

***INTERNATIONAL TELECOMMUNICATIONS
SATELLITE ORGANIZATION***

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

***FOR THE THREE MONTHS ENDED
DECEMBER 31, 2018***

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 December 31, 2018. 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. Obtain the monthly bank reconciliations, compare the balance report to the bank statement and inquire about reconciling items.

We obtained the bank reconciliations for October, November, and December 2018 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 October, November, and December 2018 we compared the balances reported on the reconciliations to the applicable bank statement and trial balance without exception. We inquired about reconciling items and noted one unusual item related to an outstanding deposit in transit from December 2017 in the amount of \$114.91. We recommend ITSO record a journal entry to remove this outstanding deposit. We also noted check 2870 dated 5/1/2014 to National Telecomm in the amount of \$6,000. We recommend ITSO void this check and record a journal entry to remove it from the outstanding checklist.

2. Obtain the trial balance and compare the quarterly balances to balances in the same period in the prior year. Inquire about variances that are considered large or unusual.

We obtained the trial balance for the three months ended December 31, 2018 and compared it to balances in the three months ended December 31, 2017. We made inquiries of Joyce Romanus, the Organization's outsourced bookkeeper and noted the following:

- a. The Organization transferred \$300,000 from the HSBC Money Market account to the HSBC checking account. Overall, cash decreased by approximately \$815,900 compared to the same period in the prior year due to timing of receipts from Intelsat.
- b. Payables decreased approximately \$22,400 from the comparable period of the prior year. The Organization generally pays its bills when received and any accounts payable is due to timing of processing the payables and payment.

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 2019.

- c. No disbursements were noted from the Contingency Fund. Legal fees totaled \$9,000 during the 2nd quarter of FY19 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>12/31/2018</u>	<u>12/31/2017</u>
i. Capacity Building Training	\$ 0.00	\$ 12,058.00
ii. Temporary Staff	11,276.00	28,522.25
iii. Legal Fees	9,352.00	18,000.00
iv. Financial & Specialist Adv.	9,000.00	18,000.00
v. Airfare	13,622.46	27,074.09
vii. IAC-21 Language Transl.	0.00	10,989.24

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

	<u>12/31/2018</u>	<u>12/31/2017</u>
i. Salaries and Wages Net	\$121,785.34	\$ 92,279.46
ii. AP-38 Language & Transl.	22,942.81	2,748.10
iii. Health and Dental Ins	21,413.70	10,129.49

- f. Revenue decreased \$905,000 compared to the quarter ended December 31, 2017. This was due to the timing of payments from Intelsat. Current year payment was not received until January 2019 whereas payment was received in December of the comparable period.

3. Obtain the detailed general ledger and inquire about any postings that are considered large or unusual.

We obtained the detailed general ledger for the three months ended December 31, 2018. We noted no unusual items. Large items are discussed in 2. above.

4. Scan the general ledger and inquire about manual journal entries that were posted during the period.

We scanned the general ledger and obtained a listing of manual journal entries posted during the three months ended December 31, 2018. Manual journal entries were related to recognition of prepaid expenses.

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.



1360 Beverly Road
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January 31, 2019