

**Summary of Findings from
FY 2000 - FY 2003 Chapter 7 Audits and Field Exams
All Regions**

(Sorted by Category & Frequency of FY 2002 - FY 2003 Findings)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
<i>Number of OIG Audits:</i>	219	167	166	145
<i>Number of UST Field Exams:</i>	88	106	142	101
<i>Number of CPA Audits:</i>	0	0	14	0
<i>Total</i>	<u>307</u>	<u>273</u>	<u>322</u>	<u>246</u>

Description of Finding	FY 2000- FY 2001			FY 2002- FY 2003		
	Total Findings	% of Reports	% of Findings	Total Findings	% of Reports	% of Findings
Case Administration Issues						
<u>Investigation, Liquidation, and Collection of Assets:</u>						
No or inadequate tracking system for receivables	107	19%	2%	95	17%	2%
Assets values not verified or reasonably determined	45	8%	1%	81	14%	1%
Assets not timely investigated/pursued	65	11%	1%	75	13%	1%
Casualty/auctioneer insurance not verified or maintained	90	16%	1%	73	13%	1%
No/inadequate or untimely report of sale/auctioneer's report	20	3%	0%	57	10%	1%
Assets not timely liquidated or collected	60	10%	1%	55	10%	1%
Estate assets or records not secured or untimely secured	46	8%	1%	51	9%	1%
Untimely/inadequate/no inventory of estate assets	35	6%	1%	45	8%	1%
Sale/settlement without notice or court order	66	11%	1%	38	7%	1%
Sale/settlement not in compliance with Bankruptcy Code	23	4%	0%	21	4%	0%
Untimely turnover of auction proceeds	8	1%	0%	18	3%	0%
Security interests not verified	11	2%	0%	14	2%	0%
Trustee cannot account for all assets	9	2%	0%	13	2%	0%
No escrow account for real estate sale	0	0%	0%	2	0%	0%
Assets sold to insiders/related parties	2	0%	0%	2	0%	0%
<u>Abandonments and Exemptions:</u>						
Abandonments & exemptions not documented	15	3%	0%	17	3%	0%
Formal abandonment (554a) not made when appropriate	20	3%	0%	10	2%	0%
No or untimely objection to improper exemptions	5	1%	0%	6	1%	0%
Non-compliance with Bankruptcy Code re: abandonments	2	0%	0%	3	1%	0%
<u>Case Administration and Civil Enforcement:</u>						
No or inadequate case progress review	n/a	n/a	n/a	56	10%	1%
Delay in case administration	n/a	n/a	n/a	29	5%	1%
Inadequate civil enforcement procedures	n/a	n/a	n/a	5	1%	0%
<u>Bonding:</u>						
Auctioneer bond not verified, inadequate or not obtained	34	6%	1%	23	4%	0%
Underbonded - Individual bond	2	0%	0%	3	1%	0%
No review for necessary increases in bond	3	1%	0%	2	0%	0%
Separate bond not obtained when necessary	1	0%	0%	1	0%	0%
Underbonded - Blanket bond less than 100%	3	1%	0%	1	0%	0%
Untimely notice or bond claim for missing auction proceeds	1	0%	0%	1	0%	0%

<u>Operating Cases:</u>						
Operating reports not submitted as required	8	1%	0%	9	2%	0%
No court order for operating case	1	0%	0%	6	1%	0%
<u>Other Case Administration Issues:</u>						
High-yield investments not considered	85	15%	1%	122	21%	2%
Inadequate supervision of professionals	57	10%	1%	78	14%	1%
Estate funds not invested	51	9%	1%	35	6%	1%
Estate tax returns not prepared/filed when appropriate	0	0%	0%	25	4%	0%
No-asset cases: assets/asset values not adequately investigated	23	4%	0%	19	3%	0%
No-asset cases justification not documented	5	1%	0%	8	1%	0%
Reporting Issues						
<u>Asset Tracking / Case Status:</u>						
Scheduled assets on Form 1 do not match petition/schedules	207	36%	3%	206	36%	4%
Unscheduled assets not recorded/properly identified on Form 1	100	17%	2%	190	33%	3%
Form 1 errors - miscellaneous / improper cut-off date	210	36%	3%	160	28%	3%
Asset status not accurately reflected and tracked on Form 1	90	16%	1%	117	21%	2%
Form 3 errors - miscellaneous / improper cut-off date	87	15%	1%	81	14%	1%
Cases omitted on Form 3	48	8%	1%	52	9%	1%
Form 1 and 2 not kept up-to-date	79	14%	1%	47	8%	1%
Transaction not recorded on Form 1	79	14%	1%	43	8%	1%
Form 3 does not agree with to Form 1 and/or Form 2	32	6%	1%	26	5%	0%
Form 1 - trustee's value (Column 6) not reasonable	12	2%	0%	22	4%	0%
No or incorrect tax id #'s on Form 2	21	4%	0%	17	3%	0%
Abandonment not properly tracked on Form 1	0	0%	0%	15	3%	0%
Form 1 not prepared, maintained, or submitted	10	2%	0%	7	1%	0%
Form 3 not prepared, maintained, or submitted	3	1%	0%	2	0%	0%
No UST reports prepared/submitted	0	0%	0%	1	0%	0%
<u>Receipts and Disbursements:</u>						
Transactions not adequately described on Form 2	171	30%	3%	124	22%	2%
Receipts not properly referenced between Forms 1 & 2	136	23%	2%	116	20%	2%
Form 2 errors - miscellaneous / improper cut-off date	95	16%	2%	70	12%	1%
Inaccurate Uniform Transaction Code (UTC) on Form 2	0	0%	0%	50	9%	1%
Transaction not recorded on Form 2	49	8%	1%	36	6%	1%
Inaccurate payee/payer on Form 2	33	6%	1%	34	6%	1%
Form 2 not prepared, maintained, or submitted	13	2%	0%	13	2%	0%
Inaccurate amounts on Form 2	34	6%	1%	12	2%	0%
Check numbers not recorded on Form 2	11	2%	0%	2	0%	0%
No recorded running balance on Form 2	4	1%	0%	2	0%	0%
Internal Controls						
<u>Bank Accounts:</u>						
Bank accounts not timely/properly reconciled or reviewed	417	72%	7%	361	64%	6%
Funds deposited to non-estate accounts (commingled)	58	10%	1%	37	7%	1%
Void checks not accounted for	47	8%	1%	28	5%	0%
Checks not properly prenumbered	27	5%	0%	22	4%	0%
Bank statements/checks not properly captioned	21	4%	0%	20	4%	0%
Missing bank statements	40	7%	1%	19	3%	0%
Bank account not promptly opened upon receipt of funds	12	2%	0%	14	2%	0%
Blank checks not properly secured	17	3%	0%	12	2%	0%
Unauthorized depository or improper/unreported bank account	8	1%	0%	5	1%	0%
Bank account on monthly report/trustee's file not on Form 2/3	0	0%	0%	2	0%	0%
Trustee not only signer on operating account	0	0%	0%	1	0%	0%
Bank reconciliations operating cases not timely reconciled	2	0%	0%	0	0%	0%

<u>Disbursements:</u>						
Invoices/support not cancelled to prevent duplicate payment	171	29%	3%	243	43%	4%
No stale-dated check policy / no "Void after 90 days"	99	17%	2%	91	16%	2%
Disbursements without court order (when required)	74	13%	1%	53	9%	1%
Missing invoices/support for expenses	40	7%	1%	47	8%	1%
No log for disbursement checks that have control numbers	38	7%	1%	42	7%	1%
Missing cancelled checks	11	2%	0%	13	2%	0%
Unauthorized disbursements by wire transfer/cashier's check	19	3%	0%	13	2%	0%
Signature stamp not controlled by trustee/used to sign checks	14	2%	0%	11	2%	0%
Checks not signed manually by trustee	4	1%	0%	9	2%	0%
Starter checks not destroyed after receipt of permanent checks	12	2%	0%	8	1%	0%
Expenses not actual and necessary	1	0%	0%	1	0%	0%
Endorsement does not match payee/checks altered	4	1%	0%	1	0%	0%
Cannot perform proof of cash	0	0%	0%	1	0%	0%
Evidence that checks have been signed before filled out	2	0%	0%	0	0%	0%
Use of counter checks or money orders	1	0%	0%	0	0%	0%
Checks payable to "cash" or "bearer"	1	0%	0%	0	0%	0%
<u>Receipts:</u>						
Cash receipts log not properly maintained	466	80%	8%	468	82%	8%
Receipts log not periodically traced from log to bank statement	204	35%	3%	201	35%	3%
Untimely deposits	146	25%	2%	126	22%	2%
No or insufficient supporting documents for receipts	92	16%	1%	88	15%	2%
No numbered receipts book or receipts not given	81	14%	1%	87	15%	2%
Incoming checks not made payable to estate/trustee	47	8%	1%	57	10%	1%
Missing deposit slips	33	6%	1%	24	4%	0%
No or inadequate NSF tracking procedure	36	6%	1%	22	4%	0%
Checks not restrictively endorsed immediately upon receipt	9	2%	0%	21	4%	0%
Undeposited funds in estate file or other unsecure location	17	3%	0%	20	4%	0%
Earnest monies not properly accounted for	8	1%	0%	5	1%	0%
<u>Segregation of Duties and Office Operations:</u>						
Insufficient segregation of duties	173	30%	3%	140	25%	2%
Trustee does not directly receive unopened bank statements	32	6%	1%	42	7%	1%
Trustee does not actively supervise employees	14	2%	0%	6	1%	0%
Operating case bank statements not received/opened by trustee	1	0%	0%	2	0%	0%
<u>File Maintenance / Records Retention:</u>						
No disaster recovery plan	112	19%	2%	139	24%	2%
Files not maintained in business-like manner	27	5%	0%	39	7%	1%
Financial files not readily accessible/segreated in file	33	6%	1%	26	5%	0%
Case files missing/not retained per Handbook	13	2%	0%	17	3%	0%
Case files and accounting records not secured	7	1%	0%	7	1%	0%
<u>Computer Operations and Security:</u>						
Computer system not secure	40	7%	1%	72	13%	1%
Passwords known to others/not changed annually	136	23%	2%	70	12%	1%
Insufficient computer back-up procedures	134	23%	2%	66	12%	1%
Transactions can be deleted/changed	22	4%	0%	35	6%	1%
Trustee/staff cannot operate computer system	21	4%	0%	10	2%	0%
No user's manual	9	2%	0%	4	1%	0%
Computer software not-up to date	0	0%	0%	3	1%	0%
<u>Other Miscellaneous Findings (not otherwise classified)</u>						
	534	92%	9%	363	64%	6%
Total Number of Audit Findings						
	6,014			5,758		