

[Firm Name]
[Address Line 1]
[Address Line 2]
[City, State, Zip Code]

[Date]

[Managing Partner Name]
[Law Firm Name]
[Address]

RE: Management Letter - IOLTA Compliance and Interest Remittance Review

Dear [Name],

In connection with our recent engagement to review the firm's trust accounting procedures, we have identified specific deficiencies regarding Interest on Lawyer Trust Account (IOLTA) compliance and the remittance of interest to the [State Bar/IOLTA Fund].

1. Deficiency: Delayed Interest Remittance

During our review, it was noted that interest earned on the IOLTA account for the period of [Date Range] was not remitted to the designated state authority within the required [Number]-day timeframe. This resulted in non-compliance with [State Rule Number].

Recommendation: The firm should implement an automated sweep feature with the financial institution to ensure interest is transferred directly to the state fund monthly without manual intervention.

2. Deficiency: Inadequate Three-Way Reconciliation

We observed that monthly three-way reconciliations-comparing the bank statement, the book balance, and the sum of individual client ledgers-were not consistently performed. This increases the risk of undetected clerical errors and improper interest calculations.

Recommendation: A designated staff member should perform a three-way reconciliation by the 15th of each month, followed by a formal review and sign-off by a managing partner.

3. Deficiency: Commingling of Funds

Our audit identified instances where earned legal fees remained in the IOLTA account for more than [Number] days after becoming due. This constitutes commingling of firm funds with client trust funds.

Recommendation: Establish a rigid schedule for the immediate transfer of earned fees to the firm's operating account as soon as the billing cycle is completed.

4. Deficiency: Unidentified Interest Credits

Certain interest credits were not properly documented in the firm's general ledger, leading to discrepancies between bank records and internal financial reports.

Recommendation: Ensure all interest earned and subsequently remitted is recorded as a zero-net transaction in the trust ledger to maintain a clear audit trail.

We are available to discuss these findings in further detail and assist in the implementation of the recommended internal controls.

Sincerely,

[Your Signature]

[Your Name/Audit Firm Name]