

# Report to Congress: Criminal Referrals by the United States Trustee Program Fiscal Year 2023

*(As required by Section 1175 of the Violence Against Women  
and Department of Justice Reauthorization Act of 2005, Public Law 109-162)*



July 2024

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## **EXECUTIVE SUMMARY**

The Director of the Executive Office for United States Trustees (EOUST) is required to submit an annual report to Congress under the provisions of Section 1175 of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Pub. L. 109-162). Section 1175 states:

The Director of the Executive Office for United States Trustees shall prepare an annual report to the Congress detailing—(1) the number and types of criminal referrals made by the United States Trustee Program; (2) the outcomes of each criminal referral; (3) for any year in which the number of criminal referrals is less than for the prior year, an explanation of the decrease; and (4) the United States Trustee Program’s efforts to prevent bankruptcy fraud and abuse, particularly with respect to the establishment of uniform internal controls to detect common, higher risk frauds, such as a debtor’s failure to disclose all assets.

The United States Trustee Program (USTP or Program) made 2,255 bankruptcy and bankruptcy-related criminal referrals during Fiscal Year (FY) 2023. The five most common allegations contained in the FY 2023 referrals involved tax fraud, false oaths or statements, a bankruptcy fraud scheme, concealment, and mail or wire fraud. Of the 2,255 criminal referrals, as of July 3, 2024, formal criminal charges had been filed in connection with 13 of the referrals, 1,346 of the referrals remained under review or investigation, 889 of the referrals were declined for prosecution, and seven were administratively closed.

In FY 2023, the USTP continued to strengthen its partnerships with law enforcement through participation on bankruptcy fraud working groups; through the development and presentation of joint training programs; and by assisting in the investigation and prosecution of bankruptcy and bankruptcy-related crimes, including serving as Special Assistant United States Attorneys (SAUSAs), consulting on bankruptcy law, and testifying as expert, process, or fact witnesses. The Program also continued to receive valuable information through its Internet “Hotline,” which offers a convenient means for individuals to report suspected bankruptcy abuse and fraud.

## **INTRODUCTION**

Section 1175 of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Pub. L. 109-162) requires the Director of the EOUST to submit a “report to Congress detailing—(1) the number and types of criminal referrals made by the United States Trustee Program; (2) the outcomes of each criminal referral; (3) for any year in which the number of criminal referrals is less than for the prior year, an explanation of the decrease; and (4) the United States Trustee Program’s efforts to prevent bankruptcy fraud and abuse, particularly with respect to the establishment of uniform internal controls to detect common, higher risk frauds, such as a debtor’s failure to disclose all assets.”

The 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. It consists of 21 regions with 89 field offices nationwide and an Executive Office in Washington, D.C. Each field office is responsible for carrying out numerous administrative, regulatory, and litigation responsibilities under title 11 (the Bankruptcy Code) and title 28 of the United States Code.<sup>1/</sup>

The USTP refers matters that “relate to the occurrence of any action which may constitute a crime” to the United States Attorneys’ offices (USAOs) for investigation and prosecution and assists the U.S. Attorneys in “carrying out prosecutions based on such action.” 28 U.S.C. § 586(a)(3)(F). In addition, 18 U.S.C. § 158 requires designation of a prosecutor and a Federal Bureau of Investigation (FBI) agent in each district to address bankruptcy-related crimes, affirming the importance of the partnership between the USTP and law enforcement in protecting the integrity of the bankruptcy system.

### **I. NUMBER AND TYPES OF CRIMINAL REFERRALS**

The Program tracks criminal referrals using its internal automated Criminal Enforcement Tracking System (CETS). Program personnel enter information into CETS as each case

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<sup>1/</sup> The Program has jurisdiction in all federal judicial districts except those in Alabama and North Carolina.

progresses and review the status of all referrals at least once every six months. The system is designed to provide an accurate measure of criminal enforcement actions, assist in trend identification, and facilitate management improvements.

In FY 2023, the USTP made 2,255 bankruptcy and bankruptcy-related criminal referrals. Each referral may be sent to multiple agencies, but it is counted only once in CETs. Similarly, each referral may contain multiple allegations. The breadth of allegations involved in criminal referrals is evident in Table 1, with referral allegations in 46 separate categories. The five most common allegations contained in the FY 2023 criminal referrals involved tax fraud (52.0 percent), false oaths or statements (33.8 percent), a bankruptcy fraud scheme (29.3 percent), concealment (27.4 percent), and mail or wire fraud (23.9 percent).

<b>Type of Allegation</b>	<b>Referrals</b>	
	<b>Number</b>	<b>Percent<sup>2</sup></b>
Tax Fraud [26 U.S.C. § 7201, et seq.]	1,173	52.0%
False Oath/Statement [18 U.S.C. § 152(2) and (3)]	763	33.8%
Bankruptcy Fraud Scheme [18 U.S.C. § 157]	660	29.3%
Concealment [18 U.S.C. §§ 152(1) and (7)]	618	27.4%
Mail/Wire Fraud [18 U.S.C. §§ 1341 and 1343]	539	23.9%
Federal Program Fraud	432	19.2%
CARES Act Fraud	420	18.6%
Concealment/Destruction/Withholding of Documents [18 U.S.C. § 152(8) and (9)]	318	14.1%
Bank Fraud [18 U.S.C. § 1344]	284	12.6%
Identify Theft or Use of False/Multiple SSNs	284	12.6%
Perjury/False Statement	268	11.9%
Destruction, Alteration, or Falsification of Documents in Federal Investigations and Bankruptcy [18 U.S.C. § 1519]	84	3.7%
Conspiracy [18 U.S.C. § 371]	66	2.9%
Mortgage/Real Estate Fraud	51	2.3%
Forged Documents	49	2.2%
Money Laundering [18 U.S.C. §§ 1956 and 1957]	41	1.8%
State Law Violation	34	1.5%
Embezzlement [18 U.S.C. § 153]	29	1.3%
Post-Petition Receipt of Property [18 U.S.C. § 152(5)]	26	1.2%
Serial Filer	20	0.9%
Obstruction of Justice	18	0.8%

Internet Fraud	18	0.8%
Crypto Assets	15	0.7%
Disregard of Bankruptcy Law/Rule by BPP [18 U.S.C. § 156]	15	0.7%
False Claim [18 U.S.C. § 152(4)]	15	0.7%
Credit Card Fraud/Bust-Out	14	0.6%
Corporate Bust-Outs/Bleed-Out	9	0.4%
Threat of Violence	9	0.4%
Investor Fraud	9	0.4%
Criminal Contempt [18 U.S.C. § 402]	8	0.4%
Corporate Fraud	6	0.3%
Theft of Mail [18 U.S.C. § 1708]	5	0.2%
Misuse of Seals of Courts; Seals of Departments or Agencies [18 U.S.C. §§ 505/506]	4	0.2%
Drug Offense	4	0.2%
Insurance Fraud	4	0.2%
Terrorism	3	0.1%
Health Care Fraud [18 U.S.C. § 1347]	2	0.1%
Bribery [18 U.S.C. § 152(6)]	2	0.1%
Professional Fraud	2	0.1%
Racketeer Influenced and Corrupt Organizations Act	2	0.1%
Immigration Offense	1	<0.1%
Travel with Intent to Engage in Illegal Sexual Conduct [18 U.S.C. § 2423]	1	<0.1%
Impersonation of Federal Employee [18 U.S.C. § 912]	1	<0.1%
Extortion	1	<0.1%
Potential Violation of Restitution Order	1	<0.1%
Arson	1	<0.1%

<sup>1</sup> Allegation information can change over time. Table 1 reflects information contained within CETS as of July 3, 2024.

<sup>2</sup> Percent based on 2,255 referrals. One referral often contains more than one allegation, so the sum of the percentages for referrals will exceed 100 percent.

## II. OUTCOMES OF CRIMINAL REFERRALS

Table 2 shows the collective outcome/disposition of the 2,255 criminal referrals made by the Program during FY 2023 as of July 3, 2024.<sup>2/</sup> Of those referrals, 1,346 are under review by the USAOs (40.1 percent) or with an investigative agency (19.6 percent), 13 referrals (0.6 percent) resulted in formal charges, 889 referrals (39.4 percent) were declined for prosecution, and seven referrals (0.3 percent) were administratively closed.<sup>3/</sup>

Outcome/Disposition	Referrals	
	Number	Percent <sup>2</sup>
Under Review in U.S. Attorney's Office	904	40.1%
With Investigative Agency	442	19.6%
Formal Charges Filed (Case Active)	6	0.3%
Formal Charges Filed (Case Closed)	7	0.3%
-- At least One Conviction or Guilty Plea	7	
-- At least One Pre-trial Diversion	0	
-- At least One Dismissal	1	
-- At least One Acquittal	0	
Prosecution Declined by United States Attorney	889	39.4%
Administratively Closed	7	0.3%

<sup>1</sup> Outcome and disposition information will change over time. The information contained within Table 2 reflects information contained within CETS as of July 3, 2024.

<sup>2</sup> Rounded percent based on 2,255 referrals.

<sup>2/</sup> The Program is not the source of official disposition information. CETS is designed primarily to track referrals made by the USTP to United States Attorneys. While Program staff work with local USAOs to update disposition information semi-annually, delays in reporting, as well as differences in tracking systems, may result in reporting variances between the agencies.

<sup>3/</sup> Administratively closed referrals may still be under review or investigation by agencies (other than USAOs) that historically have not provided updates to the USTP on referrals. After a referral has been open for a period of time and if the Program is not able to verify the outcome or disposition, the referral is administratively closed in CETS. Referrals that are administratively closed may be reopened at a later date.

The 13 cases referenced in Table 2 in which formal charges were filed between October 1, 2022, and July 3, 2024, are prosecutions that originated from an FY 2023 referral as derived from CETS.<sup>4/</sup> It is important to note that white-collar criminal referrals like those made by the Program often require significant time and resources to investigate. As a result, it generally takes more than two years before there is a reportable action in CETS. Therefore, it is reasonable that a high percentage of cases referred in FY 2023 are still under investigation or review.

### **III. USTP EFFORTS TO PREVENT BANKRUPTCY FRAUD AND ABUSE**

The USTP is committed to identifying and referring for investigation and prosecution bankruptcy fraud and bankruptcy-related crimes. The EOUST's Office of Criminal Enforcement oversees and coordinates the Program's enforcement efforts and has strengthened its ability to detect, refer, and assist in the prosecution of criminal violations. Through issuing guidance and resource materials, participating in working groups, collaborating with its law enforcement partners, and providing extensive training, the USTP has established the necessary systems to detect fraud schemes and to combat fraud and abuse that threaten the integrity of the bankruptcy system.

The following are some highlights of the Program's criminal enforcement efforts in FY 2023.

*Bankruptcy Fraud Working Groups.* The Program participates in nearly 60 local bankruptcy fraud working groups throughout the country. Members of these working groups include representatives from the USAOs, FBI, United States Postal Inspection Service, Internal Revenue Service-Criminal Investigation, and offices of the Inspector General for the Social Security Administration, the Department of Housing and Urban Development, the United States Secret Service, and the Federal Housing Finance Agency. Working groups provide an effective forum for consultation between the USTP and its law enforcement partners and allow the

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<sup>4/</sup> Table 2 reflects only disposition information related to referrals the USTP made in FY 2023. It does not reflect the entirety of prosecutions with bankruptcy charges brought by the Department of Justice in FY 2023. The USTP recorded an additional 34 prosecutions that resulted from referrals made in prior fiscal years.



Program to draw on the collective experience and expertise of the groups to investigate and effectively address fraud and abuse in the bankruptcy system.

One example of a successful collaboration involved the Western District of Louisiana, where a businessman was sentenced to 24 months in prison followed by two years of supervised release after pleading guilty in April 2023 to concealment of assets. The defendant admitted that in his chapter 11 case, he knowingly and fraudulently concealed from creditors his sole ownership of a limousine company by failing to disclose that asset in his bankruptcy documents and monthly operating reports filed with the bankruptcy court. The U.S. Trustee's Shreveport office referred the conduct and provided substantial assistance to the U.S. Attorney and law enforcement in coordination with its working group partners.

In another example, the Central District of Illinois Bankruptcy Fraud Working Group, which is coordinated by the U.S. Trustee for Region 10, collaborated with the USAO and others in the case of a former chapter 7 debtor who was sentenced in April 2023 to 10 months in prison and was ordered to pay more than \$59,000 in restitution after pleading guilty to making a false statement in bankruptcy and misappropriating federal program funds. The defendant, a former pastor and operator of a not-for-profit charitable corporation, admitted to making a false statement when he claimed in his 2020 bankruptcy documents and under oath at his section 341 meeting of creditors that he had been paid \$42,900 in 2019 from his church when he received tens of thousands more. Additionally, the defendant admitted to misappropriating more than \$25,000 of grant funds from the U.S. Department of Housing and Urban Development that were intended to fund summer programs for low-income students and using more than \$31,000 in federal student loans for non-educational expenses, including gambling. During the Program's Peoria office's civil investigation, the defendant and his wife waived their chapter 7 discharge. The U.S. Attorney's press release recognized the U.S. Trustee's referral and the substantial assistance provided by the Program.

*Special Assistant United States Attorneys (SAUSAs).* Nearly two dozen Program attorneys in field offices across the country are designated as SAUSAs to assist USAOs in the investigation and prosecution of bankruptcy and bankruptcy-related crimes.

For example, in the Northern District of Illinois, a Trial Attorney from the USTP's Chicago office served as a SAUSA in the separate prosecutions of a brother and sister, both attorneys, stemming from the brother's part in a conspiracy that diverted more than \$8 million from a Chicago bank. After the bank collapsed because of insolvency, federal regulators

attempted to collect on the money as well as properties that the brother received through the embezzlement scheme. The brother then filed a chapter 11 bankruptcy case, but the court removed him as debtor in possession and appointed a chapter 11 trustee over the estate on the U.S. Trustee's motion; the court later converted the case to chapter 7. During his bankruptcy case, the brother, with his sister's assistance, concealed from the bankruptcy court, the trustee, and creditors multiple assets, including interests in real estate and more than \$550,000 in cash and negotiable instruments. As part of the scheme, the sister assisted the brother in hiding about \$357,000 in cashier's checks, money orders, and other checks—all payable to the brother—by depositing them into her attorney trust account before eventually withdrawing \$241,800 from the account as cash. After the bankruptcy trustee discovered the trust account activity and requested turnover of the funds, the sister produced fabricated client ledgers and backdated retention agreements to falsely assert that the funds were fees that she had earned, and she gave false testimony to the same effect. The U.S. Trustee referred the matters and provided substantial support to law enforcement. The sister pleaded guilty to one count of concealing assets from a bankruptcy trustee in 2022 and, in June 2023, was sentenced to 37 months in prison followed by two years of supervised release and was ordered to pay \$357,492 in restitution. In March 2023, after a nearly four-week-long trial, a jury found the brother guilty of conspiring to embezzle funds from and to alter records of a financial institution, aiding and abetting embezzlement from a financial institution, engaging in a bankruptcy fraud scheme, concealing property belonging to a bankruptcy estate, and tax fraud. The brother is awaiting sentencing.

In the Eastern District of Michigan, a Trial Attorney in the USTP's Detroit office served as a SAUSA in a matter referred by the Program in which the defendant, a real estate investor, was sentenced in July 2023 to 78 months in prison followed by three years of supervised release after pleading guilty to wire fraud and withholding recorded information in his chapter 7 bankruptcy. The defendant engaged in a sophisticated real estate fraud scheme that he ran before, during, and after his bankruptcy case. The defendant and others working with him made numerous fraudulent misrepresentations to obtain funds from primarily international investors purportedly for investments in real property in the United States. To keep investor money flowing in, the defendant provided false and fraudulent information, including fake deeds, wiring instructions, bank statements, leases, and inspection reports. The defendant also used a fake name to communicate with investors. During his bankruptcy case, the defendant knowingly and fraudulently withheld from the chapter 7 trustee recorded information pertaining to his assets and

financial affairs, and in response the U.S. Trustee filed a successful civil complaint objecting to the defendant's discharge of debts.

*Other Staff Support.* Nationally, the EOUST's Office of Criminal Enforcement regularly coordinates with USAOs and other members of law enforcement on cases referred by the Program. Staff at the field office level also are frequently relied on to provide substantial post-referral assistance. The following examples illustrate the types of support the Program provides to its law enforcement partners.

In July 2023, a former chapter 7 debtor pleaded guilty to one count of wire fraud in connection with false statements he made in applications for two Paycheck Protection Program (PPP) loans for businesses that he never operated. The U.S. Trustee's Roanoke office referred the matter to the U.S. Attorney for the Western District of Virginia after uncovering the defendant's receipt of a PPP loan for a nonexistent lawn care business. As part of his guilty plea, the defendant admitted that he did not operate a business and that he used the loan proceeds for unauthorized purposes, including significant gambling and other personal expenses. The defendant also admitted to making false statements in a second PPP loan application using another person's name to obtain a loan for a nonexistent day care business. The Roanoke office provided substantial assistance to law enforcement.

Another example of assistance involved a matter referred by the USTP's Madison office to law enforcement in the Western District of Wisconsin that resulted in a successful prosecution. In July 2023, the defendant was sentenced to three years of probation after earlier pleading guilty to one count of bankruptcy fraud. As part of his plea agreement, the defendant acknowledged that he lied in his chapter 7 bankruptcy schedules and at the section 341 meeting of creditors to conceal his ownership of two collector vehicles—including a 1969 Dodge Charger replica of the General Lee from "The Dukes of Hazzard." In imposing sentence, the district judge noted that the bankruptcy system, like many government institutions, "depends critically on the honesty" of those who engage with it. The judge also said that although three years of probation was the "just sentence" given the defendant's health and financial circumstances, a prison term may be required in other bankruptcy fraud cases to "amplify" the general deterrence message. The U.S. Trustee previously obtained a waiver of the defendant's discharge of debts and assisted law enforcement during the investigation.

In addition to the support provided on matters that are referred by the Program, in FY 2023, staff also responded to more than 200 requests for assistance from USAOs, the FBI,

and other law enforcement agencies on matters not originating from a Program referral. In one such matter, the USTP's Baltimore office supported the USAO for the District of Maryland in its successful prosecution of a defendant who pleaded guilty to one count of conspiracy to commit bank fraud and wire fraud and two counts of violating the International Emergency Economic Powers Act. The defendant, a former Department of Transportation employee, operated a business through which he illegally purchased and imported various foreign currencies, including the Iranian rial, and marketed them to customers in the United States. In 2018, the defendant filed a chapter 11 reorganization case, but after the U.S. Trustee successfully objected to the disclosure statement for the debtor's plan of reorganization, the defendant consented to the conversion of the case to a chapter 7 liquidation. During the criminal investigation, USTP staff consulted with the USAO on bankruptcy law and provided information and documents relating to the defendant's bankruptcy case. As part of his plea, the defendant admitted to testifying falsely at his section 341 meeting of creditors that he had stopped importing Iranian currency after U.S. Customs and Border Protection seized one of his shipments and that he had closed his currency-selling business. In truth, the defendant had recruited an associate during his bankruptcy case to help him continue to import and sell foreign currencies while avoiding detection. After the defendant was indicted, the USTP's Baltimore office filed a complaint to revoke his discharge alleging the defendant made false oaths in the bankruptcy, and the defendant stipulated to revocation of his discharge. In July 2023, the defendant was sentenced to 24 months in prison followed by two years of supervised release.

The USTP also assists prosecutions through testimony. For example, the Assistant U.S. Trustee from the USTP's Seattle office testified on the bankruptcy process during the nine-day trial of a defendant who was convicted on 26 counts of conspiracy, bankruptcy fraud, and mail and wire fraud. The defendant and his wife operated a Ponzi scheme under the guise of a "work-at-home" email marketing business. The couple used more than \$3 million from the business to buy four properties, a yacht, and several cars before the scheme collapsed. When the defendant filed a chapter 11 case for the company to stop collection efforts by defrauded investors, he failed to reveal that the couple had stolen funds from the business and had transferred assets purchased with the money to various trusts. In total, the couple attempted to conceal more than \$3.3 million in assets. After the U.S. Trustee filed a motion to convert the case to chapter 7, the debtor entity made the same request, which the court granted. In September 2019, the wife pleaded guilty to one count of bankruptcy fraud and was sentenced to 38 months in prison

followed by 36 months of supervised release and was ordered to pay \$2,359,914 in restitution. After his conviction in December 2022, the defendant did not appear for sentencing and was a fugitive for several months before he was arrested and returned to the Western District of Washington. He was charged in a second indictment in November 2023 for failing to appear and pleaded guilty to that charge in January 2024. The defendant was sentenced in May 2024 to 156 months in prison for his fraud convictions, followed by an additional 16 months for absconding before his original sentencing hearing, and ordered to serve 36 months of supervised release upon completion of his prison term. The district court also ordered the defendant to pay nearly \$11 million dollars in restitution.

*Training.* During FY 2023, the Program sponsored more than 50 bankruptcy and bankruptcy-related fraud training programs that reached about 2,900 federal, state, and local law enforcement personnel; private bankruptcy trustees; USTP staff; and members of the bar and other professional associations throughout the country. Each program is customized to maximize impact, and a variety of educational formats are utilized, including in-person presentations, online meeting technology, and video teleconferences. For example, bankruptcy fraud-related training was provided to FBI White Collar and Legal Squads in Honolulu and Seattle, and USTP staff received instruction on elder and virtual currency fraud.

*Bankruptcy Fraud Internet “Hotline.”* In FY 2023, the USTP documented nearly 400 Hotline submissions from the public via its National Bankruptcy Fraud Hotline email box ([USTP.Bankruptcy.Fraud@usdoj.gov](mailto:USTP.Bankruptcy.Fraud@usdoj.gov)). The Hotline offers a convenient means for individuals to report suspected bankruptcy fraud and provide supporting documentation and factual information that may be useful in pursuing allegations. In FY 2023, more than 100 referrals were based on a Hotline submission made in either FY 2023 or a prior fiscal year. While not all submissions rise to the level of a criminal referral, they may lead to a civil enforcement action.

## **SUMMARY**

The United States Trustee Program’s criminal enforcement program remained robust in FY 2023 through the actions described in this report. By detecting and referring fraud schemes, collaborating with its law enforcement partners, and providing specialized training, the USTP continues to prioritize its enforcement efforts to combat fraud and abuse and to protect the integrity of the bankruptcy system.