

# Forensic accounting experts and insolvency lawyers will play a key role in detecting bankruptcy fraud

*An uptick in bankruptcy filings is expected in early 2023*

CHICAGO, ILLINOIS, UNITED STATES, October 18, 2022 /EINPresswire.com/ -- TRACE [FORENSIC EXPERTS LLC](#) AND HUSCH BLACKWELL LLP - Forensic accounting experts and attorneys well



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*Deborah Temkin, Managing Member of Trace Forensic Experts LLC*

versed in [bankruptcy](#) will play a key role in investigating financial crime and detecting [fraud](#) as numerous industries face financial distress and the likelihood of bankruptcy as a result of the economic disruption caused by the global pandemic and its aftereffects.

Despite a decline in the number of bankruptcy filings during the lockdown period, many expect to see an uptick of bankruptcy filings in Q1/Q2 2023, especially in industries

such as aviation, tourism, manufacturing, and retail. This is according to forensic accounting and expert economic damages firm Trace Forensic Experts LLC and nationally recognized law firm Husch Blackwell LLP.

Deborah Temkin, Managing Member of Trace Forensic Experts LLC, based in Chicago, Illinois, says:

“Although the downfall of some of these companies may have been expedited by the pandemic as well as the current economic climate, there may be several underlying factors that could have triggered these financial difficulties.

“Detecting bankruptcy fraud can be a challenge for trustees and creditors. Sometimes the signs are obvious. But usually, red flags are hidden in thousands of financial and accounting records, and documents. A lack of information or insufficient information can also indicate that something has been concealed.”

An increase in bankruptcy filings has historically led to more suspected cases of fraud being investigated. In the U.S., about 10 percent of bankruptcy filings involve fraudulent claims, according to the Federal Bureau of Investigation (FBI). When a party files for bankruptcy, they

are required to disclose all of their income, assets, and debts.

Paul Rodrigues, Managing Member of Trace Forensic Experts LLC, based in Milwaukee, WI, comments:

“Committing bankruptcy fraud is a federal crime. Bankruptcy fraud occurs when debtors deliberately lie or falsify information when filing for bankruptcy. Usually, bankruptcy fraud occurs alongside other crimes, such as mortgage fraud, money laundering, identity theft, Ponzi schemes, fraudulent transfers and diverted sales.”

Although most companies become financially insolvent without any wrongdoing within the organization, there are instances in which corporate insiders have committed fraudulent and abusive transactions that have rendered a company no longer viable.

Daniel McGarry, Senior Counsel at Husch Blackwell LLP, based in Madison, WI, says:

“An economic downturn tends to uncover fraud that has been (or is being) perpetuated by individuals within a company – oftentimes without management’s knowledge. Bankruptcy filings may inadvertently expose that fraudulent activity. Having an attorney well-versed in bankruptcy and insolvency law is therefore critical to uncovering the nature and extent of the deception, and to hold the perpetrators accountable.”

#### Role of Forensic Accountants and Insolvency Attorneys

Ms. Temkin comments:

“Forensic accountants and experts have a key role in conducting forensic investigations. A forensic accounting investigation will assist in identifying assets that have been concealed, fraudulent financial misstatements and reporting, misappropriation of assets, embezzlement, and other improprieties. A bankruptcy process tends to drive more extensive forensic accounting investigations than most debtors are accustomed to.”

In general, forensic accountants work hand-in-hand with an attorney well-versed in insolvency matters to identify and confirm the red flags, as well as tracing the movement of funds and/or assets.

Mr. McGarry adds:

“This is where a seasoned bankruptcy attorney, working closely with a forensic expert, can assist creditors, companies and other victims document the fraud. They can also be instrumental in either recovering assets, or help in successfully pursuing insurance claims, which, in some cases, may help defray the cost of professionals hired to help uncover the fraud.”

## The consequences of bankruptcy fraud

Congress has expanded the anti-fraud measures contained in the Bankruptcy Code. Bankruptcy fraud carries a sentence of up to five years in federal prison, a fine of up to \$250,000, for each count, or both. 18 U.S.C. § 157.

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