

***INTERNATIONAL TELECOMMUNICATIONS
SATELLITE ORGANIZATION***

***INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES***

***FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2016***

Frank & Company, p.c.

Certified Public Accountants
703-821-0702

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Director General of
International Telecommunications Satellite Organization

We have performed the procedures enumerated below, which were agreed to by the International Telecommunications Satellite Organization (the Organization), solely to assist you with respect to the accounting records of the Organization as of and for the three months ended September 30, 2016. The Organization's management is responsible for the Organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We obtained the bank reconciliations for July, August, and September 2016 for the following accounts:
 - a. HSBC Checking account
 - b. HSBC Money Market account
 - c. HSBC Money Market account II (reserve fund)
 - d. Commercial Market Rate Investment account (contingency fund)
- For July, August, and September 2016, we compared the balances reported on the reconciliations to the applicable bank statement and trial balance without exception for July and September. We noted that the August bank reconciliation did not tie back to the trial balance by \$1,260.00. We inquired about the difference in the numbers and were advised that a check had been voided and a replacement check issued. The exception appears reasonable and was corrected in the subsequent month. We inquired about reconciling items and noted no unusual items.
2. We reconciled the funding capital account per the Organization's trial balance as of September 30, 2016 to the audited financial statements as of June 30, 2016.
3. We obtained the statement of assets, liabilities, and funding capital as of September 30, 2016 and the statement of revenue and expenses for the three months ended September 30, 2016 and comparable period ended September 30, 2015. We made inquiries of Joyce Romanus, the Organization's outsourced bookkeeper and noted the following:

- a. During the 1st quarter of FY17, the Organization transferred \$737,430 from the HSBC Money Market account to the HSBC Checking account for expenses and during the period \$284,042 was returned from the checking account to the HSBC Money Market account. Overall, cash increased by approximately \$147,000 during the 1st quarter FY17.
- b. We noted accounts payable at September 30, 2016 totaling approximately \$21,000. The Organization generally pays its bills when received and any accounts payable is due to timing of processing the payables and payment. We noted that there were three (3) payables recorded: Amex billings of \$11,108; legal fees of \$3,853 and Ortel-Organo Regulador of \$6,000.

We bring to your attention a payable to Ortel-Organo Regulador in the amount of \$6,000. Discussion with ITSO staff indicated that funds were wired on December 6, 2012 as payment on this liability, however, the wire was returned. We recommend ITSO review this payable with the appropriate vendor to either complete payment on this outstanding liability or write-off the outstanding liability before the end of the fiscal year. The staff of ITSO has informed us that inquiries have been made of the vendor with no response and staff of ITSO will continue to pursue a resolution to this issue during 2017.

- c. No disbursements were noted from the Contingency Fund. Legal fees totaled \$6,210 during the 1st quarter of FY17 as a result of external legal counsel's providing business related consultation. No unusual items were noted.
- d. We noted the following expense accounts had material decreases from the comparable period:

		<u>9/30/2016</u>	<u>9/30/2015</u>
i.	Capacity building	\$ 9,814.00	\$ 47,705.86
ii	Life insurance NY Life	0.00	3,983.36

- e. We noted the following expense accounts had material increase from the comparable period:

		<u>9/30/2016</u>	<u>9/30/2015</u>
i.	Home leave	\$ 36,508.49	\$ 0.00
ii	Assembly of parties	30,665.91	0.00

- f. We noted that the account Regulatory and Technical fees has a negative balance in an expense account which should have positive balances. We were advised by the outsourced bookkeeper that the funds were wired to pay the bill but the vendor's bank rejected the wire transfer and returned the funds to ITSO's bank account. The staff of ITSO is to pursue a resolution to the issue.
4. We obtained the detailed general ledger for the three months ended September 30, 2016. We noted no unusual items.
5. We scanned the general ledger and obtained a listing of manual journal entries posted during the three months ended September 30, 2016. No unusual items were noted.

6. We inquired of the Director General as to any significant events during the quarter ended September 30, 2016 and any events subsequent to September 30, 2016 (end of Q1 FY17). No significant events were noted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Organization and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Frank's Company, P.C." with a stylized, cursive script.

1360 Beverly Road
Suite 300
McLean, VA 22101
November 4, 2016