U.S. Department of
JUSTICE

Debtor Audits by the U.S. Trustee Program Fiscal Year 2025

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Executive Office for U.S. Trustees

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I. EXECUTIVE SUMMARY

The United States Trustee Program (USTP) is authorized to audit individual chapter 7 and chapter 13 bankruptcy cases under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, Pub. L. No. 109-8, 119 Stat. 23 (2005) (BAPCPA). Section 603(a)(2)(D) of the BAPCPA states that the Attorney General must:[1]

> (D) Establish procedures for providing, not less frequently than annually, public information concerning the aggregate results of such audits including the percentage of cases, by district, in which a material misstatement of income or expenditures is reported.

In Fiscal Year (FY) 2025, the USTP designated 115 cases for audit. This report discusses the case designation process and lists data describing audit outcomes.

II. INTRODUCTION

The United States Trustee Program is the component of the Department of Justice whose mission is to promote the integrity and efficiency of the bankruptcy system for the benefit of all stakeholders—debtors, creditors, and the public. The USTP consists of 21 regions with 82 field offices nationwide and an Executive Office in Washington, D.C. Each field office is responsible for carrying out numerous administrative, regulatory, and litigation and enforcement responsibilities under title 11 (the Bankruptcy Code) and title 28 of the United States Code.[2]

The USTP is authorized to contract with independent firms to perform audits of individual chapter 7 and chapter 13 cases designated by the USTP. The purpose of the audit is to determine the accuracy, veracity, and completeness of petitions, schedules, and other information the debtor is required to provide under sections 521 and 1322 of the Bankruptcy Code. The audits are designed to provide baseline data to gauge the magnitude of fraud, abuse, and error in the bankruptcy system; to assist the USTP in identifying cases of fraud, abuse, and error; and to enhance deterrence.

[1] Authority to implement provisions of the BAPCPA was delegated from the Attorney General to the Director of the Executive Office for United States Trustees (Attorney General Order No. 2785 2005, dated Oct. 14, 2005).

[2] The USTP has jurisdiction in all federal judicial districts except those in Alabama and North Carolina.

The USTP selects independent audit firms through a competitive procurement process to perform the audits using certified public accountants or independent licensed public accountants.[3] The debtor audits are conducted in accordance with audit standards promulgated by the USTP and published in the *Federal Register*.[4]

The USTP is authorized to randomly designate for audit one out of every 250 individual chapter 7 and chapter 13 bankruptcy cases per federal judicial district and to designate cases for exception audit in which the income or expenditures of a debtor deviate from the statistical norm of the district where the case was filed. During FY 2025, the USTP designated about one in 3,700 individual chapter 7 and chapter 13 cases for random audit before the designation of audits was suspended in June 2025 because of budgetary constraints.

III. CASE DESIGNATION PROCESS AND TERMINOLOGY

Random audits are arbitrarily selected from all consumer bankruptcy cases within a federal judicial district. In contrast, cases designated for exception audit must meet specific criteria established by the USTP. These criteria are based on income or expenditures greater than a statistical norm for the district where the case was filed, as specified under uncodified section 603(a)(2)(C) of the BAPCPA.

Audit firms request documents and other information from selected debtors to determine the accuracy, veracity, and completeness of the debtors' petitions, schedules, and other bankruptcy paperwork. Audit firms also conduct at least two searches using commercially and publicly available database services to look for unreported assets and to verify the market value of assets.

After an audit has been completed, the audit firm identifies material misstatements in a Report of Audit. The audit firm files the report with the court and transmits a copy to the United States Trustee. Before filing a Report of Audit with the court noting a material misstatement, the audit firm contacts the debtor, through counsel if represented, to provide the debtor an opportunity to offer an explanation or supply additional information that may negate the finding. A material

[3] BAPCPA Section 603(a)(2).

[4] BAPCPA Section 603(a)(1); Federal Register, Vol. 71, No. 190 (Oct. 2, 2006).

misstatement indicates the audit produced information that challenged the accuracy, veracity, or completeness of a debtor's petition, schedules, or other filed bankruptcy documentation. Inaccurate or incomplete information deprives the court, the U.S. Trustee, the private trustee, and creditors of adequate information to decide whether to conduct further investigation, recover assets, or seek relief against the debtor.

While specific criteria for reporting a material misstatement are not released to the public to preserve the integrity of the audit process, material misstatements in general relate to the understatement or omission of the debtor's assets, income, or a pre-petition transfer of property. If a material misstatement is identified in a Report of Audit, the bankruptcy court gives notice to all creditors in the case. In addition, the U.S. Trustee determines what action is appropriate based on the material misstatement and may pursue a variety of actions depending on the circumstances of the case, including seeking denial or revocation of discharge, or reporting the material misstatement to the U.S. Attorney.[5] In many instances, the U.S. Trustee takes no formal action on a material misstatement identified in a Report of Audit. Declinations are based on a number of factors, including whether the debtor corrected the error (e.g., filed amended schedules) or whether the material misstatement was intentional.

If the audit firm cannot complete the audit because the debtor did not produce documents requested in connection with the audit or because the case was dismissed while the audit was in process, the audit firm files a Report of No Audit with the court and transmits a copy to the U.S. Trustee. The U.S. Trustee may take appropriate enforcement action when a Report of No Audit is filed, including seeking revocation of discharge, if the debtor fails to satisfactorily explain the failure to provide the documentation requested for the audit.[6]

IV. <u>OUTCOMES</u>

Outcomes are presented in this report both as aggregate national numbers from all judicial districts within the jurisdiction of the USTP and separately by judicial district.

[5] *See* 11 U.S.C. §§ 707, 727(a), 727(d)(4)(A); 28 U.S.C. § 586(f)(2)(B).

[6] *See* 11 U.S.C. § 727(d)(4)(B).

A. Aggregate Audit Outcomes

Table 1 shows the total number of cases designated for audit, broken down between cases with no report (i.e., cases that were dismissed before assignment to an audit firm) and cases where either a Report of Audit or a Report of No Audit was filed with the court. For Reports of Audit filed with the court, the table also identifies the number of cases with at least one material misstatement and the number of cases with no material misstatements. Further, for all cases designated for audit, the table shows the distribution between random audits and exception audits.

In FY 2025, the USTP designated 115 cases for audit. Of the cases designated for audit, three were dismissed before the case was assigned to an audit firm. Of the remaining 112 cases, 89 were random audits and 23 were exception audits. Reports of Audit were filed in 109 of the completed audits, and at least one material misstatement was reported in 19 cases (17 percent). Twelve random audits (14 percent) identified at least one material misstatement, compared with seven exception audits (30 percent). There were three Reports of No Audit.

Table 1: USTP Debtor Audits for FY 2025 (Nationwide Aggregate)

	Total	Random	Exception	% of Cases Designated*
Cases Designated for Audit	115	92	23	
Cases with No Report	3	3	0	3%
Cases with Report	112	89	23	97%
Report of Audit Filed	109	86	23	95%
No Material Misstatements	90	74	16	
% of Reports of Audit	83%	86%	70%	
At Least One Material Misstatement	19	12	7	
% of Reports of Audit	17%	14%	30%	
Report of No Audit Filed	3	3	0	3%

** Subtotal percentages may not add up to aggregate percentages because of rounding.*

More than one material misstatement may be reported in a single case. For FY 2025, income-related material misstatements were reported in 47 percent of the cases with material misstatements, and 53 percent of the cases with material misstatements had asset-related or transfer-related material misstatements.

B. Outcomes by Judicial District

Table 2 shows the distribution of cases by judicial district in which either a Report of Audit or a Report of No Audit was filed. For cases with a Report of Audit, a breakdown of the number and percentage of cases with at least one material misstatement is provided. This table combines information from both random and exception audits.

Table 2: Outcomes by Judicial District for FY 2025

District	Reports of No Audit	Reports of Audit	At Least One Material Misstatement	
			# of Cases	% of Reports of Audit
Alaska	0	0	0	N/A
Arizona	0	2	0	0%
Arkansas Eastern	0	1	0	0%
Arkansas Western	0	1	0	0%
California Central	0	4	1	25%
California Eastern	1	0	0	N/A
California Northern	0	0	0	N/A
California Southern	0	1	0	0%
Colorado	0	2	0	0%
Connecticut	0	1	0	0%
District of Columbia	0	0	0	N/A
Delaware	0	1	0	0%
Florida Middle	0	2	0	0%
Florida Northern	0	1	0	0%
Florida Southern	0	2	1	50%
Georgia Middle	0	1	0	0%
Georgia Northern	0	4	1	25%
Georgia Southern	0	1	0	0%
Guam	0	0	0	N/A
Hawaii	0	1	0	0%

Table 2 (continued): Outcomes by Judicial District for FY 2025				
District	**Reports of No Audit**	**Reports of Audit**	**At Least One Material Misstatement**	
			# of Cases	**% of Reports of Audit**
Idaho	0	1	0	0%
Illinois Central	0	0	0	N/A
Illinois Northern	1	5	0	0%
Illinois Southern	0	1	0	0%
Indiana Northern	0	2	0	0%
Indiana Southern	0	2	0	0%
Iowa Northern	0	1	0	0%
Iowa Southern	0	1	0	0%
Kansas	0	0	0	N/A
Kentucky Eastern	0	1	0	0%
Kentucky Western	0	2	1	50%
Louisiana Eastern	0	1	0	0%
Louisiana Middle	0	1	0	0%
Louisiana Western	0	1	0	0%
Maine	0	0	0	N/A
Maryland	0	3	2	67%
Massachusetts	0	2	1	50%
Michigan Eastern	0	4	1	25%
Michigan Western	0	1	0	0%
Minnesota	0	2	1	50%
Mississippi Northern	0	1	0	0%
Mississippi Southern	0	1	0	0%
Missouri Eastern	0	1	0	0%
Missouri Western	0	1	0	0%
Montana	0	0	0	N/A
Nebraska	0	1	0	0%
Nevada	0	1	0	0%
New Hampshire	0	0	0	N/A
New Jersey	0	2	0	0%
New Mexico	0	1	0	0%
New York Eastern	0	1	1	100%
New York Northern	0	1	0	0%
New York Southern	0	1	0	0%
New York Western	0	1	0	0%
North Dakota	0	0	0	N/A

Table 2 (continued): Outcomes by Judicial District for FY 2025				
District	**Reports of No Audit**	**Reports of Audit**	**At Least One Material Misstatement**	
			# of Cases	**% of Reports of Audit**
Northern Mariana Islands	0	0	0	N/A
Ohio Northern	1	3	2	67%
Ohio Southern	0	2	0	0%
Oklahoma Eastern	0	0	0	N/A
Oklahoma Northern	0	1	1	100%
Oklahoma Western	0	1	0	0%
Oregon	0	2	1	50%
Pennsylvania Eastern	0	1	0	0%
Pennsylvania Middle	0	1	0	0%
Pennsylvania Western	0	1	0	0%
Puerto Rico	0	2	0	0%
Rhode Island	0	0	0	N/A
South Carolina	0	2	0	0%
South Dakota	0	0	0	N/A
Tennessee Eastern	0	2	1	50%
Tennessee Middle	0	1	0	0%
Tennessee Western	0	2	1	50%
Texas Eastern	0	1	0	0%
Texas Northern	0	1	0	0%
Texas Southern	0	2	0	0%
Texas Western	0	1	0	0%
Utah	0	1	0	0%
Vermont	0	0	0	N/A
Virgin Islands	0	0	0	N/A
Virginia Eastern	0	3	1	33%
Virginia Western	0	1	1	100%
Washington Eastern	0	1	0	0%
Washington Western	0	2	0	0%
West Virginia Northern	0	1	1	100%
West Virginia Southern	0	1	0	0%
Wisconsin Eastern	0	3	0	0%
Wisconsin Western	0	1	0	0%
Wyoming	0	0	0	N/A
TOTAL	**3**	**109**	**19**	**17%**

V. **CONCLUSION**

In FY 2025, the U.S. Trustee Program continued to administer audits of individual chapter 7 and chapter 13 bankruptcy cases. Out of 109 Reports of Audit, a material misstatement was reported in 12 of the random audits (14 percent) and seven of the exception audits (30 percent). In total, 19 cases (17 percent) had material misstatements.