



Certified Public Accountants

Stephen D. Givens, CPA

Curtis E. Brand, CPA

Timothy K. DeVries, CPA

Kathy A. French, CPA

To the Board of Directors
Gerald Szymczak, President
William Pfeiffer, Treasurer
The German Shepherd Dog Club of America, Inc.

July 12, 2018

In planning and performing our audit of the financial statements of The German Shepherd Dog Club of America, Inc. as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered The German Shepherd Dog Club of America, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in The German Shepherd Dog Club of America, Inc.'s internal control to be a material weakness. This deficiency was previously reported in the prior year audit in the letter communicating internal control related matters identified in an audit dated September 22, 2017:

Document the Organization's Internal Controls and Accounting Procedures

We noted that the Organization has not fully documented its internal controls or accounting policies and procedures. Management is responsible for the documentation and implementation of internal controls. The Board of Directors is responsible for overseeing and monitoring internal controls.

We recommend that logical organization and sound procedures be formally established, in writing, to avoid the acceptance of weak procedures established through common usage and expediency. We also recommend that an accounting manual be developed and documented that would define accounting policies, procedures, and internal controls.

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Document the Organization's Internal Controls and Accounting Procedures (Continued)

We recommend that management begin documenting its accounting process and system of controls. These efforts should result in a stronger system of process and controls, identification of risks and corresponding ways to mitigate them.

In 2016, the Treasurer completed the GSDCA Treasurer's Guide for Accounting Procedures that documents the monthly accounting process for the Treasurer and/or outside accounting firm. This has improved the understanding and documentation of the monthly accounting process.

However, during our audit we noted that there remains an opportunity to document and improve controls over cash receipts to ensure that such receipts are completely and adequately recorded in the Organization's records. Internal controls such as segregation of duties and safeguarding of cash should be documented for all cash functions. In addition, internal control documentation should include the purpose and authorized users of all bank and credit accounts. And finally, the Organization should establish internal control procedures to properly record and value product inventory and costs of goods sold for products.

Management's Response as of September 14, 2017:

1. An informal draft of accounting procedures, building on Larry Rock's (GSDCA past Treasurer) initial procedures document, has been initiated by Ms. Pam O'Dell (GSDCA past Acting Treasurer) and updated by the current Treasurer. This provides an improved guide to current accounting practice and methodology. In this approach the following steps have been taken:
 - a) All club credit cards have been cancelled and four cards have been issued via Bank of America (BoFA) for: 1) Carmen Battaglia as Club President, 2) William Pfeiffer as Treasurer, 3) Joy Schultz as GSDCA SV Office Manager and 4) Gail Stiefferman as National Show Chair. (NOTE: C. Battaglia's credit card has been replaced with one for G. Szymczak.)
 - b) Deposit slips have been sent to key committee chairs (who have BoFA Access in their area) so they can process monies received and make deposits directly into the GSDCA BoFA account. The slips also permit them to ID their deposit for easier tracking and account posting.
 - c) Bank of America has appointed an account representative as a Point of Contact for handling account issues and activity at their Raleigh, NC Creedmoor Branch.
 - d) The GSDCA has engaged the accounting support firm of Accounting Solutions Group (ASG) to record all accounting expenses, receipts and journal vouchers into the GSDCA QuickBooks system. Further, ASG is interfaced with the BoFA account and handles the issuing of disbursement/payment checks. ASG also completes the month end bank account reconciliation to include the on-line web site store accounts and their credit card activity. The GSDCA Treasurer working with the GSDCA Web Master assigns the proper general ledger account to each transaction along with proper class assignment if needed.

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Document the Organization's Internal Controls and Accounting Procedures (Continued)

Management's Response as of September 14, 2017 (Continued):

- e) Steps will be taken at the GSDCA Nationals to make receipts for all monies collected daily and deposit funds each day to a local BofA branch. Receipts will come from a bound and pre-numbered receipt book. Cash and checks received will be double counted by a third individual at the event. Note that receipts from late Friday and Saturday will not be deposited until the following week because of bank hours.
- f) BofA wireless credit card machines will be used to collect the bulk of the funds at the various show side tables at the GSDCA Nationals. The BofA Merchant Services account rep will provide the necessary devices to the GSDCA Treasurer.

During our audits prior to the 2016 audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

The following additional comments arose during the planning and performance of the 2014 audit:

Property and Equipment Records

Prior to 2013, the Organizations had \$66,018 of fully depreciated equipment and furnishings recorded on the general ledger. The Organization indicated it has no current records available for the fully depreciated items. We recommend that the Organization remove the fully depreciated assets from its general ledger.

Management's Response as of September 14, 2017:

All equipment on the club's balance sheet has been fully depreciated as of December 31, 2016. The club did task, at the last Board meeting, the GSDCA's VP to contact all committee chairs and obtain a list from each as to GSDCA equipment or property in their possession. At this time the undersigned has not received any status report. This will be reviewed at the GSDCA Nationals next month in St Louis. An inventory of the items (club property and for sale store items) has been scheduled to be completed at the GSDCA Nationals in October by non-interested club members. This will also include SV/IPO equipment used to support those events

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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The German Shepherd Dog Club of America, Inc.'s written response to the material weakness and other comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

RYUN, GIVENS & COMPANY, P.L.C.



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