U.S. Department of Justice

United States Trustee
Region 4, Maryland, South Carolina, Virginia
West Virginia and the District of Columbia

October 31, 2006

NOTICE OF DEBTOR AUDITS

Commencing with cases filed by individual debtors on and after October 20, 2006, Chapter 7 and Chapter 13 cases may be selected for audit pursuant to §603 of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA"). These Debtor Audits will be focused on determining the accuracy, veracity and completeness of petitions, schedules and other information provided by debtors under §521 and §1322 of the Bankruptcy Code.

Cases will be selected both randomly (one out of at least every 250 cases filed for the district) and based upon debtor's income or expenses having a greater than average variance from the statistical norm for the district. The Debtor Audits will be performed by independent firms selected by the United States Trustee using auditing standards developed by the United States Trustee Program (the "USTP"). These Debtor Audit Standards have been published in the Federal Register and are posted to the USTP's website at: www.usdoj.gov/ust.

The Office of United States Trustee will send a letter to Debtor's Attorney, or a pro se Debtor, indicating that a case has been selected for audit, enclosing a form for the attorney to indicate whether the audit firm can directly contact a represented debtor about documents and an information sheet about the audit for the debtor. The letter will also identify the firm that will be conducting the audit and the documents that must be produced to the audit firm. These documents include the following:

- Pay stubs for the six calendar months prior to filing;

- Two years of federal tax returns, including any schedules and forms;

- Account statements for all depository and investment accounts for the six calendar months preceding the date of the filing of the petition, plus the month in which the petition was filed, along with sufficient documentation to reasonably explain the source of deposits or credits, and the purpose of checks, withdrawals or debits; and

- A copy of any divorce decree and/or property settlement entered within the last three years, and any current child support/alimony obligation involving the debtor.

Debtors will have 21 days to provide the audit firm with the requested documents. Debtors must cooperate with the audit firm and provide records to the auditor. A debtor's discharge may be revoked, if the debtor fails to explain a material misstatement in an audit or if the debtor does not satisfactorily explain the failure to make available all documents or property requested by the audit firm.

Once the audit is complete, the audit firm will issue a report which must specify any material misstatements of income, expenses, or assets that were identified by the audit firm. Before including a material misstatement in an audit report, the audit firm will contact the debtor's counsel, or the pro se debtor, in writing, notifying the debtor of the concern and offering the debtor an opportunity to provide an immediate written explanation for the item or items in question.

Audit firms must file the audit report with the court and transmit it to the United States Trustee. In cases in which one or more material misstatements have been identified in an audit report, the clerk of court must send a notice to creditors .

If material misstatements are not adequately explained by the debtor, the United States Trustee may take appropriate civil action and, where appropriate, make a criminal referral to the U.S. Attorney.

A public report will be issued annually by the Executive Office for United States Trustees, and will include the percentage of cases by district in which a material misstatement is reported.

For more information regarding Debtor Audits, please visit the U.S. Trustee Program's website at www.usdoj.gov/ust.

W. Clarkson McDow, Jr.
U.S. Trustee
Region 4