Colorado Secretary of State

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Business Identity Theft in Colorado

Business Entities in Colorado

Entities on record with Colorado Secretary of State as of October 1, 2011
Colorado has a total of 1,177,177 business entities on record.

Entities in Good Standing	469,584	39.89% of all entities
Noncompliant Entities	22,824	1.94% of all entities
Delinquent or Dissolved Entities	525,470	44.63% of all entities
Entities with other statuses	159,299	13.53% of all entities
Business ID Theft Victims	356	0.03% of all entities
Delinquent or Dissolved Business ID Theft Victims	285	80% of all victims

Why are dissolved and delinquent entities targets?
Lack of business record monitoring

Potential good business history

Potential favorable credit history

Methods of Detecting

Victims Discover Business ID Theft When:

1. A creditor contacts the victim.
2. Dun & Bradstreet contacts the victim.
3. A victim identifies fraudulent activity by happenstance, such as finding a website using the business' name.
4. A victim receives an e-mail notice from the Secretary of State's Office about a change to the victim's record.

The Secretary of State's Office Learns of Business ID Theft When:

1. The Office cross-references credit cards used for business ID theft to find additional fraudulent transactions.
2. The Colorado Bureau of Investigation, local law enforcement, Dun & Bradstreet, or a victim contacts the Office.
3. The Office cross-references the filer name to a business ID theft transaction.
4. The Office cross-references the IP address from which a fraudulent document was filed.

Example 1- Life Care Medical, Inc.

Entity Became Delinquent
9/1/2010

The entity failed to file its Periodic Report with the Colorado Secretary of State.

48 Days

Statement Curing Delinquency Filed
10/19/2010

The principal office address was changed.

15 Days

Theft Reported
11/3/2010

The ID thief tried to obtain credit in the victim's name at Home Depot. The victim contacted local law enforcement in Sterling, CO and was directed to contact the Secretary of State's Office. The victim worked with the Business and Licensing Division to file a Statement of Correction.

2 Days

Statement of Correction Filed
11/5/2010

The Statement of Correction indicated the Statement Curing Delinquency was unauthorized, which reversed the changes indicated in the Statement Curing Delinquency.

26 Days

CBI Requested Information
11/29/2010

The request sought credit card information and the IP address associated with the Statement Curing Delinquency.

Example 2 – The 1st Meridian Corporation

Entity Became Delinquent
10/1/2009

The entity failed to file its Periodic Report with the Colorado Secretary of State.

1 Year and 38 Days

Statement Curing Delinquency Filed
2/18/2011

The principal office mailing address was changed.

Amendment Filed
2/18/2011

The Articles of Amendment stated new directors for the corporation.

41 Days

Theft Reported
3/31/2011

The purported new director of the company contacted the Secretary of State's Office to ask questions about what type of business the entity operated. A call center representative recorded the caller's phone number and the Office reported the issue to law enforcement. The purported owner later indicated to a U.S. Secret Service Agent that he bought the entity as a "shelf" corporation.

4 Days

CBI Requested Information
4/4/2011

The request sought credit card information and the IP address associated with the Statement Curing Delinquency.

Colorado's Response

Build Relationships with Law Enforcement
Partnered with the Colorado Bureau of Investigation, U.S. Secret Service, and U.S. Attorney's Office to share information and support business ID theft investigations.

Awareness and Detection
Developed a Business Identity Theft Resource Guide, http://www.sos.state.co.us/pubs/business/ProtectYourBusiness/BITresourceguide.html.

Partnered with Colorado Bureau of Investigation and Colorado Attorney General's Office to publish www.protectyourbusiness.us.

Encouraged businesses to sign up for e-mail notification, monitor their business credit, and contact law enforcement if a theft occurs.

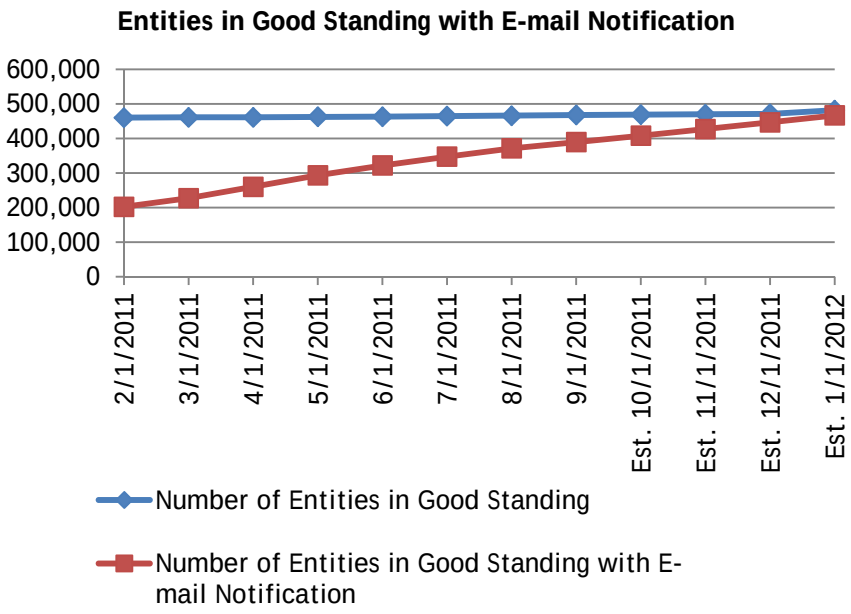
Colorado's Response

E-Mail Notification

Colorado has seen a correlation between the decrease in reported incidents of business ID theft and subscriptions to e-mail notification.

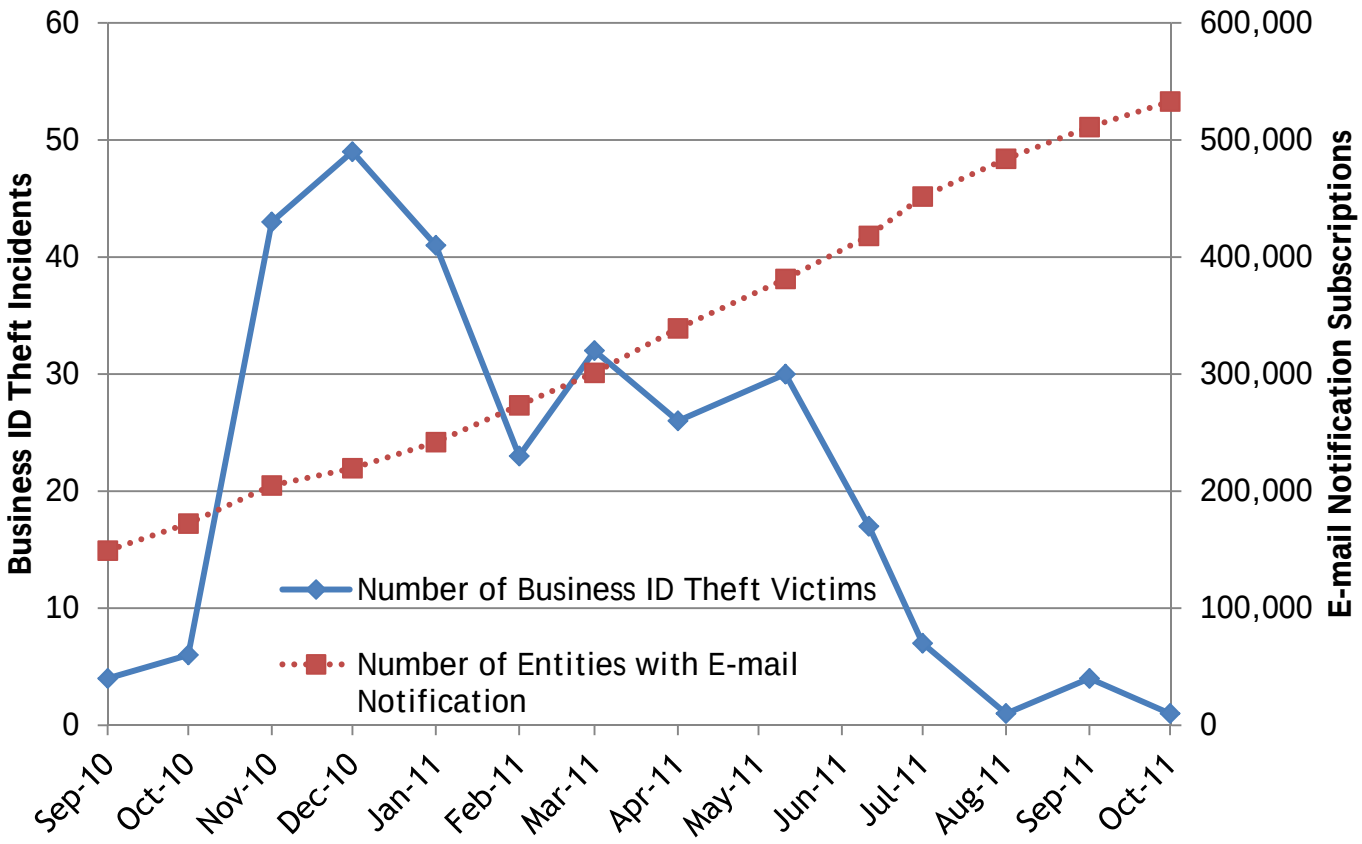
We predict that by January 2012, 97% of entities in Good Standing will be signed up for e-mail notification.

We believe that a key to detecting and decreasing incidents of business ID theft is getting all businesses to sign-up for e-mail notification.



As of	# of Entities in Good Standing	# with E-mail	% with E-mail	# w/o E-mail
2/1/11	460,027	202,119	44%	257,908
3/1/11	460,841	227,139	49%	233,702
4/1/11	460,631	259,988	56%	200,643
5/1/11	462,590	293,289	63%	169,301
6/1/11	462,860	321,711	70%	141,149
7/1/11	464,322	347,339	75%	116,983
8/1/11	465,445	371,433	80%	94,012
9/1/11	467,569	389,465	83%	78,104
Est. 10/1/11	468,682	408,009	87%	60,673
Est. 11/1/11	469,796	427,063	91%	42,733
Est. 12/1/11	470,909	446,623	95%	24,286
Est. 1/1/12	481,859	466,686	97%	15,173

Business Identity Theft Trends



Note: Business ID theft data reflects the date a fraudulent document was filed with the Colorado Secretary of State's Office.

Colorado's Response

Legislation
The Colorado legislature passed House Bill 11-1095 requiring the Secretary of State to implement a password protected system to change business records and to correct fraudulent filing activity.

The legislation appropriated $360,956 and 1.0 FTE to the Secretary of State to implement the password protected system. The funds will be used for development and communication costs. The FTE is an employee for the Secretary of State's customer support call center.

Secure Business Filing
The password system will be optional, will allow multiple people to access the same record, and will include automated password recovery.

The Secretary of State's Office will reach out to service companies, law firms, and other multi-filers to plan a smooth implementation of the password system.

Secure Business Filing Process

<u>New</u> entity chooses to create a Secure Business Filing Account

The filing confirmation page includes option to set up an account

Entity must provide e-mail address and password

A name, address, and phone number also required

Entity's record is secure—only account holders may change the record

Only account holders may file a document that affects the record. A valid e-mail address and password are required for each filing

<u>Existing</u> entity chooses to create a Secure Business Filing Account

Existing entity will have an option to set up an account on the entity's Summary page

PIN letter mailed

Office mails PIN letter to entity's principal office to provide security that the entity, not an ID thief, is creating the account

Entity receives PIN & returns to Web site

Points of Contact

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