

**Summary of Findings from
FY 2004 Chapter 7 Audits and Field Exams
All Regions**

| | <u>FY 2001</u> | <u>FY 2002</u> | <u>FY 2003</u> | <u>FY 2004</u> |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <i>Number of OIG Audits:</i> | 167 | 166 | 145 | 0 |
| <i>Number of UST Field Exams:</i> | 105 | 142 | 101 | 134 |
| <i>Number of CPA Audits:</i> | 0 | 14 | 0 | 223 |
| <i>Total</i> | 272 | 322 | 246 | 357 |

| Description of Finding | FY 2004 | | |
|--|-----------------------|---------------------|----------------------|
| | Total Findings | % of Reports | % of Findings |
| Case Administration Issues | | | |
| No or inadequate tracking system for receivables | 36 | 10% | 1% |
| Asset values not verified or reasonably determined | 40 | 11% | 1% |
| Casualty/auctioneer insurance not verified or maintained | 55 | 15% | 2% |
| No, inadequate, or untimely report of sale/auctioneer's report | 34 | 10% | 1% |
| Assets not timely investigated, pursued, liquidated or collected | 79 | 22% | 2% |
| Estate assets or records not secured or untimely secured | 16 | 4% | 0% |
| Untimely, inadequate, or no inventory of estate assets | 24 | 7% | 1% |
| Sale/settlement not in compliance with Bankruptcy Code/without notice or court order | 21 | 6% | 1% |
| Untimely turnover of auction proceeds | 15 | 4% | 0% |
| Security interests not verified | 7 | 2% | 0% |
| Trustee cannot account for all assets | 4 | 1% | 0% |
| No escrow account for real estate sale | 1 | 0% | 0% |
| Assets sold to insiders/related parties | 2 | 1% | 0% |
| <i>Abandonments and Exemptions:</i> | | | |
| Abandonments & exemptions not documented | 10 | 3% | 0% |
| Formal abandonment (554a) not made when appropriate/non-compliance with code | 8 | 2% | 0% |
| No or untimely objection to improper exemptions | 1 | 0% | 0% |
| <i>Case Administration and Civil Enforcement:</i> | | | |
| Delay in case administration/No or inadequate case progress review | 137 | 38% | 4% |
| Inadequate civil enforcement procedures | 7 | 2% | 0% |
| <i>Bonding:</i> | | | |
| Auctioneer bond not verified, inadequate or not obtained | 15 | 4% | 0% |
| No review for necessary increases in bond | 3 | 1% | 0% |
| Separate bond not obtained when necessary | 0 | 0% | 0% |
| Underbonded - Blanket bond less than 100%/Individual Bond | 3 | 1% | 0% |

**Summary of Findings from
FY 2004 Chapter 7 Audits and Field Exams
All Regions**

| | | | |
|---|-----|-----|----|
| <u>Other Case Administration Issues:</u> | | | |
| Estate funds not invested; high yield investments not considered when appropriate | 68 | 19% | 2% |
| Inadequate supervision of professionals | 41 | 11% | 1% |
| Estate tax returns not prepared/filed when appropriate | 10 | 3% | 0% |
| No-asset cases: assets/asset values not adequately investigated/justification not documented | 16 | 4% | 0% |
| Reporting Issues | | | |
| <u>Asset Tracking / Case Status:</u> | | | |
| Scheduled assets on Form 1 do not match petition/schedules | 166 | 46% | 5% |
| Unscheduled assets not recorded or properly identified on Form 1 | 120 | 34% | 4% |
| Asset status not accurately reflected and tracked on Form 1 | 102 | 29% | 3% |
| Form 1 and 2 not kept up-to-date | 29 | 8% | 1% |
| Form 3 does not agree with Form 1 and/or Form 2 | 19 | 5% | 1% |
| Form 1 - trustee's value (Column 3) not reasonable | 8 | 2% | 0% |
| No or incorrect tax id #'s on Form 2 | 12 | 3% | 0% |
| Abandonment not properly tracked on Form 1 | 24 | 7% | 1% |
| Transactions not recorded on Form 1 and other miscellaneous errors | 151 | 42% | 5% |
| Miscellaneous Form 3 errors such as omitted cases or improper cut-off | 107 | 30% | 3% |
| No UST reports prepared/submitted | 1 | 0% | 0% |
| <u>Receipts and Disbursements:</u> | | | |
| Transactions not recorded on Form 2 and miscellaneous errors, such as inaccurate payee/payer, description or uniform transaction code | 268 | 75% | 8% |
| Receipts not properly referenced between Forms 1 & 2 | 84 | 24% | 3% |
| Internal Controls | | | |
| <u>Bank Accounts:</u> | | | |
| Bank accounts not timely or properly reconciled or reviewed | 185 | 52% | 6% |
| Funds deposited to non-estate accounts (commingled) | 15 | 4% | 0% |
| Void checks not accounted for | 3 | 1% | 0% |
| Checks not properly prenumbered | 15 | 4% | 0% |
| Bank statements/checks not properly captioned | 87 | 24% | 3% |
| Missing bank statements | 22 | 6% | 1% |
| Bank account not promptly opened upon receipt of funds | 1 | 0% | 0% |
| Blank checks not properly secured | 10 | 3% | 0% |
| Unauthorized depository or improper/unreported bank account | 4 | 1% | 0% |
| Bank account on monthly report/trustee's file not on Form 2/3 | 0 | 0% | 0% |
| Trustee not only signer on operating account | 0 | 0% | 0% |

**Summary of Findings from
FY 2004 Chapter 7 Audits and Field Exams
All Regions**

| | | | |
|--|-----|-----|----|
| <u>Disbursements:</u> | | | |
| No stale-dated check policy / no "Void after 90 days" | 20 | 6% | 1% |
| Disbursements without court order (when required) | 22 | 6% | 1% |
| Invoices/support for expenses not approved/canceled by trustee; missing support | 110 | 31% | 3% |
| No log for disbursement checks that have control numbers | 9 | 3% | 0% |
| Missing cancelled checks | 10 | 3% | 0% |
| Unauthorized disbursements by wire transfer/cashier's check | 11 | 3% | 0% |
| Signature stamp not controlled by trustee or was used to sign checks | 8 | 2% | 0% |
| Starter checks not destroyed after receipt of permanent checks | 3 | 1% | 0% |
| Expenses not actual and necessary | 0 | 0% | 0% |
| Endorsement does not match payee/checks altered | 0 | 0% | 0% |
| Cannot perform proof of cash | 0 | 0% | 0% |
| Evidence that checks have been signed before filled out | 0 | 0% | 0% |
| Use of counter checks or money orders | 0 | 0% | 0% |
| Checks payable to "cash" or "bearer" | 0 | 0% | 0% |
| <u>Receipts:</u> | | | |
| Cash receipts log not used | 20 | 6% | 1% |
| Receipts not recorded in receipts log | 83 | 23% | 3% |
| Cash receipts log not properly maintained | 132 | 37% | 4% |
| Receipts not periodically traced from log to bank statement | 76 | 21% | 2% |
| Untimely deposits | 78 | 22% | 2% |
| No or insufficient supporting documents for receipts | 56 | 16% | 2% |
| No numbered receipts book or receipts not given | 37 | 10% | 1% |
| Incoming checks not made payable to estate/trustee | 34 | 10% | 1% |
| Missing deposit slips | 3 | 1% | 0% |
| No or inadequate NSF tracking procedure | 3 | 1% | 0% |
| Checks not restrictively endorsed immediately upon receipt | 17 | 5% | 1% |
| Undeposited funds in estate file or other unsecure location | 14 | 4% | 0% |
| Earnest monies not properly accounted for | 5 | 1% | 0% |
| <u>Segregation of Duties and Office Operations:</u> | | | |
| Insufficient segregation of duties | 40 | 11% | 1% |
| Trustee does not directly receive unopened bank statements | 14 | 4% | 0% |
| Trustee does not actively supervise employees | 5 | 1% | 0% |
| <u>File Maintenance / Records Retention:</u> | | | |
| No disaster recovery plan | 60 | 17% | 2% |
| Files not maintained in business-like manner/Financial files not readily accessible/segregated in file | 19 | 5% | 1% |
| Case files missing/not retained per Handbook | 1 | 0% | 0% |
| Case files and accounting records not secured | 1 | 0% | 0% |

**Summary of Findings from
FY 2004 Chapter 7 Audits and Field Exams
All Regions**

| | | | |
|--|--------------|-----|------|
| <i>Computer Operations and Security:</i> | | | |
| Computer system not secure | 48 | 13% | 1% |
| Passwords known to others/not changed annually | 19 | 5% | 1% |
| Insufficient computer back-up procedures | 34 | 10% | 1% |
| Transactions can be deleted/changed | 6 | 2% | 0% |
| Trustee/staff cannot operate computer system | 6 | 2% | 0% |
| No user's manual | 2 | 1% | 0% |
| Computer software not up-to-date | 0 | 0% | 0% |
| | | | |
| Other Miscellaneous Findings (not otherwise classified) | 184 | n/c | 6% |
| | | | |
| Total Number of Audit Findings | 3,283 | | 100% |