

Preparing for an Annual Audit

Every trustee will experience audits, which can sometimes be daunting and complicated. But, it doesn't have to be – Epiq can bring clarity to the complex process with tools and hands-on support to streamline the audit process.

Chapter 7 panel trustees (“Trustees”) have undergone field examinations and outside audits for more than 25 years. Field exams are conducted by U.S. Trustee personnel, and since 2003 the outside audits have been conducted by independent certified public accounting firms (prior to 2003 the Department of Justice’s Office of the Inspector General (“OIG”) conducted the audits). Section 6-3 of the Handbook for Chapter 7 Trustees (the “Handbook”) provides insight as to what areas of the Trustee’s practice are reviewed. Since field exams and audits generally share the same scope, considerable preparation is needed for both. Establishing sound policies and procedures now will reduce the number of common findings later. In this article we:

- 1) identify the common, reoccurring and trending audit findings across the country;
- 2) suggest best practices and tips to avoid unfavorable audit findings; and
- 3) outline Epiq’s approach to preparing our clients so they can pass their audit with flying colors.

Top Audit Findings

According to the Executive Office for U.S. Trustees (EOUST), in 2014 there were 2,379 Audit and Field Exam Findings and only 1 Audit/Field Exam Report that did not contain any findings. Leading the pack of the United States Trustee’s (UST) Top 25 Findings as published in November 2015 are:

- Form 1 Assets do not match assets scheduled in the Debtor’s petition/schedules
- Insufficient bank reconciliation
- Repeat findings and deficiencies that have not been corrected
- Asset values not verified or reasonably determined
- UTC errors

These findings are not only common, they are the most reoccurring findings over the last three years. What has been interesting to watch over the last few years is the EOUST Program’s response to industry concerns and trending topics. Where claim linkages, segregation of duties and encryption policies were hot ticket items of the past, the trending audit findings of late include inadequate insurance on assets, delay in case administration, timely collection of auction proceeds, and DSO compliance.



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Are you prepared for your audit? Essential tips to prepare for a successful audit

The best way to prepare for an audit is to have integrated best practices throughout your workflow processes long before the audit is even scheduled. Realistically, this can be challenging to accomplish – so preparing a plan is key. When you learn that an audit has been scheduled, contact your Epiq relationship manager. Although the audit may at times be disruptive, your cooperation in supplying the needed information to your auditor will contribute greatly to the speed with which auditors can do their work. Here at Epiq, we understand the stress associated with an audit and can demonstrate product features to help you prepare. Such features include:

- Running auditor reports
- Amended schedule data reports
- Reviewing specific alert screens
- Querying for unknown value searches

In addition to software-specific tips, Epiq has a library of reference material published by the Office of the U.S. Trustee to identify common findings. We email this information to our clients, schedule a call or WebEx to discuss requirements of the Handbook, and help clean up areas of client data that may be of concern to an auditor. At a minimum, we advise Trustees to review and/or revisit the following:

- 1) Article by Suzanne Hazard published fall 2014 entitled ‘Top 15’ Audit and Field Exam Findings, Computer Security Procedures. http://www.justice.gov/ust/eo/public_affairs/articles/index.htm
- 2) A current and signed copy of the Rule of Behavior – Computer Use. Each user should have signed a copy.
- 3) For your files, you may want to have a Chapter 7 Data Encryption Policy.
- 4) Business interruption plan. Has it been updated lately?
- 5) Prior Interim Report findings and prior Field Exam Findings.

When the audit date approaches, Epiq will contact the Trustee again offering support. This is our opportunity to provide each Trustee with knowledge gained from the field; and if appropriate, we can suggest adjustments to workflow processes that aid in compliance with Handbook requirements.

It is difficult to exit an audit or field exam without any findings. What sets Epiq apart is our commitment to not only help you prepare for an audit, but to address any audit findings afterwards. In partnering with Epiq, Trustees are provided support in implementing changes to resolve audit findings, including onsite support, WebEx training, and proactive case analysis.

Between field exams and outside audits, Trustees are audited just about every two years. If you don’t already have best practices built into your workflow processes to avoid common audit findings, we can help you.

Please note, these are only general steps recommended to prepare for an audit. We recognize that specific steps and information requests that are unique to your office will be identified and communicated to you and we are here to help every step of the way.

For further information on how Epiq can help your office prepare and administer a successful audit, contact your relationship manager or call 800 314 5550.

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