several years that it was time for the City of Niagara Falls to carry out an extensive audit and financial review of the NTCC operation, a review of ‘it’s books’ if you will. It had been my contention that because the City gives the NTCC up to two million dollars per year it only made sense to trace the expenditure of those City funds,” said Councilman Fruscione. “Well, that audit is complete and what it shows is a pattern of what I believe to be excessive and extravagant spending, a lack of internal financial controls, excessive payment to vendors and a pattern of material errors.”

Council Chairman Fruscione presented the ten page audit of the NTCC that had been conducted by The Bonadio Group to the media. The audit is titled “Review and Analysis of Expenditures Niagara Tourism & Convention Corporation for the Years Ended 2008 and 2009.”

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The audit includes the following observations:

- John Percy, President and CEO of the NTCC received a \$25,000 bonus on May 24, 2008 in recognition of his performance in the previous year. The bonus was paid despite the fact that there is no record of it being approved by the NTCC Board members. There is evidence the Board Chairman knew of the bonus. The formula used by the then Board Chairman was, upon review in this audit, in error.
- There is no Policies and Procedures Review policy (manual) in place at the NTCC. This has resulted in weaknesses in internal control and accounting. The audit concludes in this regard "...such a manual is essential to ensure the appropriate level of internal controls are built into the organization's key processes to minimize the risk of misappropriation of company assets as well as the risk of financial misstatement."
- The October 2008, Niagara International Kite Festival sponsored by the NTCC resulted in an apparent overpayment to the event consultant in the amount of up to \$21,000.
- Payments were made by the NTCC to BackRubBus in the amount of \$5,240 for massage therapists on site at the American Bus Association tradeshow in February 2008.
- Payments were made by the NTCC to WhyKnot Massage in the amount of \$5,936 for on-site massages at the American Bus Association tradeshow in January 2009.
- Payments were made by the NTCC to Gaylord Spa in the amount of \$7,560 for massage therapists on site at the American Bus tradeshow in January 2010.
- India Sales Mission March 23 through March 26, 2009 at a cost of \$18,579.
- During 2008 and 2009 the NTCC President and Chief Executive Officer received expense reimbursement payments totaling \$85,424 and \$59,396 respectively.
- During 2008 and 2009 the NTCC Director of Sales received expense reimbursement payments totaling \$61,563 and \$34,351 respectively.

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The audit concludes by noting that “These observations may require further investigation or substantiation by the City to develop an opinion about whether they are material errors, fraudulent financial reporting or misappropriation of assets.”

“I find much of what is reported in this audit to be truly shocking and a total betrayal of the public trust. Mr. Percy and the NTCC organization – their employees and board members – are working with public dollars that the City gives to them, money from our bed tax and casino slot revenue,” said Councilman Fruscione. “All the time I was calling for an investigation into how these funds were being spent I was called a trouble-maker and a thorn in the side of the Niagara Falls tourism industry. Do I feel vindicated by the audit? Of course I do. But I find no satisfaction in discovering that John Percy and the NTCC have mishandled these funds.”

While the auditors left open the door to further possible investigation by City government Council Chairman Fruscione detailed what he expects to do pending further analysis of NTCC spending and operation by the City.

“At this time I am asking for John Percy to explain the findings of the audit and to detail the how and why of the extravagant spending that has been uncovered. In addition I would like to know what the NTCC Board Chairman and board members were doing while all of this was taking place,” stated Fruscione.

“Clearly there has been no real oversight by the board. Broadly speaking the only question remaining is whether this lack of oversight represents a case of dereliction of duty or does it rise to the level of gluttony and excessiveness on the part of Mr. Percy and the NTCC. The Niagara Falls City Council intends to pursue the matter until all reasonable and significant questions have been fully answered. And I state this knowing that I have the majority support of my fellow council members,” concluded Chairman Fruscione.