



**FACTCOALITION**  
Financial Accountability & Corporate Transparency

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*Submitted electronically via [www.regulations.gov](http://www.regulations.gov)*

**Re: Comment Regarding Beneficial Ownership Information Reporting Requirement Revision and Deadline (Docket Number FINCEN-2025-0001, OMB 1506-0076, RIN 1506-AB49)**

Dear Director Gacki,

The Financial Accountability and Corporate Transparency (FACT) Coalition is a U.S.-based, non-partisan alliance of more than 100 state, national, and international organizations promoting policies to build a fair and transparent global financial system that limits abusive tax avoidance and curbs the harmful impacts of corrupt financial practices.<sup>1</sup> FACT has served as the domestic civil society authority for U.S. beneficial ownership practices for more than a decade. The organization has helped inform U.S. legislation and policy based on years of evidence and inputs from law enforcement, national security officials, industry, and authorities in comparable jurisdictions around the world.

This letter responds to the request by the Financial Crimes Enforcement Network (FinCEN) of the United States (U.S.) Department of the Treasury (Treasury) for comment on the above-referenced interim final rule (IFR).

**We urge FinCEN to withdraw the IFR, given that it violates the underlying statute and the Constitution, and undermines important policy goals.** Specifically, the IFR,

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<sup>1</sup> A full list of FACT members is available at <https://thefactcoalition.org/about-us/coalition-members-and-supporters>. The views presented in this comment are not necessarily endorsed by every member of the Coalition.

- Contravenes the text and purpose of the Corporate Transparency Act, exceeding statutory discretion and violating the constitutional obligation to “take care that the laws be faithfully executed”; and
- Makes America less safe because it renders the statute no longer useful for national security officials and law enforcement, with particularly dangerous implications for sanctions evasion by Iran, North Korea, Venezuela, Russia, and other adversaries; drug trafficking cartels and the opioid epidemic; human trafficking; and fraud, waste and abuse in the government.

Sweeping, unlawful exemptions are not necessary to minimize costs. Instead, FinCEN should consider other, less dangerous and more tailored ways to adjust the scope of the rule, as we outline below.

### **1. The IFR Contravenes the Text and Purpose of the Corporate Transparency Act**

The Corporate Transparency Act (CTA) was adopted with strong bipartisan backing and widespread support from numerous stakeholders, ranging from anti-corruption, faith groups, and large and small businesses,<sup>2</sup> all of whom recognize the harms of anonymous U.S. companies.

In enacting the CTA, Congress made clear that it was specifically concerned about the “ownership of corporations, limited liability companies, or other similar *entities in the United States*” (emphasis added) by “malign actors” and that “Federal legislation providing for the collection of beneficial ownership information for corporations, limited liability companies, or other similar entities *formed under the laws of the States* (emphasis added) is needed to [...] better enable critical national security, intelligence, and law enforcement efforts to counter money laundering, the financing of terrorism, and other illicit activity.”<sup>3</sup>

The statute already lists 23 specific exemptions that were based on careful consideration by Congress.<sup>4</sup> Beyond these, Congress also authorized Treasury to create additional exemptions under certain limited circumstances. In doing so, Congress intended to set a “high bar” for any such additional exemptions, as FinCEN’s September 2022 final rule recognized when it dismissed calls for additional exemptions for family offices, certain commodity pools, law firms, and additional money services businesses.<sup>5</sup>

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<sup>2</sup> FACT Coalition, “Endorsements for Beneficial Ownership Transparency”, October 19, 2020, <https://thefactcoalition.org/endorsements-beneficial-ownership-transparency>.

<sup>3</sup> Pub. L. 116–283, div. F, title LXIV, § 6402(3) and (5), Jan. 1, 2021, 134 Stat. 4604.

<sup>4</sup> 31. U.S.C. 5336(a)(11)(B).

<sup>5</sup> 87 Fed. Reg. 59498, 59540, Sept. 30, 2022.

The IFR, however, renders moot Congress’s carefully considered exemptions, by adding a dangerously sweeping and unlawful exemption for more than 99.8 percent of reporting entities, leaving no more than 11,667 required to report, out of a total of 32.6 million.<sup>6</sup> According to a leading legal practitioner, Jamie Schafer, a partner at Perkins Coie, “That is a very limited number of companies. In fact, in all of the probably thousands of entities we, as a firm, have reviewed and advised our clients on, we have yet to encounter a foreign reporting company. [...] It would almost be an accident, in my view, that an entity ended up being a foreign reporting company.”<sup>7</sup> She explains that “Rather than registering a foreign entity, for a host of tax and other reasons, [foreign owners of US assets and accounts] typically form a US domestic entity to transact through — and US domestic entities, even those with foreign owners, are fully exempt from reporting under the current proposed rule.”<sup>8</sup> Another lawyer, Lauren White, a partner at Haynes Boone, agrees: “The vast majority of foreign entities transacting business in the United States form U.S. entities to conduct their business — they do not register their non-U.S. entities here. Foreign money launderers could skirt this more pared-down version of the CTA by simply forming a U.S. shell company, which would now not be required to file a BOI report.”<sup>9</sup>

**The mere fact that the IFR leaves only a negligible number of companies subject to the CTA means that the statute is now effectively nullified.** And even for the remaining sliver of foreign beneficial owners of certain foreign entities covered under the IFR, compliance is de facto voluntary given that the reporting requirement is triggered by a state filing that is rarely made in practice. Moreover, even the small number of entities that do make the relevant state filing and remain in scope can easily circumvent reporting by switching to domestic entities or simply inserting domestic “blockers” into their ownership chains.<sup>10</sup> **By eviscerating the statute in this way, FinCEN far exceeded its statutory discretion and violated its constitutional obligation to “take care that the laws be faithfully executed.”**<sup>11</sup>

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<sup>6</sup> FACT Coalition, “Treasury Reopens the Floodgates to Dirty Money in the U.S.”, March 3, 2025, <https://thefactcoalition.org/treasury-reopens-the-floodgates-to-dirty-money-cta>.

<sup>7</sup> Natasha Doris, “Blows to CTA risk international repercussions”, Commercial Dispute Resolution, April 28, 2025, <https://www.cdr-news.com/categories/competition-business-crime/blows-to-cta-risk-international-repercussions>.

<sup>8</sup> Jamie A. Schafer, “Corporate Transparency Rollback Would Be Bad for Business”, Corporate Compliance Insights, May 23, 2025, <https://www.corporatecomplianceinsights.com/corporate-transparency-rollback-would-be-bad-business>.

<sup>9</sup> Kevin Pinner, “Treasury Halts Enforcement Of Corporate Transparency Act,” Law360, March 3, 2025, <https://www.law360.com/real-estate-authority/residential/articles/2305033/treasury-halts-enforcement-of-corporate-transparency-act>.

<sup>10</sup> As one legal observer commented, “The interim final rule really does telegraph a way to avoid having to report altogether. [...] It’s almost like these changes have eliminated the CTA without actually eliminating it.” Erin Schilling, “New Treasury Beneficial Ownership Rule Defangs Transparency Law”, Bloomberg Tax, March 25, 2025, <https://news.bloombergtax.com/daily-tax-report/new-treasury-beneficial-ownership-rule-defangs-transparency-law>.

<sup>11</sup> U.S. Const. Art. II(3).

## **2. The IFR Makes America Less Safe Because It Renders the CTA No Longer Useful for National Security Officials, Law Enforcement**

The IFR is premised on the Treasury Secretary’s determination, with concurrence of the Department of Homeland Security and Attorney General, that reporting by the exempted entities “would not serve the public interest” and “would not be highly useful in national security, intelligence, and law enforcement agency efforts to detect, prevent, or prosecute money laundering, the financing of terrorism, proliferation finance, serious tax fraud, or other crimes.” This determination appears to be unjustified and contradicts years of extensive evidence compiled by Congress and the Treasury’s own risk assessments, which indicate that:

Bad actors consistently use shell companies to disguise criminal proceeds and U.S. law enforcement agencies have had no systematic way to obtain information on the beneficial owners of legal entities. The ease with which companies can be incorporated under state law, and how little information is generally required about the company’s owners or activities, raises concerns about a lack of transparency. (2018)<sup>12</sup>

In 2020, Treasury noted that, “Domestic shell companies continue to present criminals with the opportunity to conceal assets and activities through the establishment of seemingly legitimate U.S. businesses.”<sup>13</sup>

The value of beneficial ownership information to national security and law enforcement is why the Trump administration endorsed the CTA when it passed the House of Representatives in 2019, stating, “The Administration believes this legislation represents important progress in strengthening national security, supporting law enforcement, and clarifying regulatory requirements.”<sup>14</sup> In 2020, then-Treasury Secretary Steven Mnuchin testified at a Senate hearing that the information on who controls shell companies is “critical” and that its lack was “a glaring hole in our system.”<sup>15</sup> It is arbitrary and capricious for the government to now suddenly reverse course and summarily proclaim that this same information no longer serves the public interest and is not highly useful.

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<sup>12</sup> Department of the Treasury, “National Money Laundering Risk Assessment”, December 20, 2018, [https://home.treasury.gov/system/files/136/2018NMLRA\\_12-18.pdf](https://home.treasury.gov/system/files/136/2018NMLRA_12-18.pdf).

<sup>13</sup> Department of the Treasury, “National Strategy for Combating Terrorist and Other Illicit Financing”, January 31, 2020, p.14, <https://home.treasury.gov/system/files/136/National-Strategy-to-Counter-Illicit-Financce2.pdf>.

<sup>14</sup> White House, “Statement of Administration Policy: H.R. 2514, Corporate Transparency Act of 2019, as amended by Manager’s Amendment”, October 22, 2019, [https://trumpwhitehouse.archives.gov/wp-content/uploads/2019/10/SAP\\_HR-2513.pdf](https://trumpwhitehouse.archives.gov/wp-content/uploads/2019/10/SAP_HR-2513.pdf).

<sup>15</sup> Hearing on the President’s Fiscal Year 2021 Budget before the Senate Committee on Finance, Feb. 12, 2020, p. 25, <https://www.finance.senate.gov/imo/media/doc/45146.pdf>.

## A. The IFR Undermines U.S. National Security

Beneficial ownership reporting for domestic companies would unquestionably provide highly useful information for national security officials. For this reason, the law was supported by 100 former national security officials and experts,<sup>16</sup> including Secretary of Homeland Security Michael Chertoff as well as former U.S. Commander of Central Command and later CIA Director General David Petraeus.<sup>17</sup> More recently, in reaction to the announcement of the interim final rule, national security experts have expressed concerns. For instance, Nate Sibley, Director of the Kleptocracy Initiative at the Hudson Institute, said of the decision made March 3:

It is a basic principle that U.S. law enforcement and intelligence agencies should be able to check who is using U.S. shell companies to move money within and across our own borders. This action weakens the Trump Administration's ability to investigate cartel finances and target the profit incentives driving the deadly fentanyl and human trafficking trade across the southern border. Terrorist organizations like Hamas and Hezbollah, as well as major U.S. adversaries like Communist China, also rely on shell companies to conceal activities that threaten American security and prosperity. America's retreat from leading efforts to uncover these shadowy financial networks is an unforced error that enriches and empowers our worst enemies.

We also agree with Senior Program Manager of the George W. Bush Institute Albert Torres that:

Foregoing enforcement would hinder tackling some of the most pressing issues today, including fentanyl trafficking, terrorism financing, and foreign corruption. The proposed rule made by Treasury would hinder the efforts of law enforcement and the administration in addressing these issues of utmost importance and should be considered during the rulemaking process.<sup>18</sup>

Throughout the rulemaking process on the CTA, FACT has enumerated in its comments how important proper implementation of U.S. beneficial ownership transparency is for national

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<sup>16</sup> FACT Coalition, "100+ National Security and Foreign Policy Experts Back Action on Anonymous Shell Companies", July 20, 2020, <https://thefactcoalition.org/100-national-security-and-foreign-policy-experts-back-action-on-anonymous-shell-companies>.

<sup>17</sup> FACT Coalition, "Endorsements for Beneficial Ownership Transparency", October 19, 2020, <https://thefactcoalition.org/endorsements-beneficial-ownership-transparency>.

<sup>18</sup> FACT Coalition, "Fentanyl Traffickers, U.S. Adversaries Biggest Winners in New Treasury Proposal Benefitting Money Launderers", March 21, 2025, <https://thefactcoalition.org/fentanyl-traffickers-u-s-adversaries-biggest-winners-in-new-treasury-proposal>.

security purposes: limiting the evasion of U.S. sanctions, mitigating U.S. adversary access to weapons proliferation, and maintaining the security of U.S. defense supply chains.<sup>19</sup>

Further examples made public since the rulemaking period are furnished below and highlight how the loss of this valuable information would make the United States less safe.

*i. IFR Creates Risks of Sanctions Evasion by Iran, North Korea, Venezuela, Russia, and Other Adversaries*

Evidence continues to show that beneficial ownership information of domestic entities serves U.S. national security interests as defined by the new Trump administration. The White House's National Security Presidential Memorandum 2 asserts that strong "beneficial ownership thresholds" are important to "ensure [that] sanctions deny Iran all possible illicit revenue."<sup>20</sup>

Nevertheless, we see that **Iran** has evaded sanctions with ease through the U.S. financial system by leveraging the secrecy afforded by anonymous U.S. shell companies. For instance, a California man was charged with buying and transferring military-grade aircraft components with Iranian businesses, misrepresenting himself and his California company as the end users of the products. According to prosecutors, from 2023-2024, the business was a front, knowingly exporting these components to Iran via the United Arab Emirates.<sup>21</sup> In another 2024 case, a federal grand jury indicted two individuals who allegedly used anonymous U.S. shell companies to facilitate an illicit Iranian oil trafficking scheme, and hold in "trust" proceeds benefiting the Iranian Revolutionary Guard Corps and its Quds Force — a designated foreign terrorist organization.<sup>22</sup>

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<sup>19</sup> FACT Comment in Response to FinCEN's Advanced Notice of Proposed Rulemaking, May 2021, <https://thefactcoalition.org/wp-content/uploads/2021/05/FACT-CTA-ANPRM-Comment-20210505-0329am-FINAL.pdf>. See also, FACT Coalition, "FACT Sheet: Anonymous Companies and National Security," January 2020, <https://thefactcoalition.org/anonymous-companies-and-national-security/>; "As Opioid Crisis Evolves, Anonymous Companies Loophole Remains," April 2018, <https://thefactcoalition.org/as-opioid-crisis-evolves-anonymous-company-loopholes-remain-a-gap>.

<sup>20</sup> White House, "National Security Presidential Memorandum/NSPM-2", February 4, 2025, <https://www.whitehouse.gov/presidential-actions/2025/02/national-security-presidential-memorandum-nspm-2>.

<sup>21</sup> Department of Justice, "California Man Indicted for Unlawfully Exporting Aircraft Components to Iran", August 14, 2024, <https://www.justice.gov/opa/pr/california-man-indicted-unlawfully-exporting-aircraft-components-iran>.

<sup>22</sup> Department of Justice, "Justice Department Announces Terrorism and Sanctions-Evasion Charges and Seizures Linked to Illicit, Billion-Dollar Global Oil Trafficking Network That Finances Iran's Islamic Revolutionary Guard Corps and Its Malign Activities", February 2, 2024, <https://www.justice.gov/opa/pr/justice-department-announces-terrorism-and-sanctions-evasion-charges-and-seizures-linked>; see also Financial Crimes Enforcement Network, "FinCEN Advisory to Financial Institutions to Counter the Financing of Iran-Backed Terrorist Organizations", May 8, 2024, <https://www.fincen.gov/sites/default/files/advisory/2024-05-07/FinCEN-Advisory-Iran-Backed-TF-508C.pdf>.

In another instance, reporters found evidence suggesting that the **North Korean** state-backed hacker organization “Lazarus” — which operates to generate revenue to support the regime’s ballistic missile and WMD programs<sup>23</sup> in contravention of U.S. sanctions — allegedly used two U.S. companies to deliver malware to U.S. job applicants as part of an information theft scheme.<sup>24</sup>

Likewise, there is ample reporting suggesting that human rights abusers in the **Venezuelan regime** have relied on U.S. entities to dodge sanctions and gain access to U.S. markets. Reporting by Venezuelan investigative journalism outlet Armando.Info alleges that Colonel Alexander Granko Arteaga — sanctioned by the first Trump administration for his role in the General Directorate of Military Counterintelligence in Venezuela<sup>25</sup> — used U.S. shell companies owned by his wife and children to invest money in Miami.<sup>26</sup> Reporting by the same outlet has uncovered how senior Venezuelan officials, many current or former military officers, are allegedly affiliated with more than 700 entities formed in Florida alone.<sup>27</sup> In one such case, a former official of the Ministry of Oil and Mining pleaded guilty and was sentenced to four years for a massive bribery and money laundering scheme that involved, among other things, the use of a Florida shell company in the name of his wife to purchase a \$5.3 million luxury condo in Miami’s Porsche Design Tower for his own personal use, according to the affidavit of the U.S. law enforcement agent who investigated the case.<sup>28</sup>

Lastly, it is no secret that **Russian elites** have used the secrecy afforded by U.S. shell companies to dodge sanctions, evade export controls, and invest in the United States. For instance, Treasury took action in 2024 against a transnational money laundering network that has enabled sanctions evasion by Russian oligarchs. As part of this scheme, Treasury identified a Wyoming-based

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<sup>23</sup> Department of Justice, “North Korean Foreign Trade Bank Representative Charged in Crypto Laundering Conspiracies”, April 24, 2023, <https://www.justice.gov/archives/opa/pr/north-korean-foreign-trade-bank-representative-charged-crypto-laundering-conspiracies>.

<sup>24</sup> Stephen Katte, “North Korean hackers set up 3 shell companies to scam crypto devs”, Cointelegraph, April 25, 2025, <https://cointelegraph.com/news/lazarus-set-up-us-shell-companies-scam-crypto-devs>.

<sup>25</sup> U.S. Embassy in Venezuela, “Treasury Sanctions Officials of Venezuela’s Military Counterintelligence Agency”, July 19, 2019, <https://ve.usembassy.gov/treasury-sanctions-officials-of-venezuelas-military-counterintelligence-agency>.

<sup>26</sup> Armando.Info, “El torturador que calculaba”, July 7, 2024, <https://armando.info/el-torturador-que-calculaba>.

<sup>27</sup> Andres Oppenheimer, “Venezuela’s sham elections demand new U.S. sanctions, including seizing Miami assets”, Miami Herald, April 13, 2024, <https://www.miamiherald.com/news/local/news-columns-blogs/andres-oppenheimer/article287637225.html>

<sup>28</sup> Armando.Info, “The Miami 'Condo' in the US \$ 1,200 Million Case of PDVSA Is a Retreat for the (very) Rich and (not so) Famous”, September 9, 2018, <https://armando.info/en/the-miami-condo-in-the-us-1200-million-case-of-pdvsa-is-a-retreat-for-the-very-rich-and-not-so-famous>; Affidavit of Special Agent George Fernandez, para. 74, fn. 9, July 24, 2018, available at <https://www.justice.gov/criminal/criminal-fraud/file/1119966/dl>.

entity that was used to launder money on behalf of an individual.<sup>29</sup> In April 2025, a Russian national was sentenced to nearly six years in prison for his role in a conspiracy to export controlled aviation technology to Russia, and used complex networks of shell companies – including one Florida LLC – to launder money from the scheme.<sup>30</sup>

While national security officials and journalists have identified these specific instances of sanctions evasion, there are likely dozens more that remain challenging to uncover. They will continue to be opaque and difficult to identify without ownership information on domestic entities. Eviscerating the CTA represents a step backward in keeping our country safe.

### *ii. IFR Will Fuel Cartels and Other Transnational Criminal Networks*

Likewise, the Trump administration has identified certain transnational criminal networks, such as the Sinaloa Cartel, as foreign terrorist organizations (FTOs). In an interview, Secretary of State Marco Rubio said of the terror designations on cartels that, in some cases, the networks and their money launderers, “set up their own companies, these shell companies, to hide their profits and be able to distribute the funds they have.”<sup>31</sup>

As the Senate’s long-time sponsor of the CTA,<sup>32</sup> Secretary Rubio clearly understood that U.S. domestic entities play a role in complex money laundering schemes. A 2021 report by the Government Accountability Office identified anonymous U.S. shell companies as a common methodology for criminals and terrorist groups.<sup>33</sup> In 2024, Erica Hanichak from the FACT Coalition testified in the Senate Caucus on International Narcotics Control, attesting to this reality: “Illicit shell networks span states and continents, threatening American public safety and national security... Both down the block and across our borders, drug operations large and small rely on anonymous U.S. companies.”<sup>34</sup> In the same hearing, Elaine Dezenski, the head of the

<sup>29</sup> Department of the Treasury, “Treasury Exposes Money Laundering Network Using Digital Assets to Evade Sanctions”, December 4, 2024, <https://home.treasury.gov/news/press-releases/jy2735>.

<sup>30</sup> Department of Justice, “Leader of Export Control Evasion Scheme Sentenced to 70 Months in Prison”, April 2, 2025, <https://www.justice.gov/opa/pr/leader-export-control-evasion-scheme-sentenced-70-months-prison>; Open Corporates, “MIC-P&I, LLC”, [https://opencorporates.com/companies/us\\_fl/L15000140269](https://opencorporates.com/companies/us_fl/L15000140269).

<sup>31</sup> <https://it.usembassy.gov/secretary-marco-rubio-with-catherine-herridge-of-catherine-herridge-reports>.

<sup>32</sup> United States Senate Committee on Finance, “Wyden, Rubio Unveil Bill to Increase Transparency, Crack Down on Illicit Financial Crimes”, August 3, 2017, <https://www.finance.senate.gov/ranking-members-news/wyden-rubio-unveil-bill-to-increase-transparency-crack-down-on-illicit-financial-crimes->

<sup>33</sup> United States Government Accountability Office, “Trafficking and Money Laundering- Strategies used by Criminal Groups and Terrorists and Federal Efforts to Combat Them”, December 23, 2021, <https://www.gao.gov/assets/gao-22-104807.pdf>.

<sup>34</sup> “Opaque Shell Companies: A Risk to National Security, Public Health, and Rule of Law”, before the U.S. Senate Caucus on International Narcotics Control, April 9, 2024, Statement of Erica Hanichak, Government Affairs Director, Financial Accountability and Corporate Transparency (FACT) Coalition,

Center on Economic and Financial Power at the Foundation for Defense of Democracies, asserted, “Unfortunately, through anonymous shell companies, we [the United States] have tied our own hands — gifting drug cartels and their money launderers a magic curtain to shield their identity and hide their wealth. Piercing that veil of secrecy is a vital national security imperative — both here at home and around the globe.”

The risks of money laundering through anonymous U.S. shell companies continue. In January 2025, federal prosecutors charged Miami resident and Colombian citizen Alain Mitrani with laundering \$300 million between 2020 and 2024 through his “seemingly legitimate technology company” for transnational criminal organizations, including the **Sinaloa Cartel**.<sup>35</sup> Two Florida shell companies were allegedly among the financial vehicles used to launder the proceeds of these schemes.<sup>36</sup> As of this writing, the case is pending, and Mitrani has pleaded not guilty. In 2024, a Sinaloa Cartel leader was sentenced to 10 years for leading a separate scheme that had laundered at least \$16.5 million of the cartel’s heroin and meth proceeds through Wyoming-based shell companies.<sup>37</sup> The secrecy afforded by anonymous companies is crucial to enable the money laundering fueling the cartels’ mass violence.

Chinese money laundering organizations that partner with the cartels also make use of anonymous U.S. shell companies. In one case, defendants pleaded guilty to money laundering charges involving a black market banking network that would purchase dollars at a discount from the Sinaloa cartel and launder them through bank accounts affiliated with California shell company Kowloon Holdings.<sup>38</sup>

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<https://thefactcoalition.org/wp-content/uploads/2024/04/Erica-Hanichak-Senate-Drug-Caucus-April-9-2024.docx-1.pdf>.

<sup>35</sup> Department of Justice, “Miami Resident Charged With Leading Money Laundering Operation for Transnational Criminal Organizations”, February 21, 2025, <https://www.justice.gov/usao-edny/pr/miami-resident-charged-leading-money-laundering-operation-transnational-criminal>.

<sup>36</sup> United States indictment in U.S. v. Mitrani, E.D.N.Y. Docket No. 25-CR-39, January 30, 2025, <https://www.justice.gov/usao-edny/media/1390346/dl?inline>.

<sup>37</sup> Department of Justice, “Leader of Sophisticated Sinaloa Cartel Money Laundering Organization Sentenced to 120 Months”, May 20, 2024, <https://www.justice.gov/usao-sdca/pr/leader-sophisticated-sinaloa-cartel-money-laundering-organization-sentenced-120-months>.

<sup>38</sup> Department of Justice, “Three Members of a Prolific Chinese Money Laundering Organization Plead Guilty to Laundering Tens of Millions of Dollars in Drug Proceeds”, May 1, 2025, <https://www.justice.gov/opa/pr/three-members-prolific-chinese-money-laundering-organization-plead-guilty-laundering-tens>; OpenCorporates “Kowloon Holding Inc.”, [https://opencorporates.com/companies/us\\_ca/5014039](https://opencorporates.com/companies/us_ca/5014039); *see also*, Dylan Tokar, Justin Baer, Vipal Monga, “Bags of Cash From Drug Cartels Flood Teller Windows at U.S. Banks”, Wall Street Journal, May 14, 2025, <https://www.wsj.com/us-news/china-mexico-drug-money-laundering-banks-907f35f8>.

*iii. IFR Will Exacerbate Unfair Economic Competition with Chinese Communist Party*

The **Chinese Communist Party** (CCP)'s abuse of anonymous U.S. shell companies is not new and has generated bipartisan concern from Congress.<sup>39</sup> The Hudson Institute has documented how China has used anonymous U.S. shell companies to fuel the fentanyl crisis, steal intellectual property from U.S. companies, launder the proceeds of CCP corruption, and engage in repressive practices against China's Uyghur minority.<sup>40</sup> Recently, in February testimony before the House Financial Services Committee, Dr. Rush Doshi, director of the China Strategy Initiative at the Council on Foreign Relations, underscored the importance of understanding the true owners behind anonymous companies as a means to protect U.S. national security interests vis-a-vis China. When asked about the value of U.S. beneficial ownership information, Doshi answered:

It's incredibly important. Every step that we want to take – whether on law enforcement with AML, with export controls, investment restrictions – all of those steps are going to require knowing the beneficial owner. If we don't have that, the [People's Republic of China] can always set up shell companies and get around our restrictions, and they've been doing that. It's indispensable to our competitiveness agenda.<sup>41</sup>

In the same hearing, former CIA intelligence officer and Treasury Special Agent John Cassara said of law enforcement's need for this data, "Shell companies, LLCs...are one of the premier tools of choice by money launderers in the layering stage of money laundering. It makes it difficult for criminal investigators to follow the money...We need beneficial ownership information."<sup>42</sup>

Nevertheless, the reliance of malign actors in China on anonymous U.S. shell companies continues to evolve. For instance, the Trump administration has instituted sizable tariffs on products from China. According to some compliance experts, this has created "more incentive for companies to attempt to skirt the law" and obscure the origin of the products.<sup>43</sup> Journalistic accounts report that Chinese firms have already turned to U.S. shell companies in an attempt to

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<sup>39</sup> Senator Mark Warner, Senator Mike Rounds, "Cracking down on China's shady shell companies", CNBC, February 4, 2021, <https://www.cnbc.com/2021/02/04/op-ed-cracking-down-on-chinas-shady-shell-companies-.html>.

<sup>40</sup> Nate Sibley, "Countering Chinese Communist Party Threats with Corporate Transparency", Hudson Institute, December 18, 2019, [https://s3.amazonaws.com/media.hudson.org/Sibley\\_Countering%20CCP%20Threats%20with%20Corporate%20Transparency.pdf](https://s3.amazonaws.com/media.hudson.org/Sibley_Countering%20CCP%20Threats%20with%20Corporate%20Transparency.pdf).

<sup>41</sup> U.S House Committee on Financial Services, "Hearing Entitled: Examining Policies to Counter China", Hearing, February 25, 2025, <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=409467>.

<sup>42</sup> Ibid.

<sup>43</sup> Emily Feng, "Trump has imposed a lot of tariffs. But here's why collecting them can be hard", National Public Radio, May 20, 2025 <https://www.npr.org/2025/05/20/nx-s1-5387330/trump-tariffs-china-collect-manufacturing-revenue>.

avoid the steep tariffs and complicate enforcement by the U.S. Customs and Border Patrol. Per a Nikkei Asia article:

Customs and Border Protection (CBP) agents bill duty payments to the importer of record. Multiple Chinese logistics managers, who spoke to Nikkei Asia on condition of anonymity, said they had little difficulty registering a limited liability company (LLC) in the U.S. to serve in that role, often using the name of a member of the Chinese American community to further their efforts...As a result, the shell entities set up by Chinese logistics companies simply forfeit their bonds rather than make their full tariff payments – and disappear, Birch said.<sup>44</sup>

The anonymity afforded by exemptions in the IFR will make it difficult to enforce U.S. trade policy.

Further, the *Wall Street Journal* reported that large Chinese firms have found work-arounds for U.S. regulation by hiding behind U.S. subsidiaries with new names, and that “[s]uch moves irritate regulators who can’t enforce laws when it isn’t clear who is behind a company.”<sup>45</sup> While not every company using these tactics would be covered by the CTA, the issue highlights enforcement challenges facing U.S. regulators – authorized by law to use CTA data. The opacity disadvantages honest U.S. businesses and denies them a level playing field.

These are just a few of many examples in which China continues to prey on U.S. financial secrecy to secure its own aims. The IFR makes America less safe by denying national security officials information necessary to protect U.S. national security and economic interests.

#### *iv. IFR Jeopardizes the Security of U.S. Military Bases and Government Supply Chains*

Anonymity of U.S. ownership also undermines the security of U.S. government supply chains. A 2019 report by the Government Accountability Office (GAO) identified a contractor who used a U.S. shell company to obscure the real location of their manufacturing operation in India. They further illegally exported “technical drawings for aircraft parts, nuclear submarine torpedo

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<sup>44</sup>Pak Yiu, “Shell game: How China-linked front companies dodge U.S. tariffs”, Nikkei Asia, April 18, 2025, <https://asia.nikkei.com/Economy/Trade-war/Trump-tariffs/Shell-game-How-China-linked-front-companies-dodge-U.S.-tariffs>.

<sup>45</sup> Heather Somerville, “Blacklisted Chinese Companies Rebrand as American to Dodge Crackdown”, Wall Street Journal, May 29, 2024 <https://www.wsj.com/politics/national-security/url-chinese-companies-rebrand-us-8a0c3872>.

systems, and attack helicopters.”<sup>46</sup> The U.S. government should be able to clearly understand to whom it awards sensitive defense and other government contracts.

Additional evidence shows that domestic LLCs have anonymously invested in real estate close to sensitive U.S. military bases, triggering U.S. government review. Aurora Ortega – a U.S. defense official and security researcher – explained that:

The importance of beneficial ownership transparency cannot be overstated...If the appropriate US authorities are not able to gain insight into such information, or if the information is not comprehensive, timely, or executed properly, adversaries will continue to exploit US government shortfalls and be poised to gain a significant and enduring strategic advantage inside the homeland.<sup>47</sup>

### **B. The IFR Undermines Law Enforcement Efforts**

As with national security above, there is overwhelming and undisputed evidence that information on beneficial owners of domestic companies is **highly useful to law enforcement**. For this reason, law enforcement groups like the Fraternal Order of Police, National District Attorneys Association, the National Sheriffs Association, the National Narcotic Officers’ Associations’ Coalition, and the Federal Law Enforcement Officers Association all supported the CTA.<sup>48</sup>

Law enforcement supports the strong implementation of the CTA because it would provide law enforcement with resources to do their job more efficiently. As a former official from the Federal Bureau of Investigation (FBI) noted, “the burden of uncovering true beneficial owners can often handicap or delay investigations, frequently requiring duplicative, slow-moving legal processes in several jurisdictions to gain the necessary information. This practice is both time-consuming

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<sup>46</sup> See Ashley Gate, “Trump team opts to keep US shell companies in the shadows”, Responsible Statecraft, April 14, 2025, <https://responsiblestatecraft.org/arms-trade-2671753399>; David Voreacos, Neil Weinberg, “How the Pentagon Was Duped by Contractors Using Shell Companies”, The Detroit News, January 4, 2020, <https://www.detroitnews.com/story/news/nation/2020/01/04/how-pentagon-duped-contractors-using-shell-companies/2812741001>.

<sup>47</sup> Aurora Ortega, “Corporate Transparency Act in Limbo: The National Security Risks of Anonymous Shell Companies”, Irregular Warfare Initiative, January 14, 2025, <https://irregularwarfare.org/articles/corporate-transparency-act-in-limbo-the-national-security-risks-of-anonymous-shell-companies>.

<sup>48</sup> FACT Coalition, “Endorsements for Beneficial Ownership Transparency”, October 19, 2020, <https://thefactcoalition.org/endorsements-beneficial-ownership-transparency>.

and costly.”<sup>49</sup> Streamlining this information would allow for the more efficient use of limited government resources while ensuring that bad actors face consequences for their actions.

Law enforcement organizations have publicly expressed concern about the sweeping exemptions in the IFR. In an April op-ed reflecting the Trump administration’s new efforts to secure the border, representatives of the National District Attorneys Association and Modern Fortis Public Safety Strategies noted the following on the rulemaking: “This is an alarming reversal that directly undercuts law enforcement’s ability to fight trafficking and fentanyl distribution. At a time when traffickers are growing more sophisticated, we cannot afford to let them exploit loopholes in our financial system.”<sup>50</sup>

The information exempted by the IFR is highly useful to law enforcement efforts against criminals defrauding both U.S. consumers and the U.S. government, domestic drug traffickers, and human trafficking rings – all priorities of the Trump administration.

*i. IFR Will Allow Fraudsters to Continue to Prey on Americans*

Fraud is a lucrative and pervasive crime: U.S. consumers reported losses of \$50 billion to fraudsters in the past five years, but the real number may be much higher.<sup>51</sup> These crimes disproportionately impact Americans older than 60 years old.<sup>52</sup> The first Trump administration prioritized tackling this problem and created a Department of Justice Task Force on Market Integrity and Consumer Fraud.<sup>53</sup> More recently, in April 2025, House Republicans held a hearing in the Financial Services Committee to identify ways that law enforcement can follow the money in fraud cases.<sup>54</sup>

Unfortunately, the exemptions in the IFR will hinder law enforcement’s ability to follow the money. Recent research by Transparency International U.S. identified \$325 million in proceeds from 19 fraud cases in which anonymous U.S. companies were used: for instance, to divert Medicare and Medicaid payments, mislead small business owners into paying fake invoices,

<sup>49</sup> “Combating Illicit Financing by Anonymous Shell Companies,” Statement for the Record, Steven M. D’Antuono, the Federal Bureau of Investigation, May 21, 2019,

<https://www.fbi.gov/news/speeches-and-testimony/combating-illicit-financing-by-anonymous-shell-companies>

<sup>50</sup> Frank Russo, Nelson Bunn, “America has a fentanyl and human trafficking crisis. We must secure our financial borders to fix it”, The Hill, April 24, 2025, <https://thehill.com/opinion/5263450-trump-border-security>.

<sup>51</sup> Federal Bureau of Investigation, “Internet Crime Report 2024”, April 23, 2025,

[https://www.ic3.gov/AnnualReport/Reports/2024\\_IC3Report.pdf](https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf).

<sup>52</sup> Ibid.

<sup>53</sup> Exec. Order No. 13,844, 83. Fed. Reg. 33115 (2018),

<https://www.govinfo.gov/content/pkg/FR-2018-07-16/pdf/2018-15299.pdf>.

<sup>54</sup> U.S. House Committee on Financial Services, “Following the Money: Tools and Techniques to Combat Fraud,” Hearing, April 1, 2025, <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=409506>.

commit romance and investment scams, and gain access to sensitive personal data through fraudulent “tech support.”<sup>55</sup> In one international cryptocurrency investment scam, criminals used bank accounts in the name of shell companies to receive wires from victims, and used anonymous U.S. companies to launder at least \$59.8 million in criminal proceeds.<sup>56</sup> Law enforcement needs additional insights into U.S. entity ownership to be able to follow the money in fraud cases.

*ii. IFR Empowers Domestic Drug Traffickers and Opioid Pushers*

Like transnational criminal networks, domestic drug trafficking rings also rely on anonymous U.S. companies. In March 2025, Eric Brown, President of the National Narcotic Officers’ Associations’ Coalition, emphasized the utility of this information for law enforcement:

Requiring businesses to disclose their true beneficial owners under the Corporate Transparency Act will help law enforcement by reducing criminals’ ability to hide their tracks via shell corporations. Following the money is a proven strategy in investigations that involve organized criminal activity, especially fentanyl and other illicit drug trafficking. Law enforcement resources are stretched thin, and the Corporate Transparency Act – if fully implemented – would enable narcotic enforcement officers to be more effective in protecting the public from drug trafficking.<sup>57</sup>

As Erica Hanichak from the FACT Coalition testified before the Senate Caucus on International Narcotics Control in 2024,<sup>58</sup> pain management clinics in Florida and Tennessee doled out medically unnecessary opioid prescriptions to the tune of \$21 million in revenue, and funneled

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<sup>55</sup> Transparency International U.S., “Exposing the Fraudsters: How Anonymous Companies Formed in the U.S. Have Been Used to Defraud Americans, and How the Corporate Transparency Act Can Stop Such Scams,” Fact Sheet, April 2025,

<https://us.transparency.org/resource/exposing-the-fraudsters-how-anonymous-companies-formed-in-the-u-s-have-been-used-to-defraud-americans-and-how-the-corporate-transparency-act-can-stop-such-scams>.

<sup>56</sup> U.S. Department of Justice, Foreign National Pleads Guilty to Laundering Millions in Proceeds from Cryptocurrency Investment Scams, Press Release, November 12, 2024,

<https://www.justice.gov/archives/opa/pr/foreign-national-pleads-guilty-laundering-millions-proceeds-cryptocurrency-investment-scams>.

<sup>57</sup> FACT Coalition, “Fentanyl Traffickers, U.S. Adversaries Biggest Winners in New Treasury Proposal Benefitting Money Launderers,” Press Release, March 21, 2025,

<https://thefactcoalition.org/fentanyl-traffickers-u-s-adversaries-biggest-winners-in-new-treasury-proposal>.

<sup>58</sup> Erica Hanichak, Senate Caucus on International Narcotics Control, “Opaque Shell Companies: A Risk to National Security, Public Health, and Rule of Law” Hearing Testimony,

<https://thefactcoalition.org/wp-content/uploads/2024/04/Erica-Hanichak-Senate-Caucus-on-International-Narcotics-Control-April-9-2024.docx.pdf>.

kickbacks through a network of Tennessee-based shell companies.<sup>59</sup> Their overprescribing schemes, enabled by these shell companies, were connected with the deaths of at least 700 people in just four years.<sup>60</sup> In another case, Baltimore-area drug dealer Anton Williams was sentenced to ten years in prison on drug and money laundering charges, which involved the use of U.S. LLCs to conceal his ownership of real estate properties that he used to meet with customers and launder money from his sale of cocaine, heroin, and fentanyl.<sup>61</sup> New Yorker Wimel DaSilva laundered more than \$40 million in virtual currency in narcotics proceeds through a Raleigh business that purportedly provided software development and tech consulting services, but in truth it operated as a “shell company that transmitted the proceeds of drug trafficking” and other crimes to South American accounts.<sup>62</sup>

Journalists in Maine have connected Chinese Triads and other organized criminal groups to mass illicit cannabis farming operations producing weed using toxic fertilizers and contaminated with mold.<sup>63</sup> These operations allegedly set up U.S. LLCs and obtained licenses through the local government to “legally” sell the weed to local dispensaries. In addition to the public health risks, federal law enforcement raids also found likely evidence of human trafficking and forced labor.<sup>64</sup>

### *iii. IFR Facilitates Human Trafficking Networks*

Frank Russo of the Conservative Political Action Conference’s (CPAC) Center for Combating Human Trafficking has described the CTA as “the missing link” in law enforcement

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<sup>59</sup> U.S. v. Hofstetter, et al., Case 3:15-cr-00027-TAV-CCS, 2017, <https://www.justice.gov/opa/page/file/981896/dl>. See also U.S. Department of Justice, “Two Top Leaders in Italy and Five Us Residents Indicted for Racketeering, Health Care Fraud, and Drug Trafficking Conspiracies to Distribute Opioids Resulting in Deaths Involving “Pill Mills” Operating in Tennessee and Florida,” Press Release, January 19, 2018, <https://www.justice.gov/usao-edtn/pr/two-top-leaders-italy-and-five-us-residents-indicted-racketeering-health-care-fraud-and>.

<sup>60</sup> Del Quentin Wilber, “12 million pills and over 700 deaths”, Los Angeles Times, June 14, 2019,

[https://enewspaper.latimes.com/infinity/article\\_share.aspx?guid=925aea71-1244-4ffd-b584-db027fe34727](https://enewspaper.latimes.com/infinity/article_share.aspx?guid=925aea71-1244-4ffd-b584-db027fe34727)

<sup>61</sup> U.S. Department of Justice, “Money Launderer and Wholesale Supplier of Narcotics to East Baltimore Monument Street Drug Trafficking Organization Sentenced to 10 Years in Federal Prison and Ordered to Forfeit \$472,000,” Press Release, September 14, 2021,

<https://www.justice.gov/usao-md/pr/money-launderer-and-wholesale-supplier-narcotics-east-baltimore-monument-street-drug>.

<sup>62</sup> U.S. Department of Justice, “U.S. Attorney Easley Announces “Illicit Finance Task Force” to Combat Transnational Money Laundering”, Press Release, November 20, 2024,

<https://www.justice.gov/usao-ednc/pr/us-attorney-easley-announces-illicit-finance-task-force-combat-transnational-money>.

<sup>63</sup> Dylan Tusinski, “‘Layers of invisibility’: Workers at Maine’s illegal cannabis grow sites show signs of human trafficking”, Centralmaine, August 14, 2024,

<https://www.centralmaine.com/2024/08/12/layers-of-invisibility-maines-illegal-cannabis-grow-sites-show-signs-of-human-trafficking/>.

<sup>64</sup> Ibid.

investigations, and “the financial equivalent of installing street lights in a neighborhood.”<sup>65</sup> A 2020 FinCEN advisory on the typologies of human trafficking found that “human traffickers routinely establish and use front companies, sometimes legal entities, to hide the true nature of a business, and its illicit activities, owners, and associates.”<sup>66</sup> In one case, traffickers used two straw companies, Crown Venture Capital and Crown Venture Management, to operate three Seattle-based illicit massage businesses.<sup>67</sup> In another case, traffickers used bars as front companies to facilitate their sex trafficking operation, registered in the name of a nominee in order to conceal the true ownership of the premises.<sup>68</sup> The IFR impedes law enforcement’s ability to follow the money in such cases of exploitation.

#### *iv. IFR Creates Loopholes for Waste, Fraud, and Abuse in Federal Programs*

Another important category of intended law enforcement users that will be disadvantaged as a result of the IFR is **federal Inspectors General**. An April 2025 report by GAO on fraud in federal programs (attached in appendix) describes how shell company schemes result in significant financial losses, including the theft of \$93 million from Medicare, as well as threaten our national security by facilitating the transfer of sensitive military technology to foreign countries.<sup>69</sup> According to Senator Chuck Grassley, “In order to fight this pervasive form of fraud, and support President Trump’s agenda of cutting waste, fraud and abuse, Inspectors General must know who the true owners of U.S. corporations are. FinCEN ought to swiftly implement GAO’s recommendations and provide Inspectors General access to the company registry of beneficial owners.”<sup>70</sup> More broadly, Senator Grassley has expressed concern with the IFR and has joined Senator Sheldon Whitehouse to “encourage [the Treasury Secretary] to fully

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<sup>65</sup> Maureen Leddy, “Groups Sound Alarm After Treasury Backtracks on Beneficial Ownership Reporting”, Thomson Reuters, March 10, 2025, <https://tax.thomsonreuters.com/news/groups-sound-alarm-after-treasury-backtracks-on-beneficial-ownership-reporting>.

<sup>66</sup> U.S. Financial Crimes Enforcement Network, “Supplemental Advisory on Identifying and Reporting Human Trafficking and Related Activity”, October 15, 2020, [www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL\\_0.pdf](http://www.fincen.gov/sites/default/files/advisory/2020-10-15/Advisory%20Human%20Trafficking%20508%20FINAL_0.pdf).

<sup>67</sup> U.S. Department of Justice, “King County Salon Operators Charged With Sex Offenses”, Press Release, November 18, 2008, <https://www.justice.gov/archive/usao/waw/press/2008/nov/freynguyen.html>.

<sup>68</sup> Financial Action Task Force, “Financial Flows from Human Trafficking”, pp. 54, July 31, 2018, [www.fatf-gafi.org/content/dam/fatf-gafi/reports/Human-Trafficking-2018.pdf](http://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Human-Trafficking-2018.pdf).

<sup>69</sup> U.S. Government Accountability Office, “Fraud in Federal Programs: FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies”, April 8, 2025, <https://www.gao.gov/products/gao-25-107143>

<sup>70</sup> Senator Chuck Grassley, “Grassley, Whitehouse Welcome GAO Report on Use of Beneficial Ownership Information to Bolster Fraud Detection”, Press Release, May 1, 2025, <https://www.grassley.senate.gov/news/news-releases/grassley-whitehouse-welcome-gao-report-on-use-of-beneficial-ownership-information-to-bolster-fraud-detection>

implement the CTA so that law enforcement agencies around the country have access to information necessary to prevent human trafficking, terrorist financing, border smuggling, drug distribution, and many other categories of criminal activity.”<sup>71</sup>

**In sum, the IFR undermines the Trump administration’s priorities to make America safe again and to root out fraud, waste and abuse in federal government programs.**

### **C. Remaining CTA Coverage as Defined in IFR Is Practically Useless for Authorized Users**

The negligible sliver of the statute’s original scope that is retained by the IFR bears no relationship to where the real risks lie with regard to anonymous companies. We agree with Scott Greytak of Transparency International U.S. that the distinction between domestic and foreign shell companies “is completely divorced from the underlying risk. The problem here is anonymous shell companies, regardless of where they are formed.”<sup>72</sup> Foreign companies potentially engaged in illicit transactions are unlikely to register to do business in a state. Indeed, the FACT Coalition has long tracked the use of anonymous companies by criminal and malign actors, and we are not aware of any cases implicating foreign companies registered to do business in the U.S. **None of the entities listed in the examples above would be covered by the IFR, as it stands.** Contrary to the purported determination that the IFR relies on, it exempts precisely the information that is most “highly useful” and, at best, only leaves behind a tiny remainder of the least useful information. For this reason, the IFR is arbitrary, capricious, and an abuse of discretion under the Administrative Procedure Act.

### **3. Sweeping, Unlawful Exemptions Are Not Necessary to Minimize Costs**

The CTA statute invites Treasury to “minimize burdens on reporting companies associated with the collection of beneficial ownership information, including by eliminating duplicative requirements”, but only “to the extent practicable, consistent with the purposes of this section.”<sup>73</sup> The IFR appears to dramatically reduce compliance costs, but does so in ways that are neither practicable nor consistent with the statute and its purpose. The IFR is the result of Treasury’s

<sup>71</sup> Senator Sheldon Whitehouse, Senator Chuck Grassley, “RE: March 2, 2025 Corporate Transparency Act Enforcement Announcement”, Letter to U.S Treasury Secretary Bessent, March 10, 2025, <https://www.whitehouse.senate.gov/wp-content/uploads/2025/03/2025-03-10-CTA-Non-Enforcement-Announcement-Letter-FINAL-SIGNED.pdf>

<sup>72</sup> Maureen Leddy, “Groups Sound Alarm After Treasury Backtracks on Beneficial Ownership Reporting”, Thomson Reuters, March 10, 2025, <https://tax.thomsonreuters.com/news/groups-sound-alarm-after-treasury-backtracks-on-beneficial-ownership-reporting>

<sup>73</sup> 31 U.S.C. 5336(b)(4)(B).

“reassessment” of the costs and benefits of CTA reporting.<sup>74</sup> Unfortunately, FinCEN’s reassessment is incomplete, unsupported as to both costs and benefits, and imbalanced because it overstates costs while impermissibly second-guessing Congress on the benefits of the statute.

To begin with, evidence shows that, in practice, CTA compliance has not been overly onerous for most filers. According to a 2024 poll by Small Business Majority, nearly 70 percent of businesses that already filed said reporting was easy; just six percent said it was “very difficult.”<sup>75</sup> There are no filing fees, and the form can be filled out online. According to one compliance advisor, “If you are a single-member LLC owner, it should take you no more than 10 minutes to fill out the form.”<sup>76</sup> On the other hand, for filers with complex structures, legal advisers who created those structures are well-placed to advise on CTA compliance. Such filers are typically not true small businesses. CTA opponents do not speak on behalf of all small businesses, and many small businesses support the CTA. John Arensmeyer of Small Business Majority wrote in support of the CTA during the rulemaking period saying, “Owners of legitimate businesses have no issues putting their names on their company papers. It’s time to rein in the bad actors.”<sup>77</sup> Shawn Phetteplace of the Main Street Alliance views the CTA as a “pro-small business policy” because “small businesses suffer when they’re forced to compete with fraudulent and criminal enterprises.”<sup>78</sup>

By its terms, the CTA already excludes the vast majority of the smallest businesses. No sole proprietorships are in scope because they are not “created by the filing of a document with a secretary of state.” The CTA also tackles the burdens on small businesses by requiring FinCEN’s director to “reach out to members of the small business community and other appropriate parties to ensure efficiency and effectiveness of the process.”<sup>79</sup>

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<sup>74</sup> Fed. Reg. at p. 13691.

<sup>75</sup> Small Business Majority, “Small business owners share their experiences with new Beneficial Ownership Information reporting requirements”, February 15, 2025, <https://smallbusinessmajority.org/our-research/small-business-owners-share-their-experiences-new-business-owners-hip-information-reporting-requirements>

<sup>76</sup> Michael Smith, “Interim CTA Rule Shields Domestic Owners From Reporting Requirements,” Tax Notes, Mar. 25, 2025, <https://www.taxnotes.com/tax-notes-today-international/beneficial-ownership/interim-cta-rule-shields-domestic-owners-reporting-requirements/2025/03/25/7rt23>.

<sup>77</sup> John Arensmeyer, “Fraud Threatens America’s Small Businesses. Real Corporate Transparency Will Help.”, Barron’s, July 21, 2021, <https://www.barrons.com/articles/fraud-threatens-americas-small-businesses-real-corporate-transparency-will-help-51626893102>

<sup>78</sup> Maureen Leddy, “Groups Sound Alarm After Treasury Backtracks on Beneficial Ownership Reporting”, Thomson Reuters, March 10, 2025, <https://tax.thomsonreuters.com/news/groups-sound-alarm-after-treasury-backtracks-on-beneficial-ownership-reporting>

<sup>79</sup> 31 U.S.C. 5336(g).

Beyond these specific provisions, it is plausible that FinCEN could exercise its discretion to produce a somewhat limited reporting rule, tailored to meet the Congressional purpose and the needs of law enforcement and other users, while balancing those needs with compliance cost considerations. But the IFR, as it stands, does not take a balanced approach. For example, the IFR fails to consider how, as a result of greater legal uncertainty and potential state-level laws, “compliance with patchwork and constantly shifting laws could become even more onerous if the proposed rule is adopted as final.”<sup>80</sup> The IFR also completely neglected to take into account the interests of financial industry users of the exempted information, and banks are “dismayed” and concerned that the IFR “could increase future fraud risks for banks.”<sup>81</sup> This is because banks and other financial institutions are already required to obtain beneficial ownership information from their clients. But the lack of a centralized database for beneficial ownership information makes it challenging for banks to verify who owns what. As lawyer Erin Bryan, a partner at the law firm Dorsey & Whitney, observed, “With CTA compliance now limited to a fraction of the entities that previously had to report, the database becomes much less useful to the government in fighting financial crimes, and all but eliminates the utility of the database as a potential compliance tool for banks.”<sup>82</sup>

Through its imbalanced approach, the IFR promulgated exemptions that are wholly unnecessary, unjustified, and far more sweeping than any that were put forward during the previous rulemakings.<sup>83</sup> These sweeping exemptions will do more to serve the interests of criminals than honest small businesses. The fact that “the vast majority of domestic small businesses are legitimate and owned by hard-working American taxpayers who are not engaged in illicit activity”, however laudable, is not a valid reason for FinCEN to override the entire law. Honest small businesses deserve an even playing field and protection from fraudsters and other criminals who use anonymous companies.<sup>84</sup> It is impossible for a regulatory scheme like the CTA to only

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<sup>80</sup> Jamie A. Schafer, “Corporate Transparency Rollback Would Be Bad for Business”, Corporate Compliance Insights, May 23, 2025,

<https://www.corporatecomplianceinsights.com/corporate-transparency-rollback-would-be-bad-business>.

<sup>81</sup> Mengqi Sun, “Banks Dismayed With a Narrower Ownership Database,” *Dow Jones Risk Journal*, April 6, 2025. Chris Borkenhagen, “Treasury’s AML rollback could increase fraud risks for banks,” *American Banker*, April 9, 2025. <https://www.americanbanker.com/opinion/treasurys-aml-rollback-could-increase-fraud-risks-for-banks>.

<sup>82</sup> *Id.*

<sup>83</sup> “Commenters to the ANPRM suggested creating exemptions for state-licensed accounting companies; federally regulated health care institutions; limited liability companies owned by spouses solely to hold real property; certain Tribal entities; certain commodity pools, additional pooled investment vehicles, additional investment advisors, and family offices; companies with less than a defined capitalization or revenue threshold; well-established businesses; and entities owned by U.S. persons with significant asset holdings held in custody at regulated financial institutions.” 86 Fed. Reg. 69920, 69940-41 (Dec. 8, 2021).

<sup>84</sup> FACT Coalition, “FACT Sheet: Small Businesses Are Harmed by Anonymous Companies,” Sept. 17, 2019, <https://thefactcoalition.org/fact-sheet-small-businesses-are-harmed-by-anonymous-companies>.

target bad actors. By seeking to offer relief to good actors, FinCEN went too far and also relieved all of the bad actors, completely contradicting Congress.

**We urge FinCEN to consider some of the following options, which, unlike the IFR, would be consistent with the statute:**

- A streamlined postcard filing option for the smallest filers, modelled on the IRS Form 990-N for small nonprofits;
- A narrowly targeted exemption for homeowners associations (as defined in 26 U.S.C. 528);
- An enforcement policy clarifying that FinCEN will refer for criminal investigation and/or criminal prosecution only those instances of willful violation of the CTA where there is reason to believe that the relevant reporting entity was implicated in another crime. Such an approach would be consistent with the statute’s definition of reporting violations, which limits penalties to cases of willful noncompliance.<sup>85</sup> Such a policy would also not be unprecedented, as FinCEN has previously announced an enforcement policy for the Bank Secrecy Act.<sup>86</sup>

In addition, we also note here, without endorsing, two possibilities raised by other observers.

- The United Coalition of Public Safety (UCOPS), a nonprofit working on behalf of law enforcement officers and communities, has suggested in their comment that, “While less ideal, the Department could also consider amending the rule to maintain the exemption for U.S. businesses with real material operations, but require reporting for U.S. shell entities, which present a high risk for money laundering. While this change would not help law enforcement better identify and investigate companies used as fronts for criminal enterprises, it would at least still provide a starting point in identifying companies used as pass-throughs in complex money laundering schemes.” Similarly, tax attorney Melissa Wiley, noted that if FinCEN wanted to find a balance between the need for information and the concern of overregulation of small businesses, it could have taken a more nuanced approach “by creating a ‘small business’ exemption narrowly tailored to exclude a two-person wedding photography business and the landscaper down the street.”<sup>87</sup>

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<sup>85</sup> 31 U.S.C. 5336(h).

<sup>86</sup> U.S Department of the Treasury, “Financial Crimes Enforcement Network (FinCEN) Statement on Enforcement of the Bank Secrecy Act”, August 18, 2020, [https://www.fincen.gov/sites/default/files/shared/FinCEN%20Enforcement%20Statement\\_FINAL%20508.pdf](https://www.fincen.gov/sites/default/files/shared/FinCEN%20Enforcement%20Statement_FINAL%20508.pdf)

<sup>87</sup> Michael Smith, “Interim CTA Rule Shields Domestic Owners From Reporting Requirements,” Tax Notes, Mar. 25, 2025,

- The rule could be expanded to at least include domestic companies with foreign beneficial ownership, as Jamie Schafer from Perkins Coie has suggested.<sup>88</sup>

## Conclusion

For the reasons outlined above, the IFR presents significant legal risks, undermines U.S. national security and public safety, and runs counter to the Trump administration’s stated policy agenda. As such, we urge FinCEN to withdraw the IFR. Instead, FinCEN should consider less dangerous and more tailored ways to adjust the scope of the rule.

FACT is grateful for the opportunity to comment and remains available for further discussion and input. Please contact Erica Hanichak ([ehanichak@thefactcoalition.org](mailto:ehanichak@thefactcoalition.org)) with any questions or comments.

Respectfully submitted,

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<https://www.taxnotes.com/tax-notes-today-international/beneficial-ownership/interim-cta-rule-shields-domestic-owners-reporting-requirements/2025/03/25/7rt23>.

<sup>88</sup> “Expanding the final rule to impose BOI reporting on foreign-owned US entities represents a well-calibrated, risk-based approach to avoiding the myriad negative consequences of gutting the CTA.”

<https://www.corporatecomplianceinsights.com/corporate-transparency-rollback-would-be-bad-business>. Attorneys from law firms Perkins Coie and Morgan Lewis have previously advocated for exemptions for certain U.S. entities that are controlled by U.S. individuals holding significant assets.

Morgan Lewis sought an exemption for “any corporation, limited liability company or other similar entity that (i) is a United States person; (ii) is wholly beneficially owned, controlled, or funded by one or more natural persons who are United States citizens or by an entity that is a United States person; and (iii) together with other assets owned or controlled by such natural persons or such entity, has at least \$250,000 in assets custodied with a regulated financial institution licensed by the United States or any of its states or lesser subdivisions.” Comments dated [May 4, 2021](#) and [February 7, 2022](#).

Perkins Coie sought an exemption for “any entity that is a United States person and that is controlled directly or indirectly or exclusively funded by a natural person who is a United States citizen, so long as that natural person and all entities controlled directly or indirectly by that natural person have, in the aggregate, \$100 million or more in total assets custodied at or invested in one or more federally regulated banks, broker-dealers, or investment companies.” Comments dated [May 5, 2021](#) and [February 7, 2022](#).

**Appendix:**



April 2025

# FRAUD IN FEDERAL PROGRAMS

## FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies

## Why GAO Did This Study

Fraud across federal programs is a significant and persistent problem. Some of this fraud is perpetrated by private companies obscuring beneficial ownership information when they compete for government contracts or apply for federal benefits. OIGs conduct oversight through audits and investigations, which include issues related to beneficial ownership.

GAO was asked to review how beneficial ownership information may aid OIGs in their fraud detection and response efforts. This report describes the types of federal program fraud associated with beneficial ownership information, provides OIGs' perspectives on using the company registry, and assesses FinCEN's actions to communicate with OIGs.

GAO reviewed relevant laws and agency documentation, interviewed officials from FinCEN and the Council of the Inspectors General on Integrity and Efficiency (CIGIE), conducted a roundtable discussion with seven OIGs, and surveyed 72 OIGs to obtain their views on how the registry could affect their efforts to combat fraud.

## What GAO Recommends

GAO recommends that FinCEN communicate with OIGs, via CIGIE, regarding OIGs' company registry access and use. FinCEN had no comment on the recommendation.

View [GAO-25-107143](#). For more information, contact Rebecca Shea, [shear@gao.gov](mailto:shear@gao.gov).

# FRAUD IN FEDERAL PROGRAMS

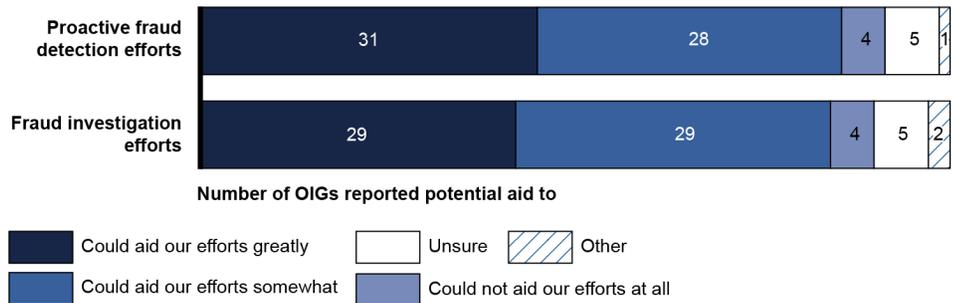
## FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies

### What GAO Found

When information is unclear about the identity of the person who ultimately owns or controls a company that is participating in federal programs or operations, there is a heightened risk of procurement-, grant-, and eligibility- related fraud. Offices of Inspectors General (OIG) told GAO that they face challenges using the currently available federal, state, and commercial data sources to identify the "beneficial owners" of companies as part of their fraud detection and response efforts.

A law that took effect in January 2024 directed certain companies to report their beneficial ownership information to a company registry administered by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). FinCEN has begun rolling out a process to allow law enforcement agencies, including select OIGs, to request access. Some OIGs told GAO that they have received information about the company registry, but they were unclear on which OIGs would have access to the data and exactly how company registry data can be used. Nevertheless, most OIGs who responded to GAO's survey reported that access to company registry data could be useful to their offices' fraud detection and response efforts (see fig.).

**Usefulness of Beneficial Ownership Information to Fraud Detection and Investigation Efforts, According to Offices of Inspectors General (OIG) Survey Responses**



Source: GAO analysis of survey data. | GAO-25-107143

OIGs identified several potential limitations in using company registry data. For example, FinCEN has not yet specified capabilities for bulk downloads of the data, but OIGs noted that such capability could facilitate data matching between the company registry and other data sources. In March 2025, Treasury announced plans to narrow the scope of reporting to foreign companies only. Beneficial ownership risk remains, however. With this change, registry information available to OIGs is more limited. Communicating with OIGs could help clarify the information available, OIGs' access, and how the data can be used. FinCEN officials said they are open to discussions with OIGs on these issues. Communication with OIGs during the registry rollout would better position FinCEN to identify and address challenges related to the fraud detection and response needs of the OIG community. Further, these efforts support FinCEN's strategic goal to significantly improve the ability to mitigate illicit finance risk by increasing law enforcement and other authorized users' access to beneficial ownership information.

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## Abbreviations

BSA	Bank Secrecy Act
CIGIE	Council of the Inspectors General on Integrity and Efficiency
Company Registry	Beneficial Ownership Secure System
CTA	Corporate Transparency Act
DOD	U.S. Department of Defense
FAA	Federal Aviation Administration
FinCEN	Financial Crimes Enforcement Network
FMCSA	Federal Motor Carrier Safety Administration
Fraud Risk Framework	<i>A Framework for Managing Fraud Risks in Federal Programs</i>
GSA	General Services Administration
MOU	memorandum of understanding
OIG	Office of Inspector General
PACE	Pandemic Analytics Center of Excellence
PRAC	Pandemic Response Accountability Committee
SAM	System for Award Management
SBA	Small Business Administration
Treasury	U.S. Department of the Treasury
USAID	U.S. Agency for International Development

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April 8, 2025

The Honorable Charles E. Grassley  
Chairman  
Committee on the Judiciary  
United States Senate

The Honorable Sheldon Whitehouse  
Co-Chair  
Caucus on International Narcotics Control  
United States Senate

Fraud in federal programs is a significant and persistent problem.<sup>1</sup> Some of this fraud is perpetrated by private companies obscuring information on “beneficial ownership”—the person who ultimately benefits from ownership or control of the company—when they compete for government contracts or apply for federal benefits. Our prior work has highlighted examples where private companies obscured beneficial ownership information to fraudulently obtain access to the Small Business Administration’s (SBA) Paycheck Protection Program, register aircraft with the Federal Aviation Administration (FAA), and obtain contracts with the U.S. Department of Defense (DOD).<sup>2</sup>

Offices of Inspectors General (OIG) have a unique mission in detecting and responding to such wrongdoing in federal programs. They conduct oversight through audits and investigations, which include issues related to beneficial ownership. For example, a recent National Health Care Fraud Enforcement Action, investigated by the Department of Health and Human Services’ OIG and other law enforcement agencies, has alleged

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<sup>1</sup>Fraud involves obtaining something of value through willful misrepresentation. Whether an act is fraudulent is determined through the judicial or other adjudicative system. When fraud risks can be identified and managed, fraud may be less likely to occur. Federal program managers are responsible for managing fraud risk. See GAO, *Fraud Risk Management: 2018-2022 Data Show Federal Government Loses an Estimated \$233 Billion to \$521 Billion Annually to Fraud, Based on Various Risk Environments*, [GAO-24-105833](#) (Washington, D.C.: Apr. 16, 2024).

<sup>2</sup>GAO, *COVID Relief: Fraud Schemes and Indicators in SBA Pandemic Programs*, [GAO-23-105331](#) (Washington, D.C.: May 18, 2023); *Aviation: FAA Needs to Better Prevent, Detect, and Respond to Fraud and Abuse Risks in Aircraft Registration*, [GAO-20-164](#) (Washington, D.C.: Mar. 25, 2020); and *Defense Procurement: Ongoing DOD Fraud Risk Assessment Efforts Should Include Contractor Ownership*, [GAO-20-106](#) (Washington, D.C.: Nov. 25, 2019).

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that individuals laundered nearly \$5.3 million received from false and fraudulent Medicare and Medicaid claims by transferring the funds to shell companies, which obscured beneficial ownership.<sup>3</sup>

The Corporate Transparency Act (CTA), which went into effect on January 1, 2024, includes significant reforms to anti-money-laundering laws and is intended to help prevent and combat money laundering, terrorist financing, corruption, and tax fraud.<sup>4</sup> One component of the CTA requires select types of companies (reporting companies) to disclose identifying information about their beneficial owners to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN).<sup>5</sup> FinCEN has established the Beneficial Ownership Secure System (company registry) to collect this information.

The CTA also tasks FinCEN with securely storing this information. The CTA further specifies that company registry information may only be disclosed to support national security, intelligence, and law enforcement activities or compliance with financial institution customer due diligence regulations. FinCEN has begun the planning and early execution phases of rolling out access to information in the company registry.<sup>6</sup>

You asked us to examine how beneficial ownership information may aid OIGs in their investigation of fraud, corruption, financial misconduct, and other risks associated with opaque beneficial ownership information in federal programs and operations. This report (1) describes federal program fraud risks associated with opaque beneficial ownership information and related challenges OIGs face with fraud detection and response, (2) describes OIGs' perspectives on using the company

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<sup>3</sup>U.S. Attorney's Office, Southern District of Florida, *National Health Care Fraud Enforcement Action Results in 193 Defendants Charged and Over \$2.75 Billion in False Claims*, accessed November 26, 2024, <https://www.justice.gov/usao-sdfl/pr/national-health-care-fraud-enforcement-action-results-193-defendants-charged-and-over>.

<sup>4</sup>Corporate Transparency Act, Pub. L. No. 116-283, div. F, title LXIV, 134 Stat. 4604-4625.

<sup>5</sup>Reporting companies include corporations, limited liability companies, or other similar entities that are registered to do business with state registry offices. As discussed further in the background section below, Treasury issued an interim final rule on March 26, 2025, that limits the regulations to foreign reporting companies and excludes any reporting on ownership information regarding U.S. persons. 90 Fed. Reg. 13,688 (March 26, 2025).

<sup>6</sup>The CTA includes a provision for us to audit annually—for the next 6 years—the procedures and safeguards FinCEN established to determine whether those mechanisms met the act's requirements and whether Treasury is using beneficial ownership information in a manner consistent with the act. 31 U.S.C. § 5336(c)(10).

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registry, and (3) assesses FinCEN's actions to communicate with OIGs about company registry data.

To describe federal program fraud risks associated with opaque beneficial ownership information and related challenges OIGs face with fraud detection and response, we reviewed relevant GAO reports, OIG semiannual reports, and risk assessments from Treasury for illustrative examples of the types of fraud risks and closed cases featuring fraud schemes associated with opaque beneficial ownership information. We also held a roundtable discussion with seven selected OIGs to learn about their views on the challenges involved in identifying beneficial owners within their fraud detection and response efforts.<sup>7</sup> In addition, we interviewed members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) on the federal program fraud risks associated with opaque beneficial ownership and the related challenges OIGs face with federal program fraud detection and response efforts.<sup>8</sup>

To describe OIGs' perspectives on the use of FinCEN's company registry, we first surveyed 72 federal OIGs for their views on the utility of company registry data in their fraud detection and response efforts.<sup>9</sup> We then held a roundtable discussion with selected OIGs to obtain their views on opaque beneficial ownership information and the company registry. Roundtable participants identified and voted on the top potential limitations they could face in using information from the company registry in support of their fraud detection and response efforts. We interviewed members of CIGIE to obtain their views on how information from the company registry could impact OIGs' fraud detection and response efforts. We also interviewed FinCEN officials for their perspectives on OIGs' reported potential limitations in using company registry data. See appendix I for a full discussion of our scope and methodology, including

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<sup>7</sup>We selected and invited a diverse range of federal OIGs to our roundtable discussion, including OIGs with and without law enforcement authority; OIGs that oversee federal agencies facing fraud risk within contracting, grant-making, or direct benefit programs; and OIGs with various reported data analysis capabilities, as indicated by their responses to two survey questions, among other considerations. See app. I for a full discussion of our roundtable methodology.

<sup>8</sup>CIGIE was established in 2008 to represent and serve as the coordinating body for the OIG community.

<sup>9</sup>We initially identified 74 federal OIGs. GAO's OIG and the Special Inspector General for the Troubled Asset Relief Program were excluded, resulting in a final survey population of 72 federal OIGs. GAO's OIG, while overseeing a federal agency, was excluded to maintain independence. The Special Inspector General for the Troubled Asset Relief Program sunset in March 2024, before we conducted the survey.

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our survey and roundtable discussion. Complete results of our survey are presented in appendix II.

To assess FinCEN's actions to communicate with OIGs about company registry data, we (1) reviewed relevant FinCEN documentation on the implementation, time frames, and educational outreach efforts regarding access to the company registry; (2) reviewed Treasury's Fiscal Year 2022-2026 Strategic Plan for information on the agency's efforts to aid law enforcement agencies in the detection of illicit financial activity; (3) interviewed FinCEN and CIGIE officials on efforts to communicate with OIGs during the phased rollout to provide access to the company registry; and (4) analyzed OIGs' survey and roundtable participant responses.<sup>10</sup> We then analyzed the extent to which these documents and actions aligned with the Standards for Internal Control in the Federal Government - specifically, the principle related to management externally communicating the necessary quality information to achieve the entity's objectives.<sup>11</sup>

To provide context for the scope of potential OIG oversight, we analyzed USAspending.gov data, supplemented by the General Services Administration's (GSA) System for Award Management (SAM) data to determine the number of companies participating in federal programs. We considered awards active in USAspending.gov for calendar year 2023 and the entities that held those awards.<sup>12</sup> We also analyzed data from

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<sup>10</sup>U.S. Department of the Treasury, *Treasury Strategic Plan 2022-2026*, accessed December 9, 2024, from <https://home.treasury.gov/system/files/266/TreasuryStrategicPlan-FY2022-2026.pdf>.

<sup>11</sup>We selected the principle in the *Standards for Internal Control in the Federal Government* that is the most relevant to this objective based on a review of FinCEN documents and discussions with FinCEN officials responsible for executing the phased rollout approach to the company registry, OIG officials who would use company registry data, and CIGIE members who represent the OIG community's collective interests. GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

<sup>12</sup>The website USAspending.gov is the official source for spending data for the U.S. government and includes information about federal awards such as contracts, grants, and loans. It is intended to inform the American public about how much the federal government spends every year and for what purposes. The information on USAspending.gov can allow users to identify funding opportunities and can also help in identifying potential fraud, waste, and abuse. GAO, *Federal Spending Transparency: Opportunities to Improve USAspending.gov Data*, [GAO-24-106214](#) (Washington, D.C.: Nov. 7, 2023).

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OpenCorporates, a third-party data aggregator of secretary of state records, to supplement our analysis with the number of companies registered to do business in the U.S.

We conducted this performance audit from October 2023 to April 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

### Overview of Beneficial Ownership Information and Company Formation

A “beneficial owner” is the person who ultimately benefits, financially or otherwise, from ownership or control of a company. The CTA defines a beneficial owner as any individual who exercises substantial control or controls at least 25 percent ownership interest of a company (thus there may be up to four beneficial owners of a company).<sup>13</sup> However, the identity of the beneficial owner(s) is not always required when forming or registering a business.

Many companies are formed by registering with secretaries of state or similar state offices. However, most jurisdictions do not require identification of owners when forming a new business or registering an existing business. The amount of company information collected by states and available to the public, including information on owners of record or beneficial owners, varies by state. Further, the vast majority of states require little to no disclosure of contact information or other information about an entity’s officers or others who control the entity. Therefore, opaque information can make it challenging to identify beneficial owners for law enforcement efforts, financial institutions’ customer due diligence compliance efforts, or other purposes.

Further, the structure of certain company types, such as limited liability companies, can obscure information on beneficial owners. Opaque ownership structures may be created and used for legitimate purposes. For example, shell companies—companies that exist only on paper—may be used to transfer assets or facilitate corporate mergers. However, these structures may also be used to facilitate money laundering and other

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<sup>13</sup>Corporate Transparency Act, as codified at 31 U.S.C. § 5336(a)(3).

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criminal activities by concealing the identities of bad actors. Multiple layers of corporate structures—companies owned by other companies, including shell or shelf companies—can further obscure information on beneficial owners and their relationships to other companies or individuals.<sup>14</sup> With this information and such relationships hidden, bad actors may target federal programs—and by extension, taxpayer dollars—to improperly receive federal contracts or fraudulently access federal benefits.

Our analysis of aggregated secretary of state data showed that as of January 2024, as many as 50.9 million active businesses operated in the U.S., including D.C. and Puerto Rico.<sup>15</sup>

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## Beneficial Ownership Reporting Requirements and Law Enforcement Access

Beneficial ownership reporting and data availability requirements have evolved, along with understanding of how this information can help fight criminal activity. The landmark anti-money-laundering legislation, the Bank Secrecy Act (BSA) of 1970, has been amended over the years. In 2016, the regulations implementing the BSA were updated with a requirement for financial institutions to collect and verify beneficial ownership information when opening new accounts for certain company types.<sup>16</sup> With enactment of the CTA in 2021, certain company types are

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<sup>14</sup>A shelf company is a shell company that was created at an earlier date to give an impression of company longevity.

<sup>15</sup>We identified these companies, using data from OpenCorporates, a third-party data aggregator of secretary of state records. Companies considered potentially active for this analysis are those for which the “Inactive” status value in OpenCorporates data was not “True.”

<sup>16</sup>The Bank Secrecy Act, Pub. L. No. 91-508, 84 Stat. 1114-24 (1970) (codified as amended in scattered sections of 12 U.S.C., 18 U.S.C., and 31 U.S.C.), with implementing regulations at 31 C.F.R. Chapter X. FinCEN’s final rule on *Customer Due Diligence Requirements for Financial Institutions* updated existing anti-money-laundering regulations in effect since the Bank Secrecy Act was codified in 1970. 81 Fed. Reg. 29,398 (May 11, 2016) (codified at 31 C.F.R. §§ 1010, 1020, 1023, 1024, 1026).

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required to report beneficial ownership information directly to FinCEN.<sup>17</sup> FinCEN must collect the reported data and securely store the data in the company registry, as required by the CTA.

We have previously reported that FinCEN is responsible for BSA administration, has authority to enforce compliance with BSA requirements, and serves as the repository of BSA reporting from banks and other financial institutions.<sup>18</sup> FinCEN also analyzes information in BSA reports and shares its analyses with appropriate federal, state, local, and foreign law enforcement agencies. Federal, state, and local law enforcement agencies can use BSA reports to help investigate and prosecute fraud, drug trafficking, terrorist acts, and other criminal activities. According to Treasury's Fiscal Year 2022 – 2026 Strategic Plan, FinCEN also aims to increase transparency in the domestic and international financial system to aid law enforcement agencies in the detection of illicit financial activity.<sup>19</sup>

As of January 2024, entities created by filing a document with a secretary of state (or similar office) are required to report beneficial ownership

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<sup>17</sup>The CTA defines reporting companies as corporations, limited liability companies, and similar entities created by filing with a secretary of state or similar office are considered reporting companies, with some exceptions. Companies formed under laws of foreign countries but registered to do business by filing with a U.S. secretary of state or similar office are also considered reporting companies. Companies not required to report beneficial ownership information to FinCEN include securities reporting issuers; governmental authorities; banks, credit unions, depository institution holding companies, and money services businesses; securities brokers or dealers, securities exchange or clearing agencies, and other Exchange Act-registered entities; investment companies or advisers; venture capital fund advisers; insurance companies and state-licensed insurance producers; Commodity Exchange Act registered entities; accounting firms; public utilities; financial market utilities and pooled investment vehicles; tax-exempt entities and those entities that assist tax-exempt entities; large operating companies; subsidiaries of exempted companies; and inactive entities. 31 U.S.C. §3556(a)(11). In an interim final rule published in March 2025, Treasury amended its regulations implementing the CTA to apply only to foreign reporting companies and to exempt U.S. persons who are beneficial owners of any foreign reporting company. 90 Fed. Reg. 13,688 (March 26, 2025).

<sup>18</sup>GAO, *Bank Secrecy Act: Action Needed to Improve DOJ Statistics on Use of Reports on Suspicious Financial Transactions*, [GAO-22-105242](#), (Washington, D.C: Aug. 25, 2022).

<sup>19</sup>U.S. Department of the Treasury, *Treasury Strategic Plan 2022-2026*.

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information to the company registry.<sup>20</sup> We identified approximately 47 million companies registered in the U.S. that are likely to report their beneficial ownership information to the company registry.<sup>21</sup> These companies must submit the beneficial owner(s)' name, date of birth, and address, as well as a unique identifying number from an acceptable identification document (such as a current passport or driver's license) and the name of the state or jurisdiction that issued the identification document.

FinCEN's final rule on *Beneficial Ownership Information Access and Safeguards*, published December 22, 2023, limits disclosure of beneficial ownership information to federal agencies and other law enforcement agencies for use in furtherance of national security, intelligence, or law enforcement.<sup>22</sup> Law enforcement agencies, including OIGs, can use beneficial ownership information, along with related data collected under the BSA, as amended, to combat illicit financial activities by pursuing criminal or civil investigations. Investigations of government procurement matters are among authorized uses of these data.

FinCEN plans to use a phased rollout approach to provide company registry access to authorized users, including OIGs, in five phases. These phases began in spring 2024 and had been planned to be completed by spring 2025. Once each rollout phase is complete with required documents received from interested agencies and institutions, authorized users may access the company registry through the FinCEN beneficial

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<sup>20</sup>FinCEN began accepting reports on January 1, 2024. A reporting company created or registered to do business before January 1, 2024, will have until January 1, 2025, to file its initial report. A reporting company created or registered in 2024 will have 90 calendar days to file after receiving actual or public notice that its creation or registration is effective. A reporting company created or registered on or after January 1, 2025, will have 30 calendar days to file after receiving actual or public notice that its creation or registration is effective. As discussed later in this report, in March 2025, Treasury announced plans to narrow the scope of the beneficial ownership information reporting rule.

<sup>21</sup>We included all companies for which the "inactive" indicator field in OpenCorporates data was not "True" (indicating the business was active, or information was not provided). In addition, the aggregated data did not contain enough information to compare companies to all exemption types. As a result, our estimate of companies that are likely to report beneficial ownership information to FinCEN's company registry may be overstated.

<sup>22</sup>88 Fed. Reg. 88,732 (Dec. 22, 2023) (codified at 31 C.F.R. Part 1010).

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ownership portal. Access rules for beneficial ownership information differ from other FinCEN data.<sup>23</sup>

The CTA has been the subject of ongoing litigation and changes in implementation. There have been multiple challenges to the law that are ongoing at the time of this report's issuance. Additionally, in March 2025, Treasury announced its plans to narrow the scope of the rule implementing the CTA to foreign-owned reporting companies only.<sup>24</sup> According to Treasury, it is taking this step to ensure that the rule is appropriately tailored to advance the public interest. Treasury announced that, with respect to the CTA, it will not enforce any penalties or fines associated with the beneficial ownership information reporting rule under the existing regulatory deadlines. It also will not further enforce any penalties or fines against U.S. citizens or domestic reporting companies or their beneficial owners after the rule changes take effect. Such implementation changes limit the availability of beneficial ownership information. As a result of the ongoing litigation and implementation changes, the rollout of the company registry is being affected, with the full impacts not known at the time of this report's issuance.

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## Roles and Authorities of Offices of Inspectors General

OIGs play an important role in federal program fraud detection and response. There are more than 70 federal OIGs. OIGs can use data analytics or other techniques to proactively detect fraud. OIGs also conduct investigations into potential fraud and may use the results of those investigations to raise fraud awareness and conduct trainings for federal program managers and others involved in program delivery. *GAO's A Framework for Managing Fraud Risks in Federal Programs* (Fraud Risk Framework) calls for program managers to collaborate and communicate with OIGs to improve understanding of fraud risk and align efforts to address fraud.<sup>25</sup>

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<sup>23</sup>FinCEN officials clarified that the beneficial ownership portal is distinct from the BSA portal, the latter of which is the gateway for authorized federal, state, and local law enforcement and regulatory users to access BSA and FinCEN financial data. The BSA portal is subject to different access rules than the beneficial ownership portal.

<sup>24</sup>On March 26, 2025, Treasury issued an interim final rule that limits the regulations to foreign reporting companies and excludes any reporting on ownership information regarding U.S. persons. 90 Fed. Reg. 13,688 (March 26, 2025).

<sup>25</sup>GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015).

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The Inspector General Act of 1978, as amended, outlines responsibilities and authorities for Inspectors General. For example:

- OIGs conduct investigations of their agencies' programs and operations, including cases of fraud related to ownership misrepresentations. OIGs are also required to report suspected violations of federal criminal law identified while carrying out their duties and responsibilities.<sup>26</sup>
- For the 40 OIGs with law enforcement authority, the Inspectors General and select individuals under their supervision are authorized to perform law enforcement-specific activities including carrying a firearm, seeking and executing warrants for arrest, and making an arrest.<sup>27</sup> See appendix III for a list of OIGs, including OIGs with law enforcement authority.

OIGs are uniquely positioned to investigate violations of law that impact federal agencies. OIGs conduct investigations in relation to the federal programs their offices oversee and are subject matter experts in federal programs. As such, they understand their agencies' program requirements and how the programs can be defrauded. In addition, OIGs help to promote efficiency within federal programs while saving taxpayer dollars. OIGs do this through audits and investigations which may result in criminal actions or civil settlements, but may also be resolved through administrative actions, such as recoveries, recommendations for government-wide suspensions, or termination of awards to further help create an environment of accountability within programs they oversee.

OIGs may provide training to agency staff and share results of investigations to raise fraud awareness and reinforce requirements to report suspected fraud to the OIG. According to the Fraud Risk Framework, increasing managers' and employees' awareness of potential fraud schemes through training and education can serve a preventive purpose by helping to create a culture of integrity and compliance within the program. OIG response efforts can also inform agencies' fraud

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<sup>26</sup>In carrying out the duties and responsibilities established within The Inspector General Act of 1978, as amended, each OIG shall report expeditiously to the Attorney General whenever the OIG has reasonable grounds to believe there has been a violation of federal criminal law.

<sup>27</sup>As mentioned above, the Special Inspector General for the Troubled Asset Relief Program sunset in March 2024.

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prevention activities, such as by using the results of investigations to enhance applicant screenings and fraud indicators.

OIGs conduct investigations into potential fraud in their programs, including programs that award federal funds to companies. Our analysis of USAspending.gov data identified over 168,000 unique companies with active federal contracts or financial assistance in 2023, totaling nearly \$6.2 trillion. We determined that over 116,000 of these had a company type that would likely be required to report beneficial ownership information to the company registry.

CIGIE was established in 2008 to represent and serve as the coordinating body for the OIG community. According to its strategic plan, CIGIE seeks to advance the OIGs' collective interests through effective and consistent communication with their stakeholders.<sup>28</sup> For example, one of CIGIE's goals is to facilitate collaboration and sharing of best practices to increase efficiency and effectiveness; educate stakeholders on CIGIE's mission and activities; and gather information about their stakeholder's needs, priorities, and challenges.

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## Opaque Ownership Information Heightens Program Fraud Risks and Hinders OIG Detection and Response

Federal programs face heightened fraud risks when beneficial ownership information is opaque for private companies that compete for government contracts or apply for grants or benefits. In addition to financial losses, impact from such fraud can be nonfinancial, such as threats to national security or public safety. OIGs face challenges in identifying beneficial owner information when using multiple data sources and analytic tools as part of their fraud detection and response efforts.

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### Opaque Ownership in Procurement, Grants, and Eligibility Decisions Heighten Program Fraud Risks

Opaque beneficial ownership information heightens the risk of procurement-, grant-, and eligibility-related fraud by hiding improper relationships; illicit access to sensitive government information by foreign actors; or ineligible status, among other wrongdoing.

#### Procurement Fraud Risks

By hiding improper relationships or illicit activity—such as conflicts of interest, corrupt activity, or unauthorized access—opaque beneficial ownership information heightens the risk for procurement fraud. The

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<sup>28</sup>Council of the Inspectors General on Integrity and Efficiency, *Five-Year Strategic Plan, 2023-2027*, accessed July 26, 2024, from <https://www.ignet.gov/content/strategic-plan>.

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changeable nature of contractor relationships further complicates this risk. According to CIGIE members we interviewed, contractors buy each other out, merge, or create joint ventures. Even with available contractor relationship information, officials told us that these practices can make understanding and reconstructing the underlying relationships difficult or impossible.

Beyond hidden relationships between contractors, opaque ownership information facilitated through the use of shell companies can hide conflicts of interest and other illicit activity. For example, an OIG investigation discovered a contract conspiracy involving multiple foreign service national employees of the U.S. Agency for International Development (USAID) Southern Africa, according to an OIG semiannual report.<sup>29</sup> In this scheme, a USAID Southern Africa program manager registered a shell company that was awarded 10 contracts over 4 years, with a total value of \$150,663. Two additional foreign national employees fabricated invoices, reports, and other documentation in support of the scheme. The three employees confessed to also taking kickbacks on contracts awarded to the shell company and admitted that little-to-no goods were provided to USAID Southern Africa under these contracts.

Opaque ownership information can also be exploited to obscure corrupt federal officials' relationships to companies receiving federal contracts. CIGIE members we interviewed described investigations of federal employees with contracting authority who also had a beneficial ownership interest in a company receiving federal funds. We reported on a similar type of case in 2019, involving an employee of a DOD contractor.<sup>30</sup> In this case, the employee and his wife formed a company, but listed the names of family members as the managers on company formation documents to conceal their ownership. In his official position within the DOD contracted entity, he wrote letters justifying awards of purchase orders to his own company, and approved recommendations that awards be made to his company. The company received at least \$9.7 million. The employee's wife and co-owner of the company signed the subcontracts using her maiden name, knowing that the use of her married name could reveal the employee's involvement in the company and affect the awards.

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<sup>29</sup>U.S. Agency for International Development Office of Inspector General, *Semiannual Report to Congress*, October 1, 2019–March 31, 2020 (Washington, D.C.: May 1, 2020).

<sup>30</sup>[GAO-20-106](#).

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Fraud risks in procurement can also manifest when foreign actors hide behind opaque ownership information to gain unauthorized access, such as to sensitive military data. For example, in November 2019, we reported on a case where a foreign manufacturer created a shell company in the United States for the purpose of contracting with the government and obtaining DOD contracts that foreign-based manufacturers were not permitted to receive.<sup>31</sup> The shell company received payments from DOD from June 2011 to September 2013. The contractor's owner was a foreign citizen and the president of a foreign manufacturing company, despite claiming to be a domestic company. Contract payments were wired to a foreign bank account, most of which were then transferred to the bank account of the foreign manufacturing company. The contractor's owner used an alias to receive access to military critical technical data that he was not eligible to access as a foreign citizen.

## Grant Fraud Risks

Opaque beneficial ownership information heightens the risk for grant fraud by obscuring relationships between entities. Members of CIGIE told us that an OIG that oversees federal grants was concerned with subgrantees because not knowing who the subgrantees are leads to concerns about related parties and bid-rigging. We've previously reported on how opaque ownership structures can play a role in carrying out these types of fraud schemes.<sup>32</sup>

Roundtable participants also highlighted how investigating cases of grant fraud in grant award systems becomes challenging when there is opaque beneficial ownership information. For example, one participant shared concerns that nonprofit organizations change their names and acquire each other, making it challenging to figure out who remains the owner when one nonprofit is absorbed by another. Sometimes nonprofit organizations do not update their registrations in the Internal Revenue Service's 501(c)(3) database, according to the roundtable participant, which makes it a challenge to research organizations.<sup>33</sup>

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<sup>31</sup>[GAO-20-106](#).

<sup>32</sup>[GAO-20-106](#). For example, in 2019, we reported on schemes involving inflated prices charged by contractors for the services rendered, bid submission with the same two or three offerors on multiple contract opportunities, or inclusion of one or more contractors as a subcontractor on the bid rigger's proposal.

<sup>33</sup>As noted above, companies not required to report beneficial ownership information to FinCEN include tax-exempt entities.

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Another roundtable participant shared an example from one of their grant programs where a nonprofit organization received an overpayment in its grant award due to a lack of true beneficial ownership information. For example, organizations must disclose their affiliates to be eligible for certain grant programs to ensure that awards are appropriately calculated, according to the participant. Organizations are eligible for a certain amount of award based on the disclosed affiliates across all locations and, without true beneficial ownership information, a grantee could receive a larger award than it is eligible for. One awardee received 3 to 5 times more of the grant funds than it should have received because of the lack of true beneficial ownership information, according to the participant.

Obscuring relationships between businesses can lead to entities receiving grants for duplicative work. For example, in 2024, we reported on a case where an individual and three businesses applied for and received over \$1 million in Small Business Innovation Research and Small Business Technology Transfer contracts and grants for essentially equivalent work from three different federal agencies on behalf of four related businesses.<sup>34</sup> The individual and businesses involved concealed from each participating agency the existence of the other agencies' awards and the relationships between the businesses. In proposals for each award, the individual and businesses represented that each business had distinct facilities, equipment, and operations. In reality, the businesses shared a common facility and resources. The individual and businesses further misrepresented in each proposal, among other things, costs, employees, and the eligibility of their principal investigators to perform work under the awards.

## Eligibility Fraud Risks

Opaque beneficial ownership information can make eligibility determinations for federal benefits difficult, heightening fraud risk where information associated with an ineligible company or status is deliberately obscured. Participants in our OIG roundtable described the checks in some of the benefits programs they oversee. For example, one participant OIG oversaw an agency providing direct benefits and described the checks that program officials conduct on the owners, such as for criminal history; suspensions and debarments; and federal tax delinquencies, among others. Even if a beneficial owner is disclosed but

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<sup>34</sup>GAO, *Small Business Research Programs: Opportunities Exist for SBA and Agencies to Reduce Vulnerabilities to Fraud, Waste, and Abuse*, [GAO-24-105470](#) (Washington, D.C.: Sept. 9, 2024).

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the owner is a figurehead, the due diligence program may not be able to uncover a company's ineligibility or an improper relationship.<sup>35</sup>

Our prior work further illustrates how opaque beneficial ownership information can hide ineligibility to participate in programs based on requirements for obtaining contracts and awards set aside for small businesses. For example, in 2019, we reported on a fraud scheme where a company owner's ineligible status was deliberately obscured to obtain service-disabled veteran-owned, set-aside contracts.<sup>36</sup> The true beneficial owner of the company recruited a disabled veteran to form the company with him and serve as figurehead. The disabled veteran was paid for allowing his name to be used by the business but worked full-time for another company in a different state and, according to a witness, was rarely in the office and did not approve any business decisions.<sup>37</sup> The company received \$32.5 million in federal awards by falsely claiming that the company qualified as a service-disabled, veteran-owned small business from 2008 to 2015, when the beneficial owner knew that it did not.

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<sup>35</sup>GAO-20-106. Figurehead owners do not actually maintain the level of beneficial ownership or control of the contractor required by federal regulations, or contractors simply used the names of eligible individuals when communicating with the government to bid on and win contracts.

<sup>36</sup>GAO-20-106. Awards to set-aside companies include those participating in the Small Business Administration programs for 8(a) set-aside companies, Women-Owned Small Businesses, and Service-Disabled Veteran-Owned Small Businesses; 8(a) set-aside companies must, among other things, be at least 51 percent owned and controlled by U.S. citizens who are economically and socially disadvantaged as defined in regulation. Women-Owned Small Businesses must be at least 51 percent owned and controlled by U.S. citizens who are women and who manage day-to-day operations and make long-term decisions, among other qualifications. Service-Disabled Veteran-Owned Small Businesses must be at least 51 percent owned and controlled by service-disabled veterans who manage day-to-day operations and make long-term decisions, among other qualifications. The Small Business Administration is responsible for administering these programs.

<sup>37</sup>GAO-20-106. Figurehead owners do not actually maintain the level of beneficial ownership or control of the contractor required by federal regulations, or contractors simply used the names of eligible individuals when communicating with the government to bid on and win contracts.

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### Crosscutting Procurement and Eligibility Fraud Risks Associated with Beneficial Ownership Also Enabled Other Illicit Activity

According to the information disclosed in late 2024 as part of a \$52 million settlement agreement, one of the federal government's largest providers of security and emergency response services devised a fraudulent scheme to control small businesses to obtain subcontracts reserved for woman-owned or service-disabled veteran-owned small businesses.

To hide ineligibility and relationships, the provider company's executives enlisted relatives and friends to serve as figureheads of the small businesses. For example, one executive's wife used her middle and maiden name to hide the relationship, and her retired father, an elderly service-disabled veteran, served as a figurehead of a company to obtain service-disabled veteran-owned small business status. The small businesses allegedly paid kickbacks to the executives totaling over \$11 million, concealed as consulting payments and made through various shell companies.

The settlement further resolved allegations associated with false representations made by some of the small businesses to receive forgivable loans intended as pandemic relief for small businesses.

Source: GAO analysis of Department of Justice information. | GAO-25-107143

By obscuring beneficial ownership information, bad actors can target more than one program, such as when applying for federal benefits and bidding on government contracts. Such crosscutting fraud schemes can have a wider impact on the government than on a single program or agency. We previously reported that during the COVID-19 pandemic, fraudsters targeted more than one pandemic relief program.<sup>38</sup>

Specifically, in our analysis of fraud cases involving SBA's Paycheck Protection Program and COVID-19 Economic Injury Disaster Loan program, some individuals also allegedly defrauded unemployment insurance programs or offered fraudulent COVID-19 tests or personal protective equipment. Other related crimes included theft of government funds; small business grant fraud; and health care fraud, among others.<sup>39</sup>

By obscuring beneficial ownership information, fraudsters may target multiple programs at once or, by using eligibility fraud to misrepresent a certain status, such as a service-disabled, veteran-owned small business, open doors to fraud and abuse of other programs. See the sidebar for an illustrative example of a crosscutting fraud scheme, highlighting procurement and eligibility fraud risks associated with obscured beneficial ownership information.

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## Fraud Risks from Opaque Beneficial Ownership Can Result in Financial and Nonfinancial Impacts

Fraud schemes associated with opaque beneficial ownership information can result in financial losses and nonfinancial impacts to federal programs or operations. According to GAO's Antifraud Resource, one fraud scheme could have a narrow impact on a sole individual, while another could

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<sup>38</sup>GAO, *COVID-19: Insights from Fraud Schemes and Federal Response Efforts*, GAO-24-106353 (Washington, D.C.: Nov. 14, 2023); and GAO-23-105331.

<sup>39</sup>We conducted our analysis based on fraud cases publicly announced by the Department of Justice, as of December 2021. GAO-23-105331.

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## Financial Losses

### **Home Health Fraud Scheme Associated with Beneficial Ownership Billed Medicare Over \$93 Million for Fictitious Services, Underscoring Loss to the Government and Illicit Financial Gain**

To conceal their identities, a man and a woman in Florida and their co-conspirators recruited foreign citizens to sign Medicare enrollment documents to appear as the owners of three home health agencies in Michigan.

The pair and their co-conspirators used these home health agencies to submit over \$93 million in Medicare claims for services that were not rendered using lists of stolen patient identities. Using dozens of shell companies and hundreds of bank accounts, they laundered and converted fraud proceeds into cash at ATMs and check cashing stores.

In late 2023, the man and woman were convicted for conspiracy to commit health care fraud, wire fraud, and money laundering. All of the co-conspirators pled guilty.

Source: GAO analysis of Department of Justice information. | GAO 25 107143

affect multiple individuals or groups.<sup>40</sup> Impacts of such schemes can be financial and nonfinancial in nature.

Fraud associated with opaque beneficial ownership information can result in financial losses and illicit financial gain. For example, in 2019 we reported on a case where two employees of a government prime contractor created a sham company to act as an additional subcontractor between the prime contractor and subcontractors, ultimately receiving \$33.5 million in awards. The true nature of the ownership and control of the sham subcontractor were concealed by omitting facts and purportedly transferring ownership of the company to another individual who did not actually control the company. The sham subcontractor added no value to the government and carried no inventory but still submitted invoices for payment, causing prime contractors to overcharge DOD by including these fraudulent charges in the prime contractor invoices.<sup>41</sup>

Concealing company ownership can also result in illicit financial gain. For example, in 2020 we reported on a case where an aircraft sales broker fraudulently registered multiple aircraft in a bank fraud scheme.<sup>42</sup> From 2010 to 2011, the broker obtained multiple registration certificates from FAA for aircraft he did not rightfully own or possess. According to court records associated with this case, the broker submitted to FAA fraudulent registration applications and bills of sale with forged signatures for 22 aircraft to use as collateral as part of a multi-million-dollar bank fraud scheme. He used the registration documents that FAA provided as an asset to support a loan application that ultimately resulted in an approximately \$3 million bank loan used to float his failing aircraft-sales business. See the sidebar for an illustrative example for a health care fraud scheme involving hidden beneficial ownership that resulted in losses to the government and illicit financial gain.

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<sup>40</sup>GAO, "GAO Antifraud Resource" (Washington, D.C.: Jan. 10, 2022), accessed November 2024, <https://antifraud.gaoinnovations.gov/whatisfraud>. We developed GAO's Antifraud Resource to help federal officials and the public better understand and help combat federal fraud. The resource includes GAO's Conceptual Fraud Model, which was developed to determine the nature of known fraud, both financial and nonfinancial, that affects federal programs and operations. The primary intended users of GAO's Antifraud Resource are managers in the U.S. federal government; however, it may also be applicable to state, local, and foreign government agencies, as well as nonprofit entities and others responsible for fraud risk management.

<sup>41</sup>GAO-20-106.

<sup>42</sup>GAO-20-164.

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## Nonfinancial Impacts

Although sometimes overlooked, the nonfinancial impacts associated with opaque beneficial ownership information are equally important because they can threaten national security or public safety. For example, in 2017, we reported on the security risks to the federal government regarding leases of foreign-owned space.<sup>43</sup> Leasing space in foreign-owned buildings—particularly where foreign ownership is unknown or undisclosed—presents risks to federal agency operations from espionage; unauthorized cyber and physical access to the facilities; and sabotage, based on our discussions with federal officials and selected real estate company representatives in 2017.

We have also previously reported on national security implications of challenges identifying beneficial owners for foreign transactions under the purview of the interagency Committee on Foreign Investment in the United States.<sup>44</sup> In 2018, we reported that member agency officials serving on the committee explained that it has become more challenging to identify the ultimate beneficial owners for the transactions that involve private and foreign government entities. These officials also noted the additional time and staff required to examine the national security implications of such transactions. In 2024, we found that transactions involving foreign investments in agricultural land can pose national security risks, when such land is located close to a sensitive military base.<sup>45</sup>

National security impacts of opaque beneficial ownership information can also arise from sanctions evasion. For example, we reported in 2023 on World Bank contracts awarded to entities whose true owners may have

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<sup>43</sup>GAO, *Federal Real Property: GSA Should Inform Tenant Agencies with Leasing High-Security Space from Foreign Owners*, [GAO-17-195](#). (Washington, D.C.: Jan. 3, 2017).

<sup>44</sup>The Committee on Foreign Investment in the United States is an interagency committee that reviews certain foreign acquisitions, mergers, or takeovers of U.S. businesses to determine the effect of a transaction on the national security of the U.S. GAO, *Committee on Foreign Investment in the United States: Treasury Should Coordinate Assessments of Resources Needed to Address Increased Workload*, [GAO-18-249](#) (Washington, D.C.: Feb. 14, 2018).

<sup>45</sup>GAO, *Foreign Investments in U.S. Agricultural Land: Enhancing Efforts to Collect, Track, and Share Key Information Could Better Identify National Security Risks*, [GAO-24-106337](#) (Washington, D.C.: Jan. 18, 2024).

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been listed on selected U.S. sanctions and other lists of parties of concern, according to our analysis of these lists.<sup>46</sup>

Concealing beneficial ownership can further impact national security in the context of U.S. elections as well as access to sensitive military technology. For example, the 2022 National Money Laundering Risk Assessment reported on how corruption could impact U.S. elections because such activity can be difficult to detect as perpetrators seek to conceal their involvement by obfuscating their identity.<sup>47</sup> Specifically, the risk assessment described a case that involved individuals who set up corporate entities to anonymously funnel contributions to a candidate's reelection campaign. These unlawful campaign contributions were designed to illegally influence elections in the U.S. The individuals were convicted on public corruption and bribery charges for their actions to covertly direct illegal campaign contributions to a candidate for public office in return for a favorable action by the candidate.

We also reported in 2019 on a case that involved a transfer of military technology and sensitive data to individuals in a foreign country.<sup>48</sup> Two shell companies misrepresented the location of their manufacturing facility as domestic when bidding for DOD contracts, contrary to eligibility requirements. As government contractors, the shell companies provided spare parts manufactured in a foreign facility. The companies transferred drawings of military technology and sensitive military data to an individual in a foreign country without the proper license or approval. Quality-control issues with the parts that were ultimately provided to DOD led to the grounding of 47 fighter aircraft, posing safety risks.

Public safety impacts can also arise from hidden ownership. For example, we reported in 2012 on public safety impacts associated with "chameleon carriers," which refers to the practice whereby motor carriers register using a new identity to avoid enforcement actions from interstate

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<sup>46</sup>For our 2023 report, we performed automated and manual review of the name and country of registration of World Bank borrower contract awardees and entities on U.S. government lists from calendar years 2017 to 2021. Based on our analysis of publicly available information, we identified 28 contract awardees that may have been present on selected U.S. lists at the time the contract was awarded. GAO, *World Bank: Borrower Countries' Contracts to Businesses in the U.S. and to Entities Potentially on U.S. Sanctions or Other Lists of Concern*, [GAO-23-105543](#) (Washington, D.C.: May 10, 2023).

<sup>47</sup>U.S. Department of the Treasury, 2022 National Money Laundering Risk Assessment (Washington, D.C.: February 2022).

<sup>48</sup>[GAO-20-106](#).

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commerce for safety reasons. Carriers may do this to disguise their former identity to evade enforcement actions issued by the Federal Motor Carrier Safety Administration (FMCSA), the federal agency responsible for overseeing motor carrier safety. By disguising beneficial ownership and prior safety violations through a new company identity, the chameleon carrier can continue its unsafe operations, exposing others to potential physical harm. Our 2012 report describes a case where a chameleon carrier operating a bus was involved in a crash in Texas that killed 17 passengers and injured several others.<sup>49</sup> The National Transportation Safety Board investigation found that the FMCSA had ordered this chameleon carrier out-of-service 2 months prior to the crash.

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## OIGs Face Fraud Detection and Response Challenges in Identifying Beneficial Owners Across Multiple Data Sources

CIGIE members and OIG roundtable participants informed us that they use various federal, state, and commercial data sources to identify beneficial owners as part of their fraud detection and response efforts.<sup>50</sup> They further noted that using these data sources to identify beneficial owners can be time-consuming, unreliable, and require significant resource investments.

### Federal Data Sources

CIGIE members and roundtable participants said they use federal data sources as part of their fraud investigations involving beneficial owners. For example, CIGIE members and roundtable participants said these sources include databases from the U.S. Library of Congress; the Federal Procurement Data System – Next Generation; USAspending.gov; and SAM, among others.<sup>51</sup>

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<sup>49</sup>GAO, *Motor Carrier Safety: New Applicant Reviews Should Expand to Identify Freight Carriers Evading Detection*, [GAO-12-364](#) (Washington, D.C.: Mar. 22, 2012).

<sup>50</sup>As noted above, OIGs can use data analytics or other techniques to detect fraud.

<sup>51</sup>According to CIGIE officials, fraud investigations may begin with a business, and the beneficial owner is identified during the investigation, or they may begin with an investigation into an individual whose beneficial ownership of one or more businesses is identified during the investigation. According to these officials, investigations starting with a business occur with approximately the same frequency as investigations beginning with an individual.

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Investigators may use SAM during an investigation.<sup>52</sup> According to CIGIE members, OIG investigators may look for common values in certain fields in SAM that can indicate that an owner is a figurehead for a set-aside fraud case, a potential excluded party, or is reinventing themselves as a new company.

According to our review of a GSA OIG report, an investigation determined that an individual, who was debarred from getting U.S. government contracts due to prior misconduct, created multiple companies in SAM using fictitious names to circumvent their previous debarment. The individual obtained more than 1,000 government contracts, valued at more than \$2.2 million. As a part of the scheme, the individual defrauded the government by obtaining contract payments from DOD for supplies that were never provided.<sup>53</sup>

One OIG also reported that identifying beneficial owners is time-consuming and costly. One roundtable participant said that, prior to them coming to the OIG, one beneficial ownership investigation required months of researching information from various data sources, including SAM.

## State Data Sources

CIGIE members and roundtable participants reported using secretary of states' information to help identify beneficial owners during an investigation.<sup>54</sup> However, officials identified limitations with state registry data. Identifying beneficial owners of a company generally requires accessing states' records for registrations, but this data source is not a reliable means of identifying potential fraud or beneficial owners.

This is because state systems are generally not standardized, according to CIGIE members and roundtable participants. For example, the fields

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<sup>52</sup>The System for Award Management is an official website of the U.S. government. There is no cost to use SAM.gov. Users can use this site to register to do business with the U.S. government; update, renew, or check the status of an entity's registration; search for entity registration and exclusion records; search for assistance listings, wage determinations, contract opportunities, and contract data reports; and, access publicly available award data via data extracts and system accounts.

<sup>53</sup>General Services Administration, Office of Inspector General, *Semiannual Report to Congress* (Washington, D.C.: Oct. 1, 2021 – Mar. 31, 2022).

<sup>54</sup>As noted above, many companies are formed by registering with secretaries of state or similar state offices. The amount of company information collected by states and available to the public, including information on owners of record or beneficial owners, varies by state.

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and standard business identifiers vary by state. As a result, one CIGIE member explained that it is time-consuming to find and structure the results into a consistent data format for analysis to identify beneficial ownership across multiple companies. In addition, one CIGIE member and roundtable participants told us that some state systems may require special accounts or paid access, which can inhibit fraud detection efforts. We have previously reported how the time it takes to use these systems and obtain beneficial ownership information can delay an investigation.<sup>55</sup>

### Commercial Data Sources

One CIGIE member and one roundtable participant described using commercial data sources to help uncover beneficial owners. For example, one CIGIE member told us that they used commercial resources, such as Westlaw®, to help conduct investigations within their office.<sup>56</sup> A roundtable participant told us they rely on commercially available products, such as Accurint, to help investigate fraud associated with opaque beneficial ownership.<sup>57</sup> These resources have associated costs to obtain access.

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### OIGs Face Challenges in Identifying Beneficial Owners Across Various Analytic Tools

OIGs face challenges in identifying beneficial owners and linkages between them, when using internal and external analytic tools. Specifically, they explained to us that it is difficult to identify hidden connections through unique characteristics, such as bank accounts. Using internal and external data analytic tools can be resource intensive, according to roundtable participants, CIGIE members, and congressional testimony from the Chair of the Pandemic Response Accountability Committee (PRAC), which is a CIGIE committee.

### Internal Analytic Tools and Resources

Some OIGs use internal analytic resources to proactively investigate beneficial ownership and detect concealed relationships. However, they explained that identifying concealed relationships between entities is difficult, and some connections may not be detected.

According to one CIGIE member, if OIGs seek to proactively identify beneficial owners, they can look for common values in certain data fields within their investigative case management systems. For instance, one

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<sup>55</sup>GAO, *Illicit Finance: Treasury Should Monitor Partnerships and Trusts for Future Risks*, [GAO-25-106955](#) (Washington, D.C.: Dec. 19, 2024).

<sup>56</sup>Westlaw ® provides a legal search engine that integrates litigation analytics and Artificial Intelligence-powered tools for conducting research.

<sup>57</sup>Accurint ® provides a direct connection to public records to help verify identities, conduct investigations, and detect fraud.

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roundtable participant told us that their offices conduct data analytics to link entities via key variables, such as the entity’s address, internet protocol address, and bank account. Because “beneficial ownership” is unlikely to be a keyword present in case management systems, reviewing key variables may provide insight into information on owners that may not otherwise be captured, allowing for data matching across various sources, according to CIGIE members.<sup>58</sup> If an OIG is investigating a fraud allegation related to research grant dollars, according to PRAC Chair congressional testimony, it must engage in a manual process to determine what other agencies may have funded that entity or if the funded program overlaps with other federal funding.<sup>59</sup> Hidden connections between different fraud schemes and bad actors may never be detected because information such as shared bank accounts, email addresses, phone numbers, and other unique characteristics are difficult to compare without a centralized system, according to the PRAC testimony.

## External Analytic Tools and Resources

Some OIGs may use external resources—such as contractors and data analytic capabilities provided by the PRAC—to prevent and detect fraud, waste, and abuse. Some resources, such as the PRAC, work with OIGs to ensure that taxpayer money is being used effectively to prevent and detect fraud, waste, and abuse through leading-edge data insights and

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<sup>58</sup>Investigators enter data into case management systems, which are used to store data and monitor investigations, using a combination of structured and narrative data fields. For example, investigators at the Defense Criminal Investigative Service enter data into their case management system using structured fields. The structured fields are intended for certain discrete pieces of data, such as suspect name or sentence type, and may restrict the types of characters that can be entered or rely on drop-down menus to prescribe the types of data that can be recorded. The narrative fields are open-ended fields that allow investigators to describe the investigation more broadly, based on available information. The completeness of the structured and narrative fields varies based on a range of factors, including the specific Defense Criminal Investigative Organization’s case management system and policies for data entry, such as policies specifying fields that are required. GAO, *DOD Fraud Risk Management: Enhanced Data Analytics Can Help Manage Fraud Risks*, [GAO-24-105358](#) (Washington, D.C.: Feb. 27, 2024).

<sup>59</sup>*Where Do We Go from Here? Examining a Path Forward to Assess Agencies’ Efforts to Prevent Improper Payments and Fraud, Before the U.S. House of Representatives Committee on Oversight and Accountability, Subcommittee on Government Operations and the Federal Workforce*, 118<sup>th</sup> Cong. (2024) (statement of the Chair, Pandemic Response Accountability Committee, Michael E. Horowitz).

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analytics tools, while other external resources can be expensive.<sup>60</sup> A roundtable participant described a resource-intensive example where external assistance was needed to identify the beneficial owner in a company hierarchy. The participant told us they worked with a team of contractors to conduct the research that ultimately determined that the owner of the company was the government of another country. This process was expensive and time-consuming, according to the participant.

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## OIGs Expect the Company Registry Could Support Fraud Detection and Response, but Are Concerned About Data Accuracy, Use, and Retrieval

OIGs told us that the company registry could support their fraud detection and response efforts, in response to our survey, roundtable discussion, and interviews with CIGIE members. Specifically, information on beneficial owners could support OIG investigations, data analytics, and fraud awareness and training efforts. However, OIGs also expressed concerns about data accuracy, use, and retrieval of bulk data from the company registry.

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## OIGs Identified Ways That Company Registry Data Could Support Their Efforts

OIGs identified ways that company registry data could support investigations, data analytics, and fraud awareness and training efforts.

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<sup>60</sup>In March 2021, the American Rescue Plan Act of 2021 appropriated \$40 million to the Pandemic Response Accountability Committee, which consists of 21 Inspectors General (Pub. L. No. 117-2, § 4003, 135 Stat. 4, 78 (2021)). Using these funds, in part, the Pandemic Analytics Center of Excellence (PACE) was established to help oversee the trillions of dollars in federal pandemic-related emergency spending. According to the Pandemic Response Accountability Committee the PACE applies the best practices from the Recovery Operations Center, with the goal of building an “affordable, flexible, and scalable analytics platform” to support OIGs during their pandemic-related work. The PACE focuses on pandemic programs only and is time limited—the Pandemic Response Accountability Committee will sunset on September 30, 2025. In March 2022, GAO recommended that Congress consider establishing a permanent analytics center of excellence to aid the oversight community in identifying improper payments and fraud. As of February 2025, this recommendation to Congress remains open. GAO, *Emergency Relief Funds: Significant Improvements Are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond*, [GAO-22-105715](#) (Washington, D.C.: Mar. 17, 2022); and *Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions of Dollars in Financial Benefits*, [GAO-23-106089](#) (Washington, D.C.: June 14, 2023); and *Program Integrity: Agencies and Congress Can Take Actions to Better Manage Improper Payments and Fraud Risks*, [GAO-25-108172](#) (Washington, D.C.: Mar. 11, 2025).

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## Investigations

Company registry data could support investigations involving opaque beneficial ownership, according to roundtable participants, CIGIE members, and survey results. Company registry data could allow OIGs to use beneficial ownership information in the aggregate to support their investigations. With information in a single dataset, OIGs could more easily identify connections to an individual or entity under investigation in complex fraud schemes. For example, one roundtable participant described a past experience trying to identify the true owner in a company hierarchy. The investigation required months of reviewing disparate sources of information, including public reports, to determine that the registered owner was not the beneficial owner.

Even if the information in the company registry is incomplete, it could support investigations involving opaque beneficial ownership better than what is currently available. One roundtable participant said it is difficult to find beneficial ownership information for entities in the U.S. due to differing state reporting requirements regarding what information entities must report and who can access that information. Further, beneficial ownership information obtained at the state level is also often limited to what is readily available to the general public, according to a roundtable participant.

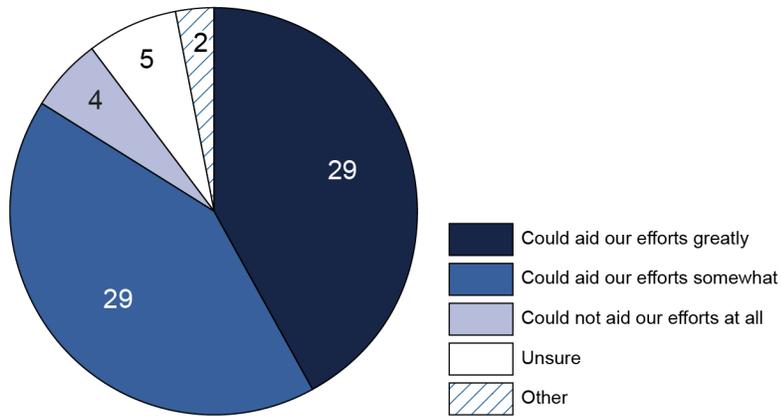
Company registry data could also reduce time and staff resources required for identifying the beneficial owner during an investigation. For example, one survey respondent noted that company registry data could become a “force multiplier” for smaller OIGs by enhancing oversight capabilities without requiring additional staff resources. The company registry could also help OIGs to scope investigations if the registry has an automated process for reviewing information, according to a CIGIE member.

The majority of OIGs responding to our survey saw company registry data as potentially helpful for fraud investigation efforts. Specifically, 58 of 69 OIGs responded that access to such information could greatly or somewhat aid their office’s fraud investigation efforts, as shown in figure 1 below.<sup>61</sup>

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<sup>61</sup>We surveyed 72 federal OIGs and obtained 69 responses.

**Figure 1: Usefulness of Beneficial Ownership Information to Fraud Investigation Efforts, According to Offices of Inspectors General (OIG) Survey Responses**



Number of OIGs

Source: GAO analysis of survey data. | GAO-25-107143

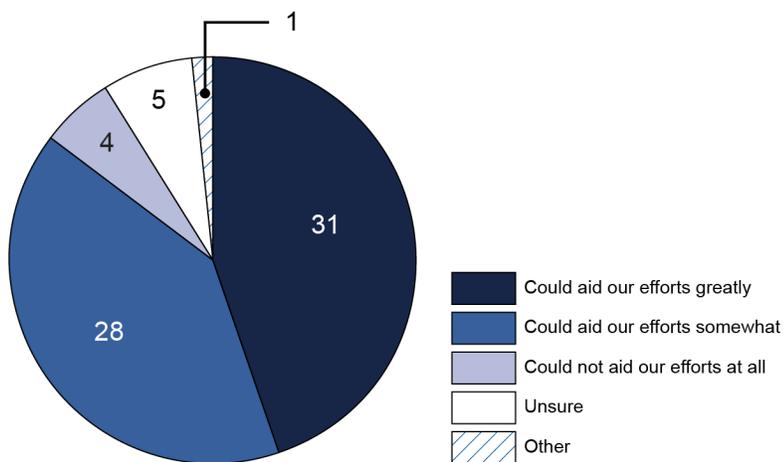
## Data Analytics

Company registry data could support OIGs' efforts to use data analytics to identify beneficial owners in a particular case as well as provide data in a consistent format needed for broader analyses to support fraud detection efforts. For example, set-aside fraud schemes may be easier to detect, according to a roundtable participant, since conducting data analytics activities with company registry data could reveal hidden affiliations between companies that may be cooperating to circumvent requirements for set-aside contracts. Consistently formatted data from the company registry could also enable OIGs to overlay company registry data with their program data. For example, according to a roundtable participant, they could overlay company registry data with their program data on set-aside contracts to identify ineligible individuals.

Access to company registry data could reduce current challenges when searching state records for businesses that may be registered across many states, according to CIGIE members. OIG investigators may need to locate individual business records in each state, and each state offers different data elements, formats, and access to information. From an analytics perspective, this makes it difficult to structure the data in a consistent format for analysis, according to CIGIE members. In the absence of company registry data, OIGs must piece company data together by paying for access to information and using inconsistently formatted search features, variables, and business identifiers for their analytic efforts.

The OIGs we surveyed also noted the potential utility of the company registry for data analytics, such as building proactive fraud analytic models that produce actionable results and assist in active investigations. Specifically, 59 of 69 OIGs responded that access to company registry information could greatly or somewhat aid their office's proactive fraud detection efforts.<sup>62</sup> See figure 2 below.

**Figure 2: Usefulness of Beneficial Ownership Information to Fraud Detection Efforts, According to Offices of Inspectors General (OIG) Survey Responses**



Number of OIGs

Source: GAO analysis of survey data. | GAO-25-107143

## Fraud Awareness and Training

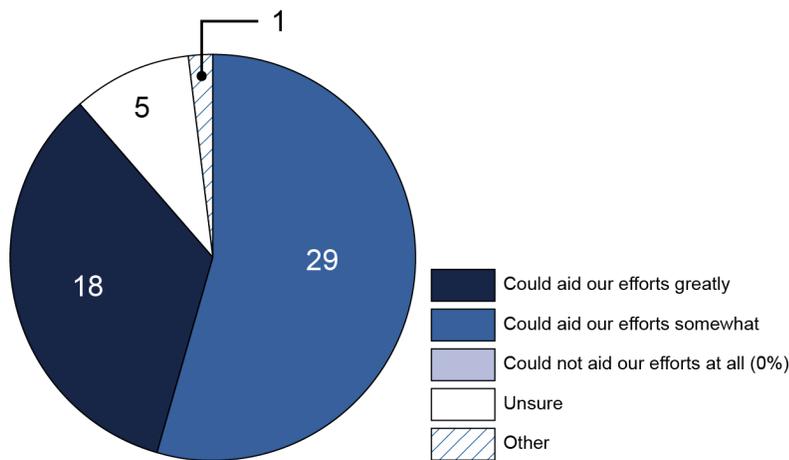
Company registry data could support OIGs' fraud awareness and training efforts. In addition to saving time and resources, as previously discussed, access to company registry data could provide beneficial ownership risk information that OIGs could integrate into their fraud awareness and training efforts for program and agency officials. According to CIGIE members, OIGs see an opportunity to incorporate illustrative use of beneficial ownership information from the company registry into their fraud awareness and training efforts to increase program managers' understanding of the risks associated with beneficial ownership.

Similarly, the OIGs we surveyed noted the potential utility of the company registry for their fraud awareness and training efforts. Specifically, 47 of 53 OIGs responded that access to company registry information could

<sup>62</sup>We surveyed 72 federal OIGs and obtained 69 responses.

greatly or somewhat support their office's fraud awareness and training efforts.<sup>63</sup> See figure 3 below.

**Figure 3: Usefulness of Beneficial Ownership Information to Fraud Awareness Efforts, According to Offices of Inspectors General (OIG) Survey Responses**



Number of OIGs

Source: GAO analysis of survey data. | GAO-25-107143

Access to the company registry may also encourage more OIGs to engage in fraud awareness and training efforts with program managers. For example, one survey respondent told us their OIG does not currently have fraud awareness and training efforts aimed at program managers on the risks associated with beneficial ownership information, but it could with future access to the company registry.

### OIGs Identified Potential Limitations with Data Accuracy, Use, and Retrieval in Using Company Registry Data

The accuracy and reliability of the data being entered into the company registry, data-use restrictions, and mechanisms for data retrieval are potential limitations in using company registry data, according to roundtable participants and CIGIE members.

<sup>63</sup>This survey question appeared to all respondents who did not select the response option, "We are not doing this and don't plan to" to a preceding question, "Which of the following statements best describes your OIG office's current efforts to inform and educate federal program managers about such risks?" Fifty-three OIGs responded that they are currently engaging in or plan to engage in, these efforts, were unsure, or responded with an "other" response. For exact question and response wording used in the survey, see app. II.

Accuracy and Reliability of Company Registry Data

The accuracy and reliability of the information entered into the company registry is a potential limitation OIGs could face in using company registry data. All roundtable participants voted this limitation as a top challenge, since inaccurate information in the company registry could impact its utility. See table 1 for a complete listing of limitations OIGs could face in using company registry data as identified by roundtable participants.<sup>64</sup>

**Table 1: Roundtable Discussion Participants' Reported Potential Limitations in Using the Company Registry of Beneficial Ownership Information**

Limitation identified during the roundtable discussion	Number of votes for this limitation
The accuracy and reliability of the information	7
Who the data can be shared with	5
The ability to download the data in bulk to overlay with program data	5
Sourcing the information	3
The ability to access bulk data to connect with internal analytic and data systems	3
Whether a specific OIG can access the company registry	2
Scale	2
The instructions for updating the information	2
Who within the OIG can access the information	1
The repercussions for someone entering invalid information	1
Whether the source allows the information to be shared	0
The security of the information once shared	0

Source: GAO analysis of roundtable vote responses. | GAO-25-107143

Note: Seven Offices of Inspectors General (OIG) voted on potential limitations, but votes may not total 21 votes. Some OIGs sent more than one representative to the roundtable discussion. To count the vote on the potential limitations, we consolidated those representatives as belonging to one OIG office.

One roundtable participant asked if the company registry data are validated. For example, two companies could be owned by the same individual, but the name and address of that individual might be reported differently for the two companies, making it appear they have different owners. This could result in inconsistent beneficial ownership information that further complicates the process of identifying the true beneficial owner. Another roundtable participant told us it is important to know the quality of the data, which can help ensure that a user does not introduce

<sup>64</sup>During the roundtable discussion, we asked participants to identify the limitations OIGs could face in using beneficial ownership information from the company registry in support of their fraud detection and response efforts. After consolidating the limitations, roundtable participants were then asked to vote for the three limitations they considered to be the top challenges. For more details on the roundtable discussion methodology, see app. I.

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inaccurate or unreliable information into the OIG's analysis. Verifying the accuracy of the data is further complicated for the OIG because companies can change at any time or could become inactive, according to a roundtable participant.

FinCEN officials acknowledged these accuracy and reliability limitations in company registry data, noting they received comments from the public during the rulemaking process that were similar to the OIGs' concerns. According to its reporting rule, the structure of the CTA makes a deliberate choice to place this responsibility on the reporting company.<sup>65</sup> In addition, it is unlawful for a reporting company to willfully provide false or fraudulent beneficial ownership information to FinCEN. Any reporting company that does so faces a civil penalty of not more than \$500 for each day that the violation continues or has not been remedied and may be subject to a fine of not more than \$10,000, imprisonment for not more than 2 years, or both.<sup>66</sup>

During a demonstration of the company registry, FinCEN officials explained to us that there are processes for validating information formats, such as making sure that the image of the identification is in a certain format. They further explained, however, that the accuracy or reliability of the information entered is not automatically verified beyond checking the format and completeness of mandatory fields.<sup>67</sup> According to officials, beginning in May 2024, FinCEN conducted certain manual data validation sampling checks to begin assessing the accuracy and reliability of reported information. In addition, FinCEN officials noted that it entered into a contract to further explore data validation efforts.

## Data-Use Restrictions

Data-use restrictions are potential limitations OIGs could face in using company registry data for their fraud investigations and awareness efforts. Several roundtable participants voted on this limitation as a top challenge, since not being able to share company registry data with external partners could impact the data's utility. Uncertainty on how company registry data can be shared with OIGs' external partners, such as contractors supporting an OIG investigation, could be a challenge for OIGs, according to one roundtable participant. Traditionally, OIGs work

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<sup>65</sup>87 Fed. Reg. 59514 (Sept. 30, 2022).

<sup>66</sup>31 U.S.C. § 5336(h).

<sup>67</sup>In July 2024, GAO observed FinCEN's demonstration of the company registry. FinCEN's Technical Division conducted this demonstration for two related GAO audits on beneficial ownership.

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around data-use restrictions by subpoenaing records during an investigation, but it is unclear how this method will work when using company registry data, according to one roundtable participant.

In response, FinCEN officials told us that, as required by the CTA, FinCEN has implemented regulations and strict protocols to protect the sensitive personally identifiable information reported to FinCEN. The regulations specify the circumstances in which authorized users have access to beneficial ownership information, along with data protection protocols and oversight mechanisms applicable to each user category.<sup>68</sup>

## Mechanisms for Data Retrieval

Mechanisms for data retrieval, primarily the ability to download beneficial ownership information in bulk, are potential limitations OIGs could face in using company registry data for their fraud investigation efforts. Several roundtable participants voted on this limitation as a top challenge, since not having mechanisms for such data retrieval could impact the company registry's utility. Specifically, if FinCEN allows bulk downloading, an OIG could overlay company registry data with program data to examine how programs could be affected by issues involving beneficial ownership, according to a roundtable participant. In the context of data analytics across multiple companies, bulk downloading could allow OIGs to overlay company registry data with program data and help efforts to identify ineligible individuals who are receiving set-aside contracts, according to a roundtable participant.

FinCEN officials told us they are exploring mechanisms for data retrieval related to bulk downloading from the company registry. During a demonstration of the company registry for GAO, FinCEN officials stated that it can be feasible for company registry users to download up to 5,000 records of data at a time. Officials also told us that during the phased rollout process to provide company registry access, which we will discuss below, they will solicit feedback on the limitations and challenges identified during our OIG roundtable discussion. Further, FinCEN officials told us that they will continue to study the issue of adding a bulk download capability to the company registry but will need to do so within the context of privacy and disclosure concerns set forth in the CTA and regulations.

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<sup>68</sup>88 Fed. Reg. 88732 (Dec. 22, 2023).

## Opportunities Exist for FinCEN to Communicate with OIGs About the Company Registry

### Communicating with OIGs Before Finalizing Registry Access Plans Can Facilitate Registry Use to Mitigate Program Fraud

FinCEN plans to conduct outreach to agency participants and other stakeholders, as needed, regarding company registry access, according to FinCEN documentation. According to officials, select OIGs will be included in the early phases of the company registry rollout schedule. Specifically, FinCEN plans to allow OIGs with law enforcement authority to request access in phases 2 and 3, as described in figure 4 below.

**Figure 4: Financial Crimes Enforcement Network’s (FinCEN) Phased Approach for Requesting Access to Company Registry of Beneficial Ownership Information**

Phase One	Phase Two	Phase Three	Phase Four	Phase Five
A pilot program for seven federal agency users.	Access to the company registry may be requested by: Offices with the U.S. Department of the Treasury and other federal agencies, including Offices of Inspectors General, engaged in law enforcement and national security activities that have memorandums of understanding (MOU) for access to Bank Secrecy Act (BSA) information.	Access to the company registry may be requested by: Additional federal agencies engaged in law enforcement, national security, and intelligence activities, such as Offices of Inspectors General with law enforcement authority but without BSA MOUs, and state, local, and tribal law enforcement agencies.	Access to the company registry may be requested by: Intermediary federal agencies in connection with foreign government requests.	Access to the company registry may be requested by: Financial institutions subject to customer due diligence requirements under applicable law and their regulatory agency supervisors.

Source: GAO analysis of FinCEN documentation and FinCEN’s website. Listed under “O.1.” [Issued April 18, 2024]; krissikunterbunt/stock.adobe.com | GAO-25-107143

According to officials, FinCEN’s phase two plans include allowing access requests from certain federal agencies, including OIGs, engaged in law enforcement and national security activities that have BSA

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memorandums of understanding (MOU) on file.<sup>69</sup> At the start of phase two in September 2024, FinCEN sent an announcement instructing agencies on how to initiate a company registry access request. FinCEN officials told us they have communicated with OIGs that have BSA MOUs about their eligibility to access the registry. As of October 2024, officials told us that five OIGs have submitted requests to access the company registry and that FinCEN was in the process of reviewing those requests.<sup>70</sup>

According to officials, FinCEN's phase three plans include allowing access requests from additional federal agencies engaged in law enforcement, national security, and intelligence activities, including OIGs with law enforcement authority that do not have existing BSA MOUs on file. In October 2024, FinCEN officials told us they were developing outreach plans for phase three.

In March 2025, FinCEN officials told us that once required agreements are in place and required documents have been received from authorized agencies and institutions seeking access to the beneficial ownership portal, FinCEN will allow access to the company registry through the beneficial ownership portal.

As the coordinating body for the OIG community's collective interests, needs, and challenges, CIGIE has not received communication from FinCEN on information about the company registry and access to the system, according to CIGIE members.<sup>71</sup> Some CIGIE members with existing BSA portal access told us they had received information on the company registry, but they were unclear on who had access to the

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<sup>69</sup>See app. III for the list of federal OIGs with law enforcement authority and OIGs with existing BSA memorandums of understanding. As noted above, in 2022, we reported that FinCEN is responsible for BSA administration, has authority to enforce compliance with BSA requirements, and serves as the repository of BSA reporting from banks and other financial institutions. FinCEN also analyzes information in BSA reports and shares such analyses with appropriate federal, state, local, and foreign law enforcement agencies. FinCEN and federal, state, and local law enforcement agencies can use BSA reports to help investigate and prosecute fraud, drug trafficking, terrorist acts, and other criminal activities. [GAO-22-105242](#).

<sup>70</sup>As of December 2024, more than 30 federal OIGs have BSA memorandums of understanding on file, according to FinCEN officials. The list of OIGs with BSA memorandums of understanding is current as of December 3, 2024, and is subject to change, according to FinCEN officials (see app. III).

<sup>71</sup>As noted above, according to CIGIE's strategic plan, one of CIGIE's goals is to facilitate collaboration to increase efficiency and effectiveness, represent the OIG community's collective interests, and gather information about stakeholder's needs, priorities, and challenges.

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company registry data. For example, CIGIE members told us they believed company registry data would be available only to OIGs that had existing BSA MOUs on file. However, as discussed above, phase three of the company registry rollout will expand access requests to OIGs with law enforcement authority that do not have existing BSA MOUs on file.

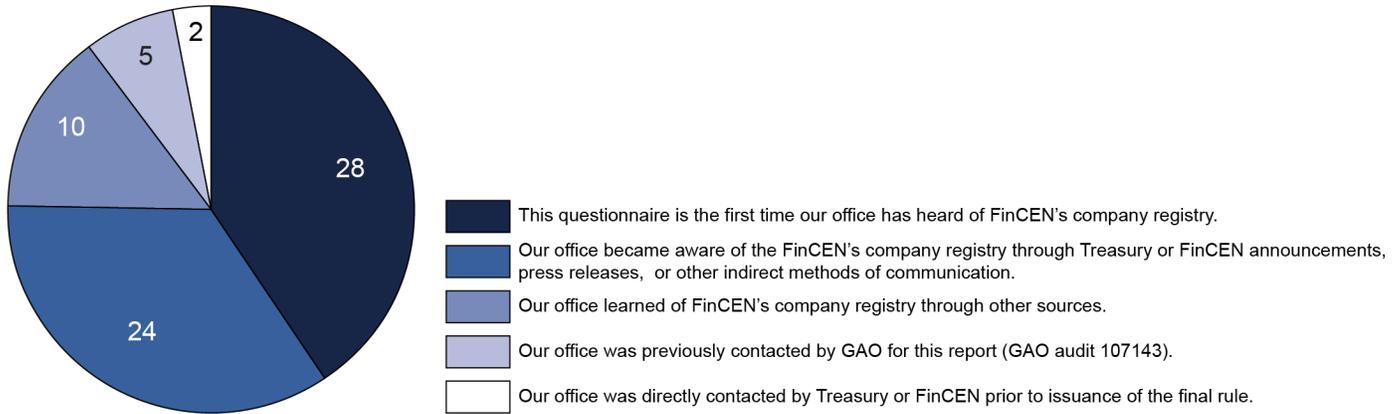
CIGIE members were also unclear on how company registry data could be used and were concerned that the OIG community would need additional information to clarify appropriate use. For example, CIGIE members told us that it has been ingrained within the OIG community that FinCEN data, such as suspicious activity reports, are generally for criminal investigative purposes only. CIGIE members told us that the broader OIG community would need to be made aware of the fact that company registry data can be used beyond criminal investigations. As noted above, law enforcement agencies, including OIGs, can use beneficial ownership information to combat illicit financial activities by pursuing criminal or civil investigations. Similarly, as discussed, OIGs have concerns about the mechanism for company registry data retrieval using bulk data downloading, which has not been resolved.

In addition, OIGs responding to our survey reported receiving varying levels of communication from FinCEN about the company registry. Specifically, 26 of 69 OIGs responded that they became aware of the company registry through Treasury or FinCEN sources of information.<sup>72</sup> See figure 5.

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<sup>72</sup>We surveyed 72 federal OIGs and obtained 69 responses.

**Figure 5: Awareness of the U.S Department of the Treasury Financial Crimes Enforcement Network’s (FinCEN) Company Registry, According to Inspectors General (OIG) Survey Responses**



Number of OIGs

Source: GAO analysis of survey data. | GAO-25-107143

FinCEN officials explained that they have not communicated with OIGs about the company registry outside of public announcements and what is publicly available on FinCEN’s company registry website. Officials said that FinCEN answers questions about company registry access on an individual basis. However, FinCEN officials reported that they are open to discussions with the OIGs and suggestions as to how they could best communicate with the OIGs. According to those same officials, they are also open to OIGs sharing their knowledge with FinCEN on the indicators of potential fraud associated with beneficial ownership in federal programs.

Further, CIGIE members told us they would be interested in communicating with FinCEN on OIGs’ access to the company registry, including the data retrieval concerns discussed above. CIGIE members also noted their interest in sharing information broadly within the OIG community on how company registry data can be used beyond criminal investigations.

In rolling out the company registry, FinCEN has opportunities to externally communicate quality information, consistent with Standards for Internal Control in the Federal Government and Treasury’s Fiscal Year 2022 –

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2026 Strategic Plan.<sup>73, 74</sup> As noted above, according to Treasury's Strategic Plan, FinCEN aims to increase transparency in the domestic and international financial system to aid law enforcement agencies in the detection of illicit financial activity. Communicating information about the company registry to OIGs aligns with this goal.

As mentioned above, the CTA has been subject to ongoing litigation and implementation changes. In March 2025, Treasury announced plans to narrow the scope of the rule implementing the CTA to foreign-owned reporting companies. As a result, the ongoing litigation and implementation changes are affecting the rollout of the company registry and will limit beneficial ownership information available to OIGs.

By communicating with CIGIE—which represents the OIG community, facilitates collaboration, and gathers information about its members' needs and challenges—FinCEN would be better positioned to identify and address current and future crosscutting challenges related to the fraud detection and response needs of the OIG community. During the registry rollout, such communication could help clarify (1) access for OIGs with and without BSA MOUs to the registry; (2) the OIGs' use of company registry data beyond criminal investigations; and (3) mechanisms for data retrieval, such as bulk downloading.

Further, such communication could position FinCEN and the OIG community, through CIGIE, to better mitigate federal program fraud risks involving beneficial ownership information. These actions also support Treasury's strategic goal to significantly improve the ability to mitigate illicit finance risk through law enforcement and other authorized users' access to beneficial ownership information.

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## Conclusions

Fraud in federal programs remains a significant and persistent problem and reinforces the importance of federal program oversight. This oversight includes the efforts of OIGs to detect and respond to fraud risks associated with opaque beneficial ownership information. Such risks appear across procurement, grant, and federal benefit programs.

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<sup>73</sup>*Standards for Internal Control* states that program managers should externally communicate the necessary quality information to achieve the entity's objectives. GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

<sup>74</sup>U.S. Department of the Treasury, *Treasury Strategic Plan 2022-2026*.

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With access to FinCEN's company registry data, OIGs would be better positioned to break through opaque ownership information that heightens the risk of procurement-, grant-, and eligibility- related fraud in federal programs and operations. For example, use of company registry data can result in less time spent on an investigation identifying the true owner of a company and in cost and time savings within OIGs' fraud detection and response efforts.

However, OIGs identified a number of potential challenges in using the company registry data. Communication from FinCEN to OIGs, through CIGIE, can raise awareness among OIGs about the company registry and help address challenges related to the fraud detection and response needs of the OIG community. Overall, such communication could help FinCEN to better achieve its goal to increase transparency in the domestic and international financial system to aid law enforcement agencies in the detection of illicit financial activity. This could help OIGs to execute their mission to detect and respond to potential fraud perpetrated by private companies obscuring beneficial ownership, thus enhancing oversight across the entire federal government. Lastly, Treasury's plans to narrow the scope of the rule implementing the CTA to foreign-owned reporting companies will reduce the amount of beneficial ownership information available in the company registry for OIGs, while fraud risks posed by obscured beneficial ownership information remain. This heightens the need for clarity from FinCEN on information available for OIG fraud detection and response purposes.

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## Recommendations for Executive Action

The Secretary of the Treasury should ensure that the Director of FinCEN communicates with CIGIE on OIGs' use of company registry for fraud detection and response during the registry rollout. Specifically, FinCEN should communicate with CIGIE regarding OIGs' (1) access to the company registry, (2) use of company registry data beyond criminal investigations, and (3) reported limitations in using company registry data. (Recommendation 1)

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## Agency Comments and Our Evaluation

We provided a draft of this report to Treasury and CIGIE for review and comment. FinCEN provided technical comments on our report, which we incorporated as appropriate. In a letter to GAO, reproduced in appendix IV, FinCEN did not comment further on our report or our recommendation. FinCEN stated that it would be premature to provide further feedback given the proposed rulemaking that Treasury plans to

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issue to narrow the scope of the beneficial ownership information reporting rule.<sup>75</sup>

In its comments, reproduced in appendix V, CIGIE agreed with our recommendation, stating that it concurred with our findings. CIGIE urged FinCEN to collaborate closely with CIGIE and the OIG community to develop a more effective data access and exchange framework. Additionally, CIGIE noted that our review of USAspending.gov identified 168,000 unique companies receiving federal contracts of financial assistance in fiscal year 2023, amounting to nearly \$6.2 trillion. CIGIE observed, however, that USAspending.gov lacks detailed information on all entities conducting business with the Federal government, which we also acknowledge.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 20 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of the Treasury, and the Executive Director of CIGIE. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact Rebecca Shea at [SheaR@gao.gov](mailto:SheaR@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

**//SIGNED//**

Rebecca Shea, Director  
Forensic Audits and Investigative Service

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<sup>75</sup>Treasury issued an interim final rule on March 26, 2025, that limits the regulations to foreign reporting companies and excludes any reporting on ownership information regarding U.S. persons. 90 Fed. Reg. 13,688 (March 26, 2025).

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# Appendix I: Objectives, Scope, and Methodology

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This report (1) describes federal program fraud risks associated with opaque beneficial ownership information and related challenges that Offices of Inspectors General (OIG) face with detection and response, (2) describes OIGs' perspectives on the use of the Beneficial Ownership Secure System (company registry), and (3) assesses the U.S. Department of the Treasury's Financial Crimes Enforcement Network's (FinCEN) actions to communicate with OIGs about company registry data.

As part of this work, we determined that internal controls were significant to our work. Specifically, the principle that management should externally communicate the necessary quality information to achieve the entity's objectives, as outlined in the *Standards for Internal Control in the Federal Government*, was significant to our third objective.<sup>1</sup> To assess the control activity in the third objective, we analyzed relevant company registry documentation, interviewed FinCEN officials and members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) on efforts to communicate with OIGs during the phased rollout to provide access to the company registry, and analyzed OIGs' survey and roundtable participant responses.<sup>2</sup> In sections below, we provide more detailed information on the steps taken to conduct our OIG survey and roundtable discussion and to perform our data analysis.

To describe federal program fraud risks associated with opaque beneficial ownership information and related challenges OIGs face with fraud detection and response, we reviewed relevant GAO reports, OIG semiannual reports, and risk assessments from Treasury for illustrative examples on the types of fraud risks associated with opaque beneficial ownership information and examples of closed cases featuring fraud schemes associated with opaque beneficial ownership. We also obtained information from our roundtable discussion with seven selected OIGs to learn about their views on the challenges faced to identify the beneficial owner within their fraud detection and response efforts. In addition, we interviewed CIGIE members on the federal program fraud risks associated with opaque beneficial ownership and the related challenges OIGs face with federal program fraud detection and response efforts.

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<sup>1</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

<sup>2</sup>CIGIE was established in 2008 to represent and serve as the coordinating body for the OIG community.

To describe OIGs' perspectives on the use of the company registry, we conducted a survey of federal OIGs, held a roundtable discussion with selected OIGs, and interviewed members of CIGIE and FinCEN officials.

1. We surveyed the 72 federal OIGs from April 2024 through August 2024 to capture OIG views on how information from a company registry could aid their fraud detection and response efforts.<sup>3</sup> We obtained 69 responses, for a response rate of 96 percent. See below for further details on our survey methodology. Appendix II contains the survey questions and complete results with response percentages for applicable questions.
2. We held a roundtable discussion with seven selected OIGs to obtain their views on how information from a company registry could impact their fraud detection and response efforts, among other things. To help ensure that a range of OIG types and perspectives were represented, we selected OIGs based on survey completions, recommendations from CIGIE members, and other considerations. Such considerations included OIGs with and without law enforcement authority, from agencies with different program activities and of varying size, and with varying levels of data analytic capabilities. Through a facilitated discussion, we gathered information from the selected OIGs on the types of fraud risk associated with opaque beneficial ownership information in federal programs and how company registry data could support their efforts to raise fraud awareness about the risks. Roundtable participants also indicated their top potential limitations with using company registry data. See below for further details on our roundtable methodology.
3. We interviewed members of CIGIE on OIGs' experiences with fraud investigations related to opaque beneficial ownership information and OIGs' anticipated use of company registry data as part of their fraud detection activities and response efforts.
4. We interviewed FinCEN officials for their perspectives on OIGs' reported challenges in using company registry data.

To assess FinCEN's actions to communicate with OIGs about company registry data, we (1) reviewed relevant FinCEN documentation on implementation, timeframes, and outreach efforts regarding access to the

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<sup>3</sup>Seventy-four federal OIGs were initially identified. GAO's OIG and the Special Inspector General for the Troubled Asset Relief Program were excluded, resulting in a final survey population of 72 federal OIGs. GAO's OIG, while overseeing a federal agency, was excluded to maintain independence. The Special Inspector General for the Troubled Asset Relief Program sunset in March 2024, before we conducted the survey.

company registry; (2) reviewed Treasury's Fiscal Year 2022-2026 Strategic Plan for information on the agency's efforts to aid law enforcement agencies in the detection of illicit financial activity; (3) interviewed FinCEN and CIGIE officials on efforts to communicate with OIGs during the phased rollout to provide access to the company registry; and (4) analyzed the OIGs' survey and roundtable participant responses.<sup>4</sup> Specifically, we reviewed FinCEN's Beneficial Ownership Information Phased Access Implementation Memorandum, Beneficial Ownership Information Access Implementation Timeline, and the Pilot Agencies Participant List. We then analyzed the extent to which these documents and actions aligned with the *Standards for Internal Control in the Federal Government* - specifically, the principle related to externally communicating the necessary quality information to achieve the entity's objectives.<sup>5</sup>

### Survey Development and Administration

To gather OIGs' views on how information from the company registry could aid their office's fraud detection and response efforts, we conducted a survey of federal OIGs. There were 72 federal OIGs in our population, and we received 69 responses, thus producing a response rate of 96 percent.<sup>6</sup>

We pretested the survey instrument to ensure that the questions were understood by respondents and the survey was not burdensome to complete. To minimize measurement error, the survey was pretested using cognitive interviewing techniques, such as nondirective probing of answers and asking respondents to think aloud when formulating answers. This was done to determine whether questions and answers were understood by respondents in the manner intended and that they could formulate and report valid answers to our questions. The pretesting structure was designed and conducted by our survey specialists. The pretesting structure examined respondent issues related to

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<sup>4</sup>U.S. Department of the Treasury, *Treasury Strategic Plan 2022-2026*, accessed December 9, 2024, from <https://home.treasury.gov/system/files/266/TreasuryStrategicPlan-FY2022-2026.pdf>.

<sup>5</sup>GAO-14-704G.

<sup>6</sup>We initially identified 74 federal OIGs. GAO's OIG and the Special Inspector General for the Troubled Asset Relief Program were excluded, resulting in a final survey population of 72 federal OIGs. GAO's OIG, while overseeing a federal agency, was excluded to maintain independence. The Special Inspector General for the Troubled Asset Relief Program sunset in March 2024, which was prior to when we conducted the survey.

comprehension of the questions, ability to accurately respond to the questions, perceptions of bias in the questions or scales, and completeness of answer responses. We modified our survey instrument, as appropriate, based on pretest results and suggestions made by our independent survey specialist.

The final survey instrument included closed- and open-ended questions. Throughout the survey instrument, we provided additional context and defined important terms, such as “beneficial ownership information,” so respondents would interpret key concepts consistently.<sup>7</sup>

To administer the survey, we emailed each federal OIG a link to the web-based survey. We administered our survey from April 16, 2024, to August 1, 2024. To follow-up with OIGs that did not complete the survey by the deadline, we emailed or called multiple times to encourage survey participation or provide technical assistance, as appropriate.

Because we surveyed all federal OIGs, the survey did not involve sampling error. To minimize nonsampling errors, and to enhance data quality, we employed recognized survey design practices in the development of the survey instrument and in the collection, processing, and analysis of the survey data. When the survey data were received, a data analyst tabulated the initial results, as outlined in the data analysis plan. An additional data analyst verified the initial analysis programs to ensure the accuracy of the code and the appropriateness of the methods used for the computer-generated initial analysis. We used the survey responses, including the narrative responses, to inform our selection of OIGs for our roundtable discussion group.

After the survey closed on August 1, 2024, a data analyst tabulated the final results, as outlined in the data analysis plan. A second data analyst verified the final analysis programs to ensure the accuracy of the code and the appropriateness of the methods used for the computer-generated final analysis. We calculated frequencies for closed-ended responses and reviewed open-ended responses for themes and illustrative examples.

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<sup>7</sup>To see the clarification provided and definitions used, see the survey instrument, as presented, to respondents in app. II.

## Roundtable Discussion

To collect information on OIGs' views on opaque beneficial ownership and FinCEN's company registry of beneficial ownership information, we facilitated a roundtable discussion with selected OIGs to obtain their views on

- the types of fraud risk associated with opaque beneficial ownership in federal programs,
- the types of resources available to OIGs to conduct investigations associated with opaque beneficial ownership information,
- what OIGs know about FinCEN's company registry of beneficial ownership information,
- how access to the company registry could impact OIG's fraud detection and response efforts, and
- the potential limitations OIGs might face in using company registry data.

We selected and invited a diverse group of federal OIGs to our roundtable discussion. We planned for a group of OIGs that were diverse in terms of the following:

1. OIGs with and without law enforcement authority;
2. OIGs who oversee federal agencies facing fraud risk within contracting, grant-making, or direct benefit programs;
3. OIGs who oversee agencies of varying size (based on the number of employees at the agency);
4. the reported data analysis capabilities of the OIG, as indicated by their responses to two survey questions; (These two survey questions were "Does your OIG office use data analytics in the context of fraud investigations?" and "Who performs data analytics for your OIG office in the context of fraud investigations?" We used the survey responses to invite OIGs with a diverse range of capabilities, including OIGs who conduct data analysis within their office and OIGs who use external resources to conduct data analysis.)
5. OIGs randomly selected from completed surveys, as of May 21, 2024;
6. OIGs recommended by CIGIE members; and

7. OIGs that are most likely to have insights into using the company registry for fraud investigations associated with opaque beneficial ownership.

We invited a total of 18 OIGs to participate in our roundtable discussion. Eight OIGs accepted our invitation, and seven OIGs attended the roundtable discussion. OIG representatives included officials with responsibility for overseeing and conducting investigations.

The roundtable discussion was held via Zoom on June 18, 2024, and consisted of one session. At the beginning of the roundtable discussion, all seven OIGs were given an overview of our researchable questions. Roundtable participants discussed their views on the types of fraud risk associated with opaque beneficial ownership information, how related cases are investigated, and how beneficial ownership information from the company registry could affect their federal program fraud detection and response efforts. Roundtable participants also identified and voted on the top potential limitations they might face in using information from the company registry in support of their fraud detection and response efforts. Seven OIGs voted on potential limitations, but some OIGs sent more than one representative to the roundtable discussion. To count the vote on the potential limitations, we consolidated those representatives as belonging to one OIG office. Information gathered from the OIGs that participated in our roundtable is not generalizable to other OIGs.

### **Data Analysis**

To provide context for the scope of potential OIG oversight, we analyzed awards in public USAspending.gov contracts and financial assistance data to determine the number of companies with federal awards that were active in calendar year 2023. We limited records to those with award actions issued or signed by an agency on or before December 31, 2023, and with period of performance end dates (planned contract completion date, grant or cooperative agreement end date, or other financial assistance end date) on or after January 1, 2023. Unique companies were identified either by Unique Entity Identifier or by business name and

address where no identifier was provided.<sup>8</sup> Where USAspending.gov data did not include one or more of these elements, we matched records to the General Services Administration's (GSA) System for Award Management (SAM) entity registration data and imported values where located. We excluded financial assistance records where recipients were identified as individuals.<sup>9</sup>

To determine the total federal obligation for contracts and financial assistance active in calendar year 2023, we aggregated USAspending.gov federal award obligation amounts.

To determine the number of companies likely to report beneficial ownership information to FinCEN's company registry, we analyzed business type descriptions in USAspending.gov. We excluded those companies with descriptions consistent with "governmental authority," "tax-exempt entity," and "subsidiary of certain exempt entity" reporting company exemptions.<sup>10, 11</sup>

We assessed the reliability of the USAspending.gov and SAM data we used and determined they were sufficiently reliable for the purposes of our work.

To further support our analysis, we also examined data, as of January 2024, from OpenCorporates, a third-party data aggregator of secretary of state records. We identified the total number of active companies

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<sup>8</sup>Not all USAspending.gov records include business information from SAM.gov. Company identification information for some records is provided by the agency issuing the award. Therefore, it is possible that some records for the same company with awards from multiple agencies are not entered with identical name and address information. It is therefore possible that some companies may be counted more than once when determining the number of unique companies with contracts or financial assistance active in calendar year 2023. As a result, the total company count of over 168,000 may be overstated.

<sup>9</sup>A company identified in USAspending.gov as a sole proprietor may be either a business registered with a state office or an individual person. As a result, total company count of over 168,000 may be overstated.

<sup>10</sup>31 C.F.R. § 1010.380.

<sup>11</sup>USAspending.gov records did not contain enough information to compare companies to all exemption types. Therefore, the estimate of over 116,000 companies likely to report beneficial ownership information to FinCEN may be overstated.

operating in the United States at this time.<sup>12</sup> Of this population, we identified the number of companies likely to report to the company registry. To perform this work, we compared the “company type” field in the OpenCorporates data against exemption criteria outlined in the Beneficial Ownership Information Reporting Requirements.<sup>13, 14</sup> To determine the reliability of these data, we reviewed related documentation, tested the data for missing data and errors, and obtained written responses from OpenCorporates officials about data quality and control. We assessed the reliability of the data we used and determined they were sufficiently reliable for the purpose of providing context to the report.

We conducted this performance audit from October 2023 to April 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>12</sup>To calculate this number, we included all companies within the January 2024 OpenCorporates Business file containing a jurisdiction code indicating any of the 50 states or Puerto Rico. Of these records, we included those in which the “inactive” field in data was either “false” (indicating the business was active) or the field was blank. As a result, our estimate of active companies may be overstated.

<sup>13</sup>31 C.F.R. § 1010.380.

<sup>14</sup>OpenCorporates data do not contain information on company revenue or number of employees, so we were not able to apply this criterion to our analysis of exemptions.

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# Appendix II: OIGs' Use of Beneficial Ownership Information in Federal Program Oversight: GAO Survey Results

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As described in appendix I, GAO conducted a survey of the federal Offices of Inspectors General (OIG) to obtain their views on how information from the U.S. Department of the Treasury's Financial Crimes Enforcement Network's (FinCEN) Beneficial Ownership Secure System (company registry) could aid their fraud detection and response efforts. We surveyed 72 federal OIGs and obtained 69 responses, for a response rate of 96 percent. Our survey did not rely on a sample, as we distributed it to the population identified.<sup>1</sup>

Results are tallied for each question.<sup>2</sup> We omit, however, all individual narrative responses to open-ended questions and questions 1-1(b) to protect respondent confidentiality.<sup>3</sup>

**The survey questions and the number of OIGs' selecting each response are provided below.**

## General Questions

1. Does your OIG office use data analytics in the context of fraud investigations?

*(Note: This question refers to your office's ability to conduct data analytics generally.)*

- Yes—
- No—
- Unsure—

Valid responses: 69

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<sup>1</sup>We initially identified 74 federal OIGs. GAO's OIG and the Special Inspector General for the Troubled Asset Relief Program were excluded, resulting in a final survey population of 72 federal OIGs. GAO's OIG, while overseeing a federal agency, was excluded to maintain independence. The Special Inspector General for the Troubled Asset Relief Program sunset in March 2024, which was prior to when we conducted the survey.

<sup>2</sup>"Valid responses" shown for each question refers to the number of survey respondents who answered that question. The number of valid responses may vary by question.

<sup>3</sup>Question 1, 1(a), and 1(b) results were used to inform the selection of participants for the roundtable discussion. For more details on the roundtable discussion methodology, see app. I.

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**Appendix II: OIGs' Use of Beneficial Ownership  
Information in Federal Program Oversight:  
GAO Survey Results**

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1(a). [For all those not selecting "No"] Who performs data analytics for your OIG office in the context of fraud investigations?  
(*Select all responses that apply*)

- Staff within our OIG office.
- External partners (including but not limited to other law enforcement agencies and contractors).
- Other
- Unsure

Valid responses: 51

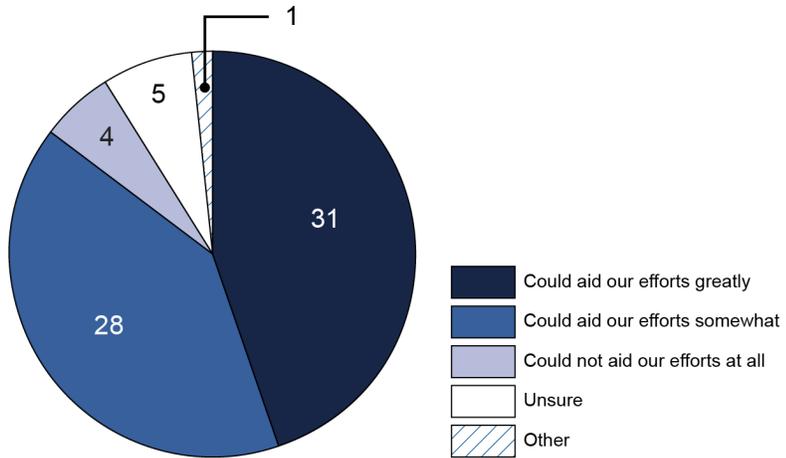
1(b). [For those selecting "Staff within our OIG office"] Please describe the tools and techniques that your OIG office uses for data analysis in the context of fraud investigations:

[Individual responses omitted.]

2. How could access to self-reported beneficial ownership information, if at all, aid in your office's proactive fraud detection efforts?  
(*Select one response*)

Appendix II: OIGs' Use of Beneficial Ownership Information in Federal Program Oversight: GAO Survey Results

Figure 6: Office of Inspector General (OIG) Participant Responses to Survey Question 2



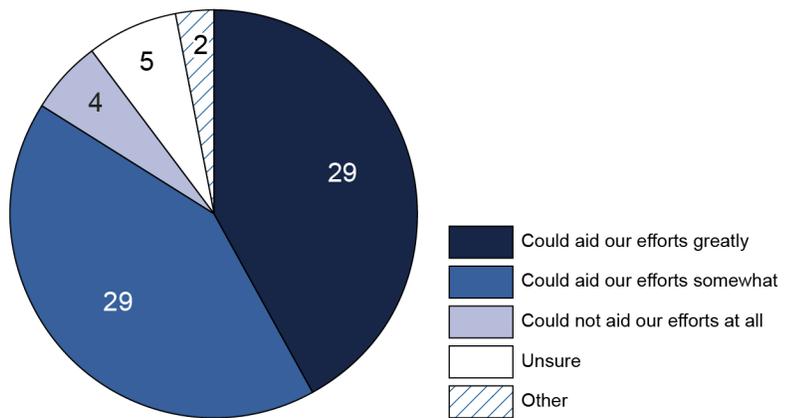
Number of OIGs

Source: GAO analysis of survey data. | GAO-25-107143

Valid responses: 69

3. How could access to self-reported beneficial ownership information, if at all, aid in your office's fraud investigation efforts?  
(Select one response)

Figure 7: Office of Inspector General (OIG) Participant Responses to Survey Question 3



Number of OIGs

Source: GAO analysis of survey data. | GAO-25-107143

Valid responses: 69

4. Which of the following statements best describes your OIG office's current efforts to inform and educate federal program managers about such risks? (Select one response)

*(Note: Question 4 refers to the fraud risks associated with undisclosed beneficial ownership, and your OIG office's efforts to inform and educate federal program managers about such risks. According to the U.S. Department of the Treasury (Treasury), "Beneficial ownership information refers to identifying information about the individuals who directly or indirectly own or control a company."<sup>4</sup>)*

4(a). [For all those not selecting "We are not doing this and don't plan to"] How could access to self-reported beneficial ownership information support your OIG office's efforts to inform and educate federal program managers about such risks?  
(Select one response)

*(Note: Question 4a refers to the fraud risks associated with undisclosed beneficial ownership, and your OIG office's efforts to inform and educate federal program managers about such risks. According to the Treasury, "Beneficial ownership information refers to identifying information about the individuals who directly or indirectly own or control a company."<sup>5</sup> Question 4a does not refer to any specific commercial or government sources of beneficial ownership information.)*

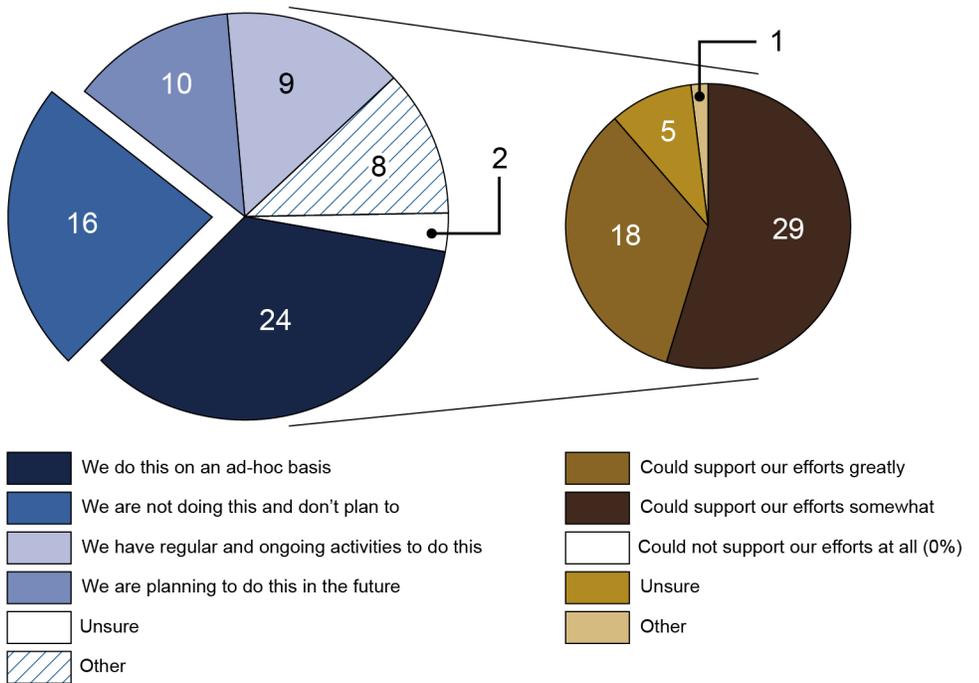
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<sup>4</sup>Financial Crimes Enforcement Network, *Beneficial Ownership Information: Frequently Asked Questions*, [https://www.fincen.gov/boi-faqs#A\\_1](https://www.fincen.gov/boi-faqs#A_1).

<sup>5</sup>Financial Crimes Enforcement Network, *Beneficial Ownership Information: Frequently Asked Questions*, [https://www.fincen.gov/boi-faqs#A\\_1](https://www.fincen.gov/boi-faqs#A_1).

Appendix II: OIGs' Use of Beneficial Ownership Information in Federal Program Oversight: GAO Survey Results

Figure 8: Office of Inspector General (OIG) Participant Responses to Survey Questions 4 and 4(a)



Source: GAO analysis of OIG responses to a GAO survey. | GAO-25-107143

Valid responses: 69

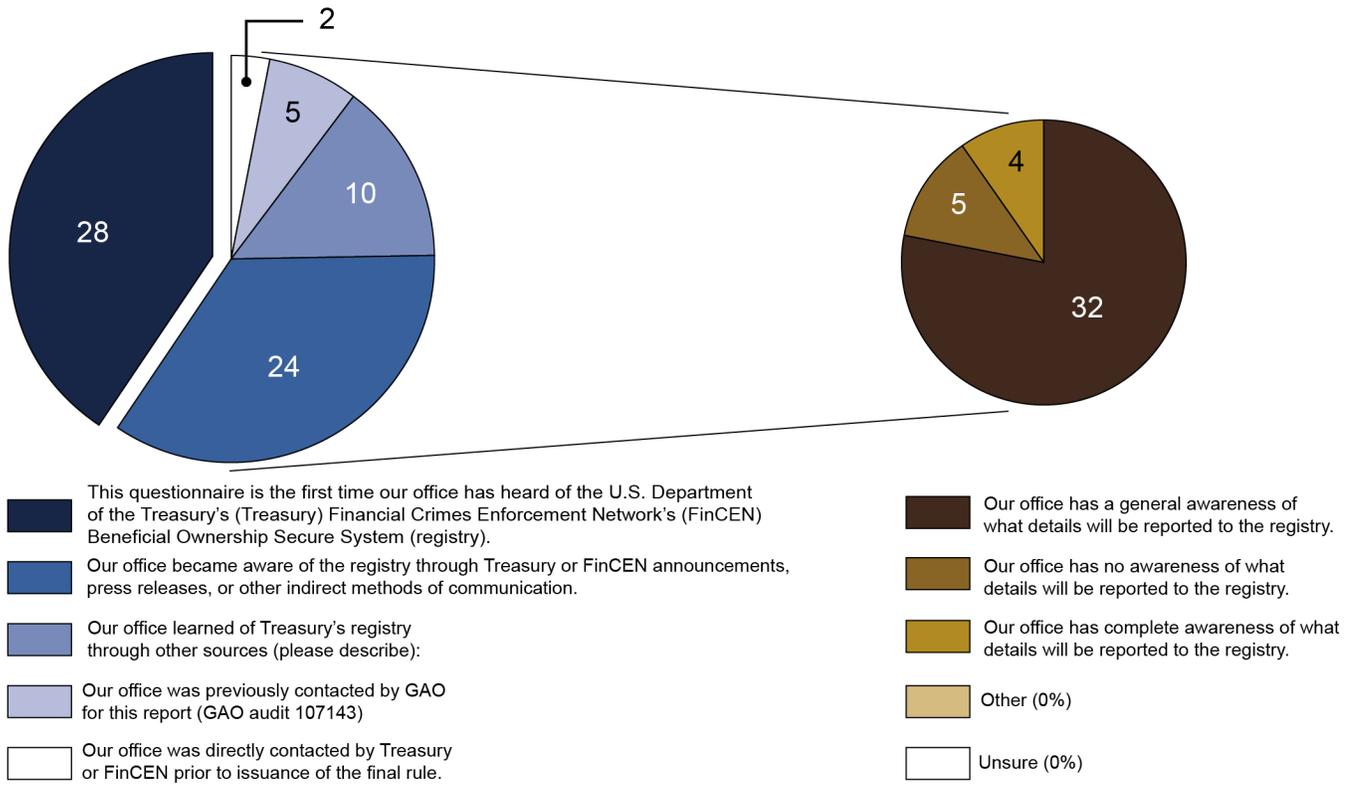
Valid responses: 53

5. How did your OIG office first become aware of Treasury's beneficial ownership information registry?  
(Select one response)

5(a). [For all those not selecting "This questionnaire is the first time our office has heard of Treasury's registry"] Which of the following statements best describes your OIG office's awareness of the beneficial ownership details that will be reported to Treasury's registry?  
(Select one response)

Appendix II: OIGs' Use of Beneficial Ownership Information in Federal Program Oversight: GAO Survey Results

Figure 9: Office of Inspector General (OIG) Participant Responses to Survey Questions 5 and 5(a)



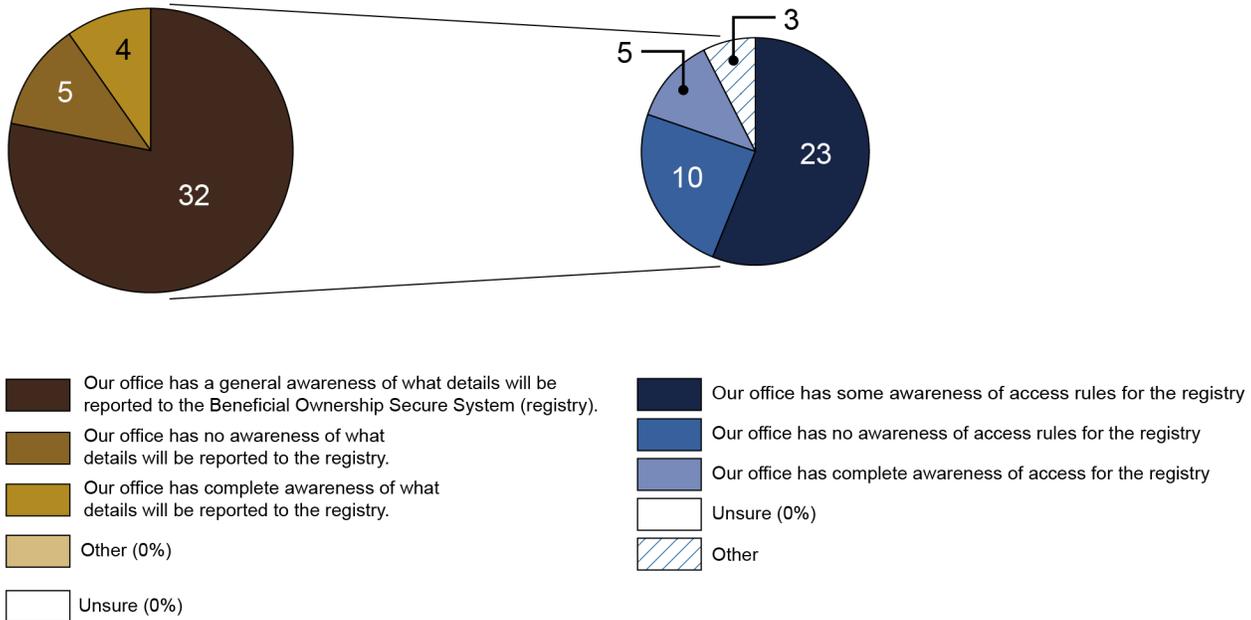
Source: GAO analysis of OIG responses to a GAO survey. | GAO-25-107143

Valid responses: 69

Valid responses: 41

Appendix II: OIGs' Use of Beneficial Ownership Information in Federal Program Oversight:  
GAO Survey Results

Figure 10: Office of Inspector General (OIG) Participant Responses to Survey Questions 5(a) and 5(b)



Source: GAO analysis of OIG responses to a GAO survey. | GAO-25-107143

Valid responses: 41

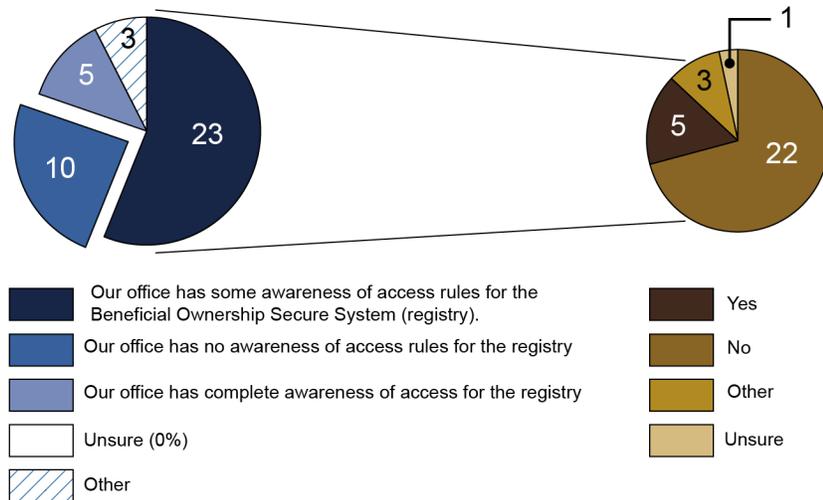
Valid responses: 41

5(b). Which of the following statements best describes your OIG office's awareness of the access rules for Treasury's beneficial ownership information registry? When answering, please consider the rules about which types of agencies have access, what information will be accessible, and how access will be granted.  
(Select one response)

5(c). [For those not selecting "Unsure" or "Our office has no awareness of access rules for the registry" for Q5b] Does your OIG office have access to Treasury's beneficial ownership information registry?  
(Select one response)

**Appendix II: OIGs' Use of Beneficial Ownership Information in Federal Program Oversight:  
GAO Survey Results**

**Figure 11: Office of Inspector General (OIG) Participant Responses to Survey Questions 5(b) and 5(c)**



Source: GAO Analysis of OIG responses to a GAO survey. | GAO-25-107143

Valid responses: 41

Valid responses: 31

6. What additional comments, if any, does your OIG office have related to beneficial ownership information and/or Treasury's registry?

[Individual responses omitted.]

# Appendix III: Federal Offices of Inspectors General with or without Law Enforcement Authority or Bank Secrecy Act Memorandum

The below table represents a listing of federal Offices of Inspectors General (OIG) with or without law enforcement authority or OIGs with existing Bank Secrecy Act (BSA) memorandums of understanding (MOU). Officials from the Financial Crimes Enforcement Network told us that OIGs identified below as having BSA MOUs are current as of December 3, 2024, and are subject to change.

**Table 2: Federal Offices of Inspectors General with or without Law Enforcement Authority or Bank Secrecy Act Memorandum**

	<b>Office of Inspector General (OIG)</b>	<b>OIG has law enforcement authority (yes/no)</b>	<b>Bank Secrecy Act (BSA) memorandum on file with the Financial Crimes Enforcement Network (yes/no)<sup>a</sup></b>
1	U.S. Agency for International Development	Yes	Yes
2	AmeriCorps (The Corporation for National and Community Service)	Yes	No
3	Amtrak	Yes	Yes
4	Appalachian Regional Commission	No	No
5	Architect of the Capitol	No	No
6	Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau	Yes	Yes
7	Central Intelligence Agency	No	No
8	Committee for Purchase From People Who Are Blind or Severely Disabled (Ability One Program)	No	No
9	Commodity Futures Trading Commission	No	No
10	Consumer Product Safety Commission	No	No
11	Corporation for Public Broadcasting	No	No
12	Defense Intelligence Agency	No	No
13	Denali Commission	No	No
14	Department of Agriculture	Yes	Yes
15	Department of Commerce	Yes	Yes
16	Department of Defense <sup>b</sup>	Yes	Yes
17	Department of Education	Yes	Yes
18	Department of Energy	Yes	Yes
19	Department of Health and Human Services	Yes	Yes
20	Department of Homeland Security	Yes	Yes
21	Department of Housing and Urban Development	Yes	Yes

**Appendix III: Federal Offices of Inspectors  
General with or without Law Enforcement  
Authority or Bank Secrecy Act Memorandum**

	<b>Office of Inspector General (OIG)</b>	<b>OIG has law enforcement authority (yes/no)</b>	<b>Bank Secrecy Act (BSA) memorandum on file with the Financial Crimes Enforcement Network (yes/no)<sup>a</sup></b>
22	Department of Justice	Yes	Yes
23	Department of Labor	Yes	Yes
24	Department of State	Yes	Yes
25	Department of the Interior	Yes	Yes
26	Department of the Treasury	Yes	Yes
27	Department of Transportation	Yes	Yes
28	Department of Veterans Affairs	Yes	Yes
29	U.S. Election Assistance Commission	No	No
30	Environmental Protection Agency	Yes	Yes
31	Equal Employment Opportunity Commission	No	No <sup>c</sup>
32	Export-Import Bank of the United States	Yes	Yes
33	Farm Credit Administration	No	No
34	Federal Communications Commission	No	Yes
35	Federal Deposit Insurance Corporation	Yes	Yes
36	Federal Election Commission	No	No
37	Federal Housing Finance Agency	Yes	Yes
38	Federal Labor Relations Authority	No	No
39	Federal Maritime Commission	No	No
40	Federal Trade Commission	No	No
41	General Services Administration	Yes	Yes
42	Government Accountability Office	No	No
43	Government Publishing Office	No	Yes
44	Legal Services Corporation	No	No
45	Library of Congress	No	No
46	National Aeronautics and Space Administration	Yes	Yes
47	The National Archives and Records Administration	Yes	No
48	National Credit Union Administration	No	No
49	National Endowment for the Arts	No	No
50	National Endowment for the Humanities	No	No
51	National Geospatial-Intelligence Agency	No	No <sup>d</sup>

**Appendix III: Federal Offices of Inspectors  
General with or without Law Enforcement  
Authority or Bank Secrecy Act Memorandum**

	<b>Office of Inspector General (OIG)</b>	<b>OIG has law enforcement authority (yes/no)</b>	<b>Bank Secrecy Act (BSA) memorandum on file with the Financial Crimes Enforcement Network (yes/no)<sup>a</sup></b>
52	National Labor Relations Board	No	No
53	National Reconnaissance Office	No	No
54	The National Science Foundation	Yes	Yes
55	National Security Agency	No	No
56	U.S. Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board	Yes	Yes
57	Office of Personnel Management	Yes	Yes
58	Office of the Inspector General of the Intelligence Community	No	Yes
59	The Peace Corps	Yes	No
60	Pension Benefit Guaranty Corporation	No	No
61	Railroad Retirement Board	Yes	Yes
62	Securities and Exchange Commission	Yes	Yes
63	Small Business Administration	Yes	Yes
64	Smithsonian Institution	No	No
65	Social Security Administration	Yes	Yes
66	Special Inspector General for Afghanistan Reconstruction	Yes	Yes
67	Special Inspector General for Pandemic Recovery	Yes	Yes
68	Special Inspector General for the Troubled Asset Relief Program <sup>e</sup>	Yes	No
69	Tennessee Valley Authority	Yes	No
70	Treasury Inspector General for Tax Administration	Yes	Yes
71	U.S. Capitol Police	No	No
72	U.S. International Development Finance Corporation	No	No
73	U.S. International Trade Commission	No	No
74	U.S. Postal Service	Yes	Yes

Source: GAO analysis of Financial Crimes Enforcement Network and Congressional Research Service documentation | GAO-25-107143

<sup>a</sup>Financial Crimes Enforcement Network (FinCEN) officials told us that this list of OIGs with BSA memorandums of understanding (MOU) is current as of December 3, 2024, and is subject to change.

<sup>b</sup>According to FinCEN officials, the Defense Criminal Investigative Service OIG currently has a BSA MOU on file. The Defense Criminal Investigative Service investigates matters related to the U.S. Department of Defense (DOD) programs and operations; detects and deters fraud, waste, and abuse; and helps to ensure ethical conduct throughout DOD.

<sup>c</sup>According to FinCEN officials, as of December 2024, the Equal Employment Opportunity Commission has requested access to BSA data, which is pending approval.

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**Appendix III: Federal Offices of Inspectors  
General with or without Law Enforcement  
Authority or Bank Secrecy Act Memorandum**

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<sup>d</sup>According to FinCEN officials, as of December 2024, the National Geospatial-Intelligence Agency has requested access to BSA data, which is pending approval.

<sup>e</sup>The Special Inspector General for the Troubled Asset Relief Program sunset in March 2024.

# Appendix IV: Comments from the Department of the Treasury



Financial Crimes Enforcement Network  
U.S. Department of the Treasury

Office of the Director

Washington, D.C. 20220

March 13, 2025

Rebecca Shea  
Director  
Forensic Audits and Investigative Service Team  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Shea:

Thank you for providing the Financial Crimes Enforcement Network (FinCEN) the opportunity to review the Government Accountability Office (GAO) draft report, "Fraud in Federal Programs: FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies (GAO-25-107143). As you may be aware, on March 2, 2025, the Department of the Treasury announced that, with respect to the Corporate Transparency Act (CTA), not only will it not enforce any penalties or fines associated with the beneficial ownership information reporting rule under the existing regulatory deadlines, but it will further not enforce any penalties or fines against U.S. citizens or domestic reporting companies or their beneficial owners after the forthcoming rule changes take effect either. The Treasury Department will further be issuing a proposed rulemaking that will narrow the scope of the rule to foreign reporting companies only. Treasury stated that it is taking this step in the interest of supporting hard-working American taxpayers and small businesses and ensuring that the rule is appropriately tailored to advance the public interest.

In advance of undertaking this proposed rulemaking, it would be premature for FinCEN to provide further feedback on this draft report. We appreciate the role of GAO in providing oversight of our programs and look forward to working with GAO in the future.

Sincerely,

/s/

Jimmy Kirby  
Deputy Director

[www.fincen.gov](http://www.fincen.gov)

# Appendix V: Comments from the Council of the Inspectors General on Integrity and Efficiency



## COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

February 25, 2025

Rebecca Shea  
Director, Forensic Audits and Investigative Service  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Ms. Shea,

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) appreciates the opportunity to review and comment on the Government Accountability Office (GAO) draft report, *FinCEN Should Take Steps to Improve the Ability of Inspectors General to Determine Beneficial Owners of Companies*.

CIGIE concurs with GAO's findings that the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) should take steps to enhance the ability of Inspectors General to access beneficial ownership information to support fraud, waste, and abuse investigations. Additionally, we support GAO's recommendation that FinCEN coordinate with Offices of Inspector General (OIGs), through CIGIE, to facilitate access to and use of the company registry. We also acknowledge and share the concerns raised by OIGs regarding the accuracy, usability, and accessibility of this data.

While we appreciate GAO's analysis, the report does not fully account for the broader implications of beneficial ownership transparency in combating fraud, waste, and abuse across Federal programs. GAO's review of [USAspending.gov](https://www.usaspending.gov) identified 168,000 unique companies receiving Federal contracts or financial assistance in Fiscal Year 2023, amounting to nearly \$6.2 trillion. Yet, [USAspending.gov](https://www.usaspending.gov) lacks detailed information on all entities conducting business with the Federal government. More than \$2 trillion in annual spending supports healthcare services, including Medicare, Medicaid, and veterans' health care—budget areas where detailed payment and ownership information is often unavailable. For example, in 2022, over 450,000 companies were enrolled in Medicare, but this information is not captured within [USAspending.gov](https://www.usaspending.gov).

CIGIE also has concerns regarding the company registry's usability for proactive analytics and the identification of ownership networks across Federal programs. According to GAO's report, FinCEN officials indicated that users could download a maximum of 5,000 records at a time and that bulk data access remains under study. Given the scale of Federal spending and the volume of entities involved, such restrictions severely limit OIGs' ability to analyze ownership patterns and detect fraud across programs. Without more comprehensive and accessible data, the registry's utility in supporting oversight and enforcement efforts will be significantly constrained.

Finally, CIGIE recommends that FinCEN extend access to all OIGs to enhance government investigations and enforcement efforts. While many OIGs have law enforcement authority, enabling them to carry firearms, make arrests, and execute warrants, all OIGs have investigative authority under the *Inspector General Act of 1978*, allowing them to conduct investigations, issue subpoenas, and refer cases for prosecution. Regardless of law enforcement authority status, all OIGs require financial intelligence to

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**Appendix V: Comments from the Council of  
the Inspectors General on Integrity and  
Efficiency**

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detect and prevent fraud, waste, and abuse. Including all OIGs in FinCEN implementation is vital to ensuring mission-critical oversight, fostering consistency in enforcement, and preventing investigative barriers that could hinder interagency collaboration.

To address these challenges, we urge FinCEN to collaborate closely with CIGIE and the OIG community to develop a more effective data access and exchange framework. Ensuring that beneficial ownership information is both comprehensive and readily usable is critical to enhancing government accountability and protecting taxpayer resources.

Thank you again for the opportunity to review and comment. CIGIE appreciates GAO's critical work in areas that can improve fraud detection and prevention efforts in Federal programs.

Sincerely,



Andrew Cannarsa  
Executive Director

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

Rebecca Shea, [SheaR@gao.gov](mailto:SheaR@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Tonita Gillich, Mariana Calderon, Irina Carnevale (Assistant Directors); Paulissa R. Earl (Analyst in Charge); and Caroline Christopher, Julia DiPonio, Colin Fallon, Jill Lacey, Barbara Lewis, Dante Miller, Anna A. Pechenina, Joseph Rini, Sabrina Streagle, Michael Yang, and Bobby J. Younce II made key contributions to this report.

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