



Certified Public Accountants

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To the Board of Directors  
Carmen Battaglia, President  
Larry Rock, Treasurer  
The German Shepherd Dog Club of America, Inc.

July 22, 2016

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, 2015, 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies in The German Shepherd Dog Club of America, Inc.'s internal control to be material weaknesses. These deficiencies were previously reported in the prior year audit in the letter communicating internal control related matters identified in an audit dated February 3, 2016:

#### Segregation of Duties

Due to the size and nature of the Organization, there is not effective segregation of duties for adequate internal control in all areas of the accounting function. The limited number of personnel volunteering with the Organization makes it difficult to achieve internal control through the segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, reconciliations, preparation of journals and general financial information for posting, makes it difficult to establish a complete system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition, but it is important that management be aware that the condition exists as management is responsible for the oversight of internal controls.

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#### Segregation of Duties (Continued)

##### *Management's Response:*

Beginning January 2015, all disbursements and receipts were sent to Frank Fasano and Pam O'Dell for review and approval of the payment and the general ledger accounts for entry into QuickBooks. Beginning January 2015, Ryun, Givens & Company, P.L.C. recorded all entries in QuickBooks, reconciled the bank statements and advised the Treasurer of issues/concerns.

#### 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.

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.

##### *Management's Response:*

No formal manual was prepared as stated would be done during the first 6 months of 2015. A checklist of payment, receipt, revenue recognition and close activities is reviewed and completed prior to placing files on Ryun, Givens & Company, P.L.C.'s portal.

A manual will be prepared during 2016 that outlines the general day-to-day payment/receipt, close, audit, insurance, and USPS processes.

#### Preparation of Financial Statements

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). The Organization does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in companies of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

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#### Preparation of Financial Statements (Continued)

##### *Management's Response:*

It is our intent to continue our reliance on Ryun, Givens & Company, P.L.C. for preparation of financial statements done in conformity with U.S. generally accepted accounting principles.

During our audits prior to the 2015 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:

##### Establish Written Policies

In preparing the Organization's 2013 Form 990, Page 6, Section B policies, we noted that the Organization does not have the following written policies that promote good management practices:

- Written whistle blower policy
- Written document retention and destruction policy

We recommend that management establish and implement these formal written policies.

##### *Management's Response:*

Management will discuss with the Board of Directors the lack of written policies covering whistle blower and document retention and destruction to determine if actions will be taken.

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

##### Hire an Executive Director

The Organization has no employees and is managed and operated essentially by its members. This requires certain members to volunteer a substantial amount of time to day-to-day operations that can exceed the amount of time that is desired for a volunteer position. We recommend that the Organization consider hiring either a full-time or part-time executive director. The executive director position would be in place for the development and management of the Organization's policies and programs. The executive director would be involved in the day-to-day operations of the Organization and provide consistent leadership and management of the Organization's programs.

##### *Management's Response:*

The Budget and Finance Committee presented its recommendation on this matter at the April board meeting. No action taken by board to pursue this recommendation at this time.

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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:*

Only one asset (trailer purchased during November 2013) is not fully depreciated. It will be fully depreciated by the end of 2016, thus the property and equipment balance will be reflected as zero.

The current policy and procedures partially addresses this issue on page 32. It states the Recording Secretary will send out a property inventory sheet to each Board Member and Committee Chair with a regular mailing following the National Specialty Show. Each member will complete the inventory form and return it to the Treasurer.

The Recording Secretary will send a request to each Board Member and Committee Chair via email after the National Specialty Show in October, 2016 asking each to submit a listing of property assets in his/her possession. The intent of this exercise is to maintain a full asset listing for insurance purposes.

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.

The German Shepherd Dog Club of America, Inc.'s written responses to the material weaknesses 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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