



FOR IMMEDIATE RELEASE
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DOJ OIG Releases Report on the United States Trustee Program’s Administration of the Panel Trustee and Debtor Audit Programs and Associated Procurements Awarded to Tronconi Segarra & Associates LLP

Department of Justice (DOJ) Inspector General Michael E. Horowitz announced today the release of a report related to the U.S. Trustee Program’s (USTP) administration of the panel trustee and debtor audit programs and associated procurements awarded to Tronconi Segarra & Associates LLP (Tronconi). The USTP contracted the audit firm Tronconi to perform audits of both debtors and Chapter 7 panel trustees, who are responsible for collecting, liquidating, and distributing the proceeds of debtor assets to creditors during Chapter 7 bankruptcy proceedings. The USTP awarded two contracts to Tronconi valued at \$3.7 million.

The DOJ Office of the Inspector General (OIG) found that Tronconi generally complied with the requirements of each contract. However, we found several areas for improvement in the USTP’s panel trustee and debtor audit programs, including:

- **The USTP Should Complete Required Random Debtor Audits.** The USTP did not complete the number of debtor audits required by law in Fiscal Years 2016 through 2019, which USTP said is primarily due to budget constraints. This noncompliance poses significant risks such as the increased likelihood that fraud, abuse, and error go unnoticed.
 - **The USTP Should Utilize a Risk-Based Approach to “Exception” Audit Selection.** The USTP conducts “exception” audits, which target bankruptcy cases with filings that fall outside of certain statistical norms, such as when a debtor’s reported income or expenses vary from the averages in their judicial district. We found that USTP determined the number of exception audits it would perform in the coming year based solely on its available funding and did not utilize risk factors in determining the number or selection of exception audits. Nor did the USTP assess all eligible cases when selecting debtors for exception audits. Employing an improved, risk-based approach for selecting these audits would help the USTP ensure more efficient oversight with its available funds.
 - **The USTP Should Reassess Materiality Thresholds.** During the debtor audit process, contractors are required to assess whether discrepancies found in a debtor’s petitions, schedules, and other information are significant enough to be designated as material misstatements. We found many USTP personnel believe the materiality thresholds utilized in debtor audits to determine material misstatements are too low, leading to resource inefficiencies.
 - **The USTP Should Document Quality Assurance and Complete Contractor Performance Assessment Reports.** The USTP did not properly document its quality assurance procedures to ensure contractor compliance with the statement of work, it did not properly document Tronconi’s extension requests, and it did not complete the required Contractor Performance Assessment Reports for Tronconi’s performance on the contracts we reviewed.
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The DOJ OIG made eight recommendations to improve USTP's management of administration of panel trustee and debtor audit programs and its oversight of related procurements. USTP stated that it supported all eight recommendations.

Report: Today's report can be found on the OIG's website at the following link:

<https://oig.justice.gov/reports/audit-united-states-trustee-programs-administration-panel-trustee-and-debtor-audit-programs>

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