

[Date]

[Partner Name/Management Committee]

[Law Firm Name]

[Address]

[City, State, Zip Code]

RE: Management Letter - Observation of Internal Control Deficiency (Commingling of Funds)

Dear [Name],

In connection with our recent audit/review of the firm's financial records for the period ending [Date], we identified a significant internal control deficiency regarding the handling of client funds.

Observation:

During our testing, it was noted that funds belonging to clients were deposited into the firm's general operating account rather than the designated Client Trust Account (IOLTA). Specifically, [mention specific instances or dollar amounts if applicable].

Risk:

The commingling of personal or firm funds with client funds is a violation of State Bar Professional Conduct Rules. This practice creates significant legal liability, risks the disbarment of firm members, and complicates the accurate accounting of client liabilities.

Recommendation:

We recommend the following immediate actions:

- Transfer all identified client funds from the operating account to the Trust Account immediately.
- Implement a mandatory review process for all incoming checks to ensure they are coded and deposited to the correct account.
- Perform monthly three-way reconciliations between the bank statement, the general ledger, and the individual client ledgers.
- Provide formal training to accounting and administrative staff regarding fiduciary duties and trust accounting rules.

Please provide a formal response detailing the corrective actions the firm intends to take to resolve this matter.

Sincerely,

[Your Name/Audit Firm Name]

[Title]