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# Forensic Accounting Experts and Lawyers Form Powerhouse Teams  to Detect Bankruptcy Fraud

*Combined forces of lawyers and forensic accountants is critical element to uncovering bankruptcy fraud*

Our team of TRACE FORENSIC EXPERTS spans the United States

CHICAGO, ILLINOIS, UNITED STATES, January 31, 2023 /EINPresswire.com/ -- With the expected uptick in bankruptcy proceedings amid the current global economic uncertainty and slow pace of financial recovery for businesses, forensic accountants and lawyers are combining forces to trace and detect bankruptcy fraud.

Bankruptcy fraud is a white-collar crime that typically involves a debtor hiding assets to avoid paying creditors.

> “The investigation of bankruptcy fraud requires extensive accounting investigation, tracing, analysis, insight, and reporting. ”
>
> *Deborah Temkin, Managing Member of Trace Forensic Experts LLC*

If convicted, bankruptcy fraud can carry a sentence of up to five years in prison, a fine of up to $250,000, or both. 18 U.S.C. § 157. Commercial Chapter 11 filings increased 74% year over year from November 2001 to November 2022, according to the latest statistics from the American Bankruptcy Institute.

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

“Bankruptcy fraud can be difficult to trace. Although at times there may be apparent signs of fraud, there are often, times when there are no signs at all. The evidence of fraud that a forensic accountant can detect is usually buried in thousands of pages of documents.”

“The bankruptcy process is unpredictable and very demanding. The investigation of fraud complicates the process further and requires more extensive accounting investigation, tracing, analysis, insight, and reporting than other white-collar crimes.”

Forensic accounting experts are highly skilled in tracing both cash and non-cash transactions, examining voluminous financial information and documents as well as data to find patterns of fraud when a debtor files for bankruptcy.

Some of the red flags of bankruptcy fraud are: lack of adequate accounting and financial records; information that is not properly recorded, or is missing or incomplete; inaccurate financial statements; sales of assets outside the ordinary care of business; recent excessive adjusting of accounting entries; and significant cash transactions.

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

“Bankruptcy fraud refers to various crimes committed under the Bankruptcy Code – Title 11 of the United States Code. Some of the more common types of bankruptcy fraud are concealment of assets, intentionally undervaluing assets, and intentionally filing false or incomplete bankruptcy schedules.”

“Bankruptcy fraud can occur prior to petition, during the bankruptcy proceedings or even after the debtor receives a discharge. Retaining an attorney knowledgeable about bankruptcy fraud, how to detect it and how to bring it to the court’s attention, is therefore critical to protecting your rights as a creditor in bankruptcy.”

The parties overseeing the bankruptcy process include the bankruptcy judge, the U.S. trustee’s office and, depending on the nature and type of bankruptcy, an individual case trustee. The bankruptcy case trustee is usually an attorney who often takes the lead on fraud investigations.

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

“Skilled forensic accountants have unlimited tools, methods, and procedures that they use when conducting their investigations.  For example, the forensic expert can carry out a comparison of actual bank deposits, transfers and withdrawals to reported bank deposits and withdrawals.”

A creditor’s lead attorney may request the forensic expert to testify in court as to the conclusions and findings reached, either as an expert witness or as a fact witness. The forensic expert will typically produce a report containing all their findings and opinions.

The combined forces of lawyers and forensic accountants is undoubtedly the most critical element in uncovering bankruptcy fraud, and may lead to a denial of the debtor’s discharge and possibly even prosecution for bankruptcy fraud.

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