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Management Letter

September 30, 2015

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, 2015, 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 June 30, 2014 consolidated financial statement audit.

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 (Control Deficiency)

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.

Recommendation: We recommend 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.

Management's response: Management has agreed to reconcile the schedules to the general ledger on a quarterly basis.

Amendment of Federal Election Commission Reports (Significant Deficiency)

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 recommend that Organization 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 is correct.

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

CURRENT STATUS OF PRIOR YEARS' COMMENTS

Restatement of Prior Year Consolidated Financial Statements (Control Deficiency) - 2014

Observation: During the 2014 audit, it was noted the Organization classified restricted contributions as deferred revenue rather than temporarily restricted contributions in prior years. As a result, deferred revenue was overstated and temporarily restricted net assets were understated by $54,746 as of June 30, 2013. The net assets as of July 1, 2012 and the change in net assets for the year ended June 30, 2013 were restated to correct this reclassification error.

Recommendation: We recommended that the Organization regularly review contribution revenue to determine if any contributions received are accompanied by donor restriction. Any contributions which include a donor stipulation addressing the use of the funds should be recorded as temporarily restricted until the purpose of those funds given has been met by the Organization.

Management's response: Management agreed with the recommendation and planned to implement the recommended changes going forward.

Status: While June 30, 2014 audited consolidated financial statements presented the correct net asset balance, we noted that the Organization did not properly record temporarily restricted contributions that were received during the year-ended June 30, 2015.

Departmental Allocation of Expense (Best Practice Recommendation) - 2014

Observation: During our 2014 audit, we noted that the Organization does 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.

Capitalization Policy (Best Practice Recommendation) - 2014

Observation: During our 2014 audit, we noted that the Organization capitalized property and equipment acquisitions of $500 or more.

Recommendation: We recommended that management consider increasing the capitalization threshold to $2,500 or more to avoid having to keep ongoing records for items of relatively small value.

Management's response: Management agreed with the recommendation and planned to implement the recommended changes going forward.

Status: The recommendation was implemented.

Segregation of Duties Surrounding Cash (Best Practice Recommendation) - 2014

Observation: During our 2014 audit, we noted that the Chief Executive Officer did not receive the bank and investment statements unopened. An element of an effective internal control system is the proper segregation of financial duties. The basic aim of segregating duties is to prevent situations where an employee has the ability to perpetrate an error or irregularity and conceal it as well. Proper segregation of duties provides for a system of checks and balances such that the functions of one employee are subject to review through the performance of interrelated functions by a supervising employee.

Recommendation: Although the current staff size is limited, there are ways to more effectively segregate incompatible functions without straining the resources of the Organization. Specifically, we recommended that:

* The Chief Executive Officer should receive all bank and investment statements unopened, and examine the contents for any unusual items before they are forwarded to the Chief Financial Officer for reconciliation. Documentation of the review should be written on the respective statement(s). Currently, the Chief Financial Officer receives these unopened statements.

* The Chief Executive Officer should receive all credit card statements unopened, and examine the contents for any unusual items before they are forwarded to the Chief Financial Officer for reconciliation. Currently, the Chief Financial Officer receives these unopened statements.

* The Chief Executive Officer or designated member of management should receive unopened payroll reports on a periodic basis and examine the contents for any unusual items before they are forwarded to the Chief Financial Officer for reconciliation.

Management's response: Management agreed with the recommendation and planned to implement the recommended changes going forward.

Status: The recommendation was partially implemented. During 2015, the Chief Executive Officer periodically accessed and reviewed the monthly bank statements online. While this level of review is an improvement from the prior year. We would encourage the Organization to develop a more consistent process.

Information Technology Policies (Other Comment) - 2013

Observation: During the predecessor auditor's 2013 review of the IT set-up, the predecessor auditor noted that the employee manual did not include formalized policies for the following areas: security plan, security awareness training, configuration management, or incident response policy. This recommendation was given in 2012 and did not appear to have been implemented.

Recommendation: The predecessor auditor recommended that management establish written protocols for the mentioned areas in order to protect the IT environment should there ever be a system failure or compromise.

Status: This recommendation has been implemented.

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