



U.S. Department of Justice

*Office of the United States Trustee
Eastern District of Kentucky*

Memorandum to All Chapter 7 Panel Trustees

March 22, 2017

From: John L. Daugherty, Assistant U.S. Trustee

Re: Reporting of “red flag” matters

Based upon our colloquy at the Annual Chapter 7 Trustee training on March 7, the Office of the United States Trustee wants to be informed of the following matters that you discover at the 341 meeting or during your administration of the case:

- **Net Income.** Material changes or corrections to income or expenses. By “material,” I mean changes that show a possible ability to repay.
- **Fraud/crime.** The debtor has been accused or convicted of fraud-based crimes, especially embezzlement or tax evasion. We would also like to know about any debtors charged or convicted of particularly notorious crimes.
- **Fraud accusations.** A creditor makes non-frivolous allegations that the debtor has engaged in fraud or false oaths.
- **Fraudulent conveyances.** A debtor has made undisclosed transfers that may be fraudulent, especially if they were made to avoid a judgment or IRS action.
- **Avoidance of testimony.** A debtor exhibits an unwillingness to testify under oath, either through multiple failures to appear, extreme evasiveness in answering questions, or invocation of the 5th amendment.
- **Underperforming attorney.** The attorney is not familiar with the case, is “fronting” for a non-attorney, or routinely acts as “appearance” counsel. It is a good practice to ask all debtors if they met with their attorney before filing to identify possible problems.

You may refer these matters to me by email, john.daugherty@usdoj.gov.