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Management Letter

November 7, 2016

To the Board of Directors
National Pest Management Association, Inc. & Affiliate

In planning and performing our audit of the consolidated financial statements of National Pest Management Association, Inc. & Affiliate (collectively, the Organization) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization'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 consolidated 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. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 consolidated financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The last section of this letter provides an update on the status of our comments related to the prior years' consolidated financial statement audits.

Management's written responses to the comments that follow have not been subjected to the audit procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them.

CURRENT YEAR COMMENTS

General Ledger Account/Audited Financial Statement Reconciliations (2015 Control Deficiency, upgraded to Significant Deficiency for 2016)

2015 Observation: During the audit, we noted that several underlying schedules relating to inventory, investments, Bugstore sales, and contribution revenue did not agree to the general ledger balance as of June 30, 2015. As well, we noted that the beginning net asset balance within the general ledger did not agree to the ending balance reported in the 2014 audited consolidated financial statements due to an error identified and corrected by management during the 2014 audit but not reported to the auditors.

The general ledger represents the accounting record of the Organization's financial transactions and is the source document for preparation of the consolidated financial statements. Thus, it is important that the general ledger be accurate on a consistent basis in order for management and the Board of Directors to make informed decisions.

2015 Recommendation: We recommended that management reconcile the general ledger balances with any related underlying schedules on a quarterly and year-end basis to ensure the accuracy of the general ledger balances.

2016 Observation: During the audit, we noted similar instances of a lack of reconciliation between the general ledger and the underlying schedules as were noted in the prior year and referenced above. Twenty-two adjustments were recorded for the June 30, 2016 audit, which is an indicator of the Organization's lack of preparedness for the audit.

2016 Recommendation: We recommend that management reconcile the general ledger balances to the underlying schedules on a monthly basis to ensure the accuracy of the general ledger balances. Additionally, the Organization should create a system of controls and procedures to ensure that the required reconciliations are completed accurately and within required completion dates.

2016 Management's response: Management takes this very seriously and will make reconciling the general ledger accounts a priority for the accounting department in the coming year.

Contracts and Agreements (Control Deficiency)

Observation: Written documentation for leases, related-party agreements, and other contracts are not maintained or readily available.

Recommendation: Written documentation for all agreements and transactions should be maintained in a central location and stored in a manner that allows for the Organization to easily access the required information when needed.

Management's response: Copies of leases and other agreements collected during the audit are now kept in a central location in the accounting department.

Expense Reimbursements (Control Deficiency)

Observation: During the audit, we noted that certain expense reimbursements lacked proper supporting documentation and substantiation of business purpose. Proper supporting documentation and substantiation of the business purpose ensures that the expenses being reimbursed meet Internal Revenue Code criteria and fall in line with the Organization carrying out its mission as a non-profit organization.

Recommendation: We recommend that the Organization consistently adhere to its Internal Travel and Expense Reimbursement Policy to ensure that there is proper supporting documentation and substantiation of the business purpose of each expense prior to reimbursement.

Management's response: The CFO spoke to all employees during a staff meeting regarding the necessity of proper receipt documentation. There has been a noticeable increase in the quality of the underlying documentation being submitted with expense reports since the meeting.

Proxy Taxes (Best Practice Recommendation)

Observation: The Revenue Reconciliation Act of 1993 requires 501(c)(6) trade associations to notify their members, at the time of dues invoicing, of the estimated percentage of such dues that are expected to be spent on non-deductible lobbying. If the members are not notified, then the trade association automatically becomes liable for a "proxy tax" equal to 35% of its lobbying expenditures for the year. During the audit, we noted that membership dues for the Organization lacked the required proxy tax disclosures.

Recommendation: We recommend that the Organization begin to disclose the non-deductible percentage of membership dues in its dues invoices/statements, even if minimal lobbying expenditures are expected, in order to avoid the potential payment of the proxy tax.

Management's response: The Organization will disclose the non-deductible percentage of membership dues in its dues invoices going forward.

CURRENT STATUS OF PRIOR YEARS' COMMENTS

Amendment of Federal Election Commission Reports (Significant Deficiency) - 2015

Observation: During the audit, we noted that the cash on hand balance as of June 30, 2015 reported on the Federal Election Commission (FEC) Form 3X did not agree to the actual cash balance of the National Pest Control Association Political Action Committee (PAC), the Organization's (PAC), bank account as of that date. It is important that the information reported to the FEC is accurate and complete.

Recommendation: We recommended that management review the previously submitted FEC reports to determine in which reporting period the reconciliation error initially occurred and amend the FEC Form 3X to ensure that the information reported to the FEC was correct.

Management's Response: The new Director of Public Policy is currently working on correcting the FEC reports.

Status: This recommendation has been partially implemented. Management has filed the appropriate documentation with the FEC to correct the issue. The issue is expected to be resolved in fiscal year 2017.

Departmental Allocation of Expense (Best Practice Recommendation) - 2014

Observation: During the audit, we noted that the Organization did not internally allocate general and administrative expense to programs of the Organization, a common approach for similar organizations. As well, the Organization did not appear to have method to reasonably estimate general and administrative costs that should be allocated to the programs of the Organization for external reporting purposes.

Recommendation: We recommended that the Organization consider establishing a method to allocate salary and overhead costs to its programs for external reporting purposes. The method of allocation chosen by the Organization should most accurately reflect the percentage of general and administrative costs associated with the programs of the Organization. The allocation of indirect costs may be based on level of effort, departmental salary ratios, square footage occupied by each department, or some other measure.

Management's response: Management decided that the historical presentation of program costs is preferred and desires to keep that presentation in order to remain consistent between years. We suggested that the Note A footnote disclosure of the functional allocation of expense reflect the unallocated nature of general and administration expense.

Status: In Note A of the audited consolidated financial statement, management disclosed that the general and administration expense of the Organization is not allocated in the functional allocation of expense.

Conclusion

This information is intended solely for the information and use of the Board of Directors, management, and others within the National Pest Management Association, Inc. & Affiliate and is not intended to be and should not be used by anyone other than these specified parties.

Tate & Tryon