

**International Telecommunications Satellite Organization**

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Quarterly Financial Consulting Services  
for the three months ended  
September 30, 2012

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October 16, 2012

## MEMORANDUM

To: Mr. Jose Toscano  
Director General  
International Telecommunications Satellite Organization

From: Alex Castelli  
CohnReznick

### Background

CohnReznick was engaged to provide consulting services to assist International Telecommunications Satellite Organization (ITSO) with the review of its internal financial statements for the three months ended September 30, 2012.

### Procedures Performed

We performed the following procedures:

1. We obtained the bank reconciliations and statements for September 2012 for the following accounts:
  - a. HSBC checking account
  - b. HSBC money market account
  - c. HSBC money market II account

During the first quarter of fiscal year 2013 (year ending June 30, 2013), ITSO received the final scheduled payment under the funding agreement in the amount of \$1,805,000 and transferred \$600,000 to the HSBC checking account to pay operating expenses.

During the first quarter, there were no payments from or transfers into the HSBC money market II account which is used to hold the funds designated for the development fund. Accounts payable at September 30, 2012 included capacity building related expenses totaling \$4,882 and payments related to capacity building initiatives totaling \$18,525 were paid from the HSBC checking account which will be reimbursed by the HSBC money market II account.

For September 2012, we compared the balances reported on the reconciliations to the applicable statements with no material differences noted. We inquired about reconciling items and noted no unusual items.

2. We reconciled the funding capital account per the ITSO trial balance as of September 30, 2012 to the audited financial statements as of June 30, 2012. We noted no differences.
3. We obtained the balance sheet as of September 30, 2012 and the income statements for the three months ended September 30, 2012 and the comparable period ended September 30, 2011. We made inquiries of Joyce Romanus, external bookkeeper, and noted the following:

- a. We noted there was \$91,796 in accounts payable at September 30, 2012. The Organization generally pays its bills when received and any accounts payable is due to timing of processing the payables. The balance at September 30, 2012 reflects unpaid invoices related to AP-35 in July 2012 as well as ordinary business expenses. No unusual items were noted per discussion with Joyce Romanus. We noted that the invoices were properly approved by ITSO prior to processing and payment.

In addition, we noted that invoices totaling \$8,275 related to the first quarter were not included in the accounts payable balance at September 30, 2012 due to the timing of receipt of those invoices. Included in this unrecorded amount was \$7,260 of capacity building related expenses.

- b. No disbursements were noted from the Contingency Fund.
  - c. We noted legal fees were recorded during the quarter. Per discussion with the Director General, these expenses related to the carrying out of a study and expenses paid in connection with immigration related matters. No litigation related matters were noted.
  - d. We noted that expenses related to AP-35 totaled \$123,035 during the first quarter.
4. We obtained the budget for the year ended June 30, 2013 and compared the budget to actual expenditures for the three months ended September 30, 2012. We discussed any significant variances with Joyce Romanus and the Director General and received satisfactory explanations.
  5. We obtained the detailed general ledger for the three months ended September 30, 2012. We noted no unusual items.
  6. We scanned the general ledger including manual journal entries posted during the three months ended September 30, 2012. No unusual items were noted.
  7. We inquired of the Director General as to any significant events during the three month period ended September 30, 2012 and any events subsequent to September 30, 2012 (end of Q1 FY13). During the first quarter, AP-35 was held in Kampala, Uganda and the Director of Legal Affairs resigned. No additional significant items were noted.
  8. We noted that the Director General performs a detail review of budget to actual expenses on a monthly basis and inquires of Joyce Romanus of any unusual items.

#### Other Matters

During the meetings of the Compensation Committee held at AP-35 to decide the salary and bonus of the Director General, the question of payment of travel expenses for certain representatives of the Parties who attended AP-35 was discussed. In this context, the Director General has asked CohnReznick to confirm that the nature and amount of these payments are fully documented and recorded in the financial records of the Organization and all travel expenses related to attendance at specific ITSO meetings since July 18, 2009, the commencement of Jose Toscano's term as Director General.

The following list of travel expense related payments, along with their purpose, is included below:

NAME	EVENT	EVENT DATE	EXPENSE
KOFFI, SIMON (Party of Côte D'ivoire)	FREQUENCY WORKING PARTY WASHINGTON, DC	21-Jun-2010	AIRFARE
			HOTEL (20 JUN - 21 JUN 2010)
			FOOD
			GROUND TRANSPORTATION
	FREQUENCY WORKING PARTY WASHINGTON, DC	29-Mar-2012	AIRFARE
			HOTEL (27 MAR - 29 MAR 2012)
			PER DIEM
OTYPKA, JIRI (Party of Czech Republic)	FREQUENCY WORKING PARTY WASHINGTON, DC	21-Jun-2010	AIRFARE
			HOTEL (22 JUN - 24 JUN 2010)
			VISA
			TRAVEL INS
			GROUND TRANSPORTATION
			SUBSISTENCE
	FREQUENCY WORKING PARTY WASHINGTON, DC	29-Mar-2012	AIRFARE
			HOTEL (27 MAR - 29 MAR 2012)
			PER DIEM
CHHAB, CARLOS (Party of Argentina)	FREQUENCY WORKING PARTY WASHINGTON, DC	21-Jun-2010	AIRFARE
			HOTEL (20 JUN - 21 JUN 2010)
	FREQUENCY WORKING PARTY WASHINGTON, DC	29-Mar-2012	GROUND TRANSPORTATION
			PER DIEM
			HOTEL (27 MAR - 29 MAR 2012)
			AIRFARE
	AP-35 KAMPALA, UGANDA	3-6 JULY 2012	AIRFARE
RODRIGUEZ, CARLOS (Party of El Salvador)	AP-35 KAMPALA, UGANDA	3-6 JULY-2012	AIRFARE
			HOTEL (01 JUL - 05 JUL 2012)
			PER DIEM
			VISA

The payments noted above are consistent with the supporting documentation provided to CohnReznick by the Director General and are recorded in the general ledger of the Organization. In addition, we obtained a listing of cash disbursements for the period July 2009 through the current date and inquired of Joyce Romanus and the Organization's staff as to whether there were any additional payments to representatives of the Assembly of Parties related to travel expenses. No additional payments were noted.

No other significant matters were noted.

The sufficiency of our procedures is solely the responsibility of ITSO. Consequently we make no representations regarding the sufficiency of our procedures. Our procedures do not constitute an examination or an audit and, accordingly, we do not express an opinion on the ITSO internal financial statements for the three month period ended September 30, 2012.

We are available to discuss any matters related to our procedures or findings.