



FACTCOALITION

Financial Accountability & Corporate Transparency

March 10, 2017

The Honorable Timothy O. Horne
Acting Administrator
General Services Administration
1800 F Street NW
Washington, DC 20006
Filed electronically via: entityvalidation@gsa.gov

RE: Request for Information (#ID15170001) for Entity Identification and Validation Services

Dear Administrator Horne,

On behalf of the Financial Accountability and Corporate Transparency Coalition (FACT Coalition), we are writing to recommend that the General Services Administration (GSA)¹ adopt a non-proprietary, open identifier system that includes the collection of information on the real people who own and control bidders of federal contracts and grants (also known as ‘beneficial owners’).

The FACT Coalition is a non-partisan coalition of more than 100 state, national, and international organizations working toward a fair and honest tax system that addresses the challenges of a global economy and promoting policies to combat the harmful impacts of corrupt financial practices.²

Many U.S. states rank among the easiest places in the world to form companies without revealing the identity of their beneficial owners.³ Research shows that anonymously-owned companies are easily formed in the U.S. and are being used to defraud businesses, taxpayers and the government in public procurement.⁴ The result of such fraud harms all of us in the form of increased national security threats, lower quality infrastructure and services, higher prices, wasted tax dollars, and decreased trust in government.

¹ GSA Interact, Integrated award environment (IAE) industry community, GSA issues request for information for entity identification and validation services, February 13, 2017, available at <https://interact.gsa.gov/blog/gsa-issues-request-information-entity-identification-and-validation-services>.

² A full list of FACT Coalition members is available at <http://thefactcoalition.org/about/coalition-members-and-supporters/>.

³ Mike Findley, Daniel Nielson and Jason Sharman, Global Shell Games, 2014, available at <http://www.globalshellgames.com/>.

⁴ See Global Witness, Hidden Menace: How secret company owners are putting troops at risk and harming American taxpayers, July 12, 2016, available at <https://www.globalwitness.org/en/reports/hidden-menace/>; Global Witness, The Great Rip Off, Anonymous company owners and the threat to American interests, September 25, 2014, available at <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/> (including the ways in which owners of anonymous companies are harming America’s national security, U.S. taxpayers, the vulnerable, businesses and investors, poor countries and democracy).

In one instance, a U.S.-Afghan contractor funneled at least \$3.3 millions of U.S. taxpayer funds to notorious Afghan powerbrokers, who deliberately hid their ownership interests in companies within the contractor's network to avoid association with the insurgency. These individuals in turn funded the purchase of weapons for the Taliban and insurgents. In another scheme, criminals behind the largest U.S. Medicare fraud managed to steal over \$35 million from the program by creating at least 118 fake health clinics in around 25 states in the name of anonymous companies incorporated in eight states.

Federal procurement is an important area where the Administration has the authority to act without Congress and to significantly impact the devastating consequences of waste, fraud, and abuse. To address this issue and to realize the intent behind this Request for Information — to advance a system that ensures integrity over awards of taxpayer dollars — the GSA should:

Adopt a non-proprietary identifier, such as the Legal Entity Identifier (LEI) or a similar, open system that makes the hierarchy of entity ownership transparent by requiring bidders for federal contracts and grants to disclose information on their beneficial owners.

The U.S. government has conveyed that the purpose of a unique entity identifier, as it relates to federal spending transparency, among other things, is to verify entity information and incorporation information as well as to create transparency.⁵ It also recognized that an identifier for entities receiving taxpayer funds is critical to ensure that federal dollars are awarded to responsible parties, that awardees are paid in a timely manner, and are appropriately recorded and reported.⁶

In order to achieve these objectives, an alternative identifier must take into account information about the beneficial owners of entities receiving federal awards. This was made clear in a January 2017 report by the Government Accountability Office (GAO) where GSA officials stated that they do not have the ability or authority to check entity ownership information beyond certain sources currently available to them when vetting and verifying bidders and contractors.⁷

In its report, the GAO recommended that the GSA determine whether the beneficial owner of high security leased space is a foreign entity so that leasing agencies may take the necessary security measure. It also found the GSA to be in the best place to do this important due diligence. The GSA has agreed with its recommendation, meaning that it will be collecting and assessing beneficial ownership information for at least one type of federal contract. This process is an opportunity to advance this

⁵ Federal Spending Transparency Data Act Collaboration Space, Elements: Awardee/recipient unique identifier, awardee/recipient legal entity name, ultimate parent unique identifier number, ultimate parent legal entity name, July 13, 2015, available at <https://fedspendingtransparency.github.io/whitepapers/unique-id-business-name/>.

⁶ Department of Defense, General Services Administration and National Aeronautics and Space Administration, Proposed Rules, Federal Acquisition Regulation; Unique Identification of Entities Receiving Federal Awards, November 18, 2015, available at <https://www.gpo.gov/fdsys/pkg/FR-2015-11-18/pdf/2015-29414.pdf>.

⁷ Government Accountability Office, Federal real property, GSA should inform tenant agencies when leasing high-security space from foreign owners, January 2017, available at <http://www.gao.gov/assets/690/681883.pdf>; Natalie Duffy, Office Space: Who really owns real estate leased by the U.S. government, Hudson Institute's Kleptocracy Initiative, January 30, 2017, available at <http://kleptocracyinitiative.org/2017/01/office-space/>.

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recommendation more systematically as risks related to the lack of beneficial ownership information on bidders and contractors reaches far beyond leasing and foreign owners — and into all types of federal spending.⁸

Moreover, until the unique entity identifier captures beneficial ownership information sufficiently, the identifier and related data elements being implemented by the Digital Accountability and Transparency Act of 2014 will fall short of its added value in the government’s pursuit for transparency, integrity, optimal contract performance, and the safeguarding of tax dollars. This approach will also significantly strengthen the federal requirement that companies disclose certain entity ownership and predecessor information into the System for Award Management and published in the Federal Awardee Integrity and Information System.⁹

These practical steps toward greater transparency in federal contracting and spending fit well within existing due diligence obligations across agencies established to ensure that federal data is more accessible and that program delivery is more effective.

Thank you for your consideration. For more information, please contact Clark Gascoigne at cgascoigne@thefactcoalition.org.

Sincerely,



Gary Kalman
Executive Director
The FACT Coalition



Clark Gascoigne
Deputy Director
The FACT Coalition

⁸ See Global Witness, Hidden Menace: How secret company owners are putting troops at risk and harming American taxpayers, July 12, 2016, available at <https://www.globalwitness.org/en/reports/hidden-menace/>; Global Witness, The Great Rip Off, Anonymous company owners and the threat to American interests, September 25, 2014, available at <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/great-rip-off/> (including the ways in which owners of anonymous companies are endangering American national security interests and democracy, as well as ripping off U.S. taxpayers, the vulnerable, businesses and investors, and poor countries).

⁹ Department of Defense, General Services Administration and National Aeronautics and Space Administration, Federal Acquisition Regulation; Information on Corporate Contractor Performance and Integrity, March 7, 2016, available at <https://www.gpo.gov/fdsys/pkg/FR-2016-03-07/pdf/2016-04773.pdf>; Department of Defense, General Services Administration and National Aeronautics and Space Administration, Federal Acquisition Regulation; Commercial and Government Entity Code, May 30, 2014, available at <https://www.gpo.gov/fdsys/pkg/FR-2014-05-30/pdf/2014-12387.pdf>. Information disclosures are required by Federal Acquisition Rule (FAR) Subparts 52.204-17 and 52.204-20, requiring the highest-level and immediate ownership information, predecessor information, and subsidiaries. FAR Subpart 4.1801 defines “highest-level owner” to mean “the entity that owns or controls and immediate owner of the offeror, or that owns or controls one or more entities that control an immediate owner of the offeror. No entity owns or exercises control of the highest-level owner.”

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Coalition Members and Supporters

Organizational Members

National/International

ActionAid USA
Americans for Democratic Action
American Federation of Labor – Congress of Industrial Organizations (AFL-CIO)
American Federation of State, County and Municipal Employees (AFSCME)
American Sustainable Business Council
Campaign for America’s Future
Center for Economic and Social Rights (CESR)
Citizens for Responsibility and Ethics in Washington (CREW)
Citizens for Tax Justice
EarthRights International
EG Justice
Enough Project
Fair Share
Fair Share Education Fund
Financial Transparency Coalition
Friends of the Earth U.S.
Global Financial Integrity
Global Witness
Government Accountability Project
Institute for Policy Studies – Program on Inequality and the Common Good
Institute on Taxation and Economic Policy
JPIC Ministry – Missionary Oblates
Jubilee USA Network
Leadership Conference of Women Religious
The Main Street Alliance
National Priorities Project
New Rules for Global Finance
OpenTheGovernment.org
Oxfam America
Pacific Environment
Polaris
Project On Government Oversight (POGO)
Public Citizen
Sargent Shriver National Center on Poverty Law
Service Employees International Union (SEIU)
Small Business Majority
Tax Justice Network USA
U.S. Public Interest Research Group (PIRG)
U.S. Public Interest Research Group (PIRG) Education Fund
U.S. UNCUT

State/Local

Arizona

Arizona Fair Share
Arizona Public Interest Research Group

California

California Fair Share
California/Venezuela Region – Religious Sisters of Charity
California Public Interest Research Group
Jubilee Bay Area
Main Street Alliance of California

Colorado

Colorado Fair Share
Colorado Main Street Alliance
Colorado Public Interest Research Group

Connecticut

Connecticut Fair Share
Connecticut Public Interest Research Group

Delaware

Delaware Americans for Democratic Action (Delaware ADA)

Florida

Florida Fair Share
Florida Public Interest Research Group
Main Street Alliance of Florida

Georgia

Georgia Fair Share
Georgia Public Interest Research Group

Idaho

Idaho Main Street Alliance

Illinois

Citizen Action / Illinois Illinois Fair Share
Illinois Public Interest Research Group

Iowa

Iowa Citizen Action Network
Iowa Citizens for Community Improvement

Iowa Fair Share
Iowa Farmers Union
Iowa Main Street Alliance
Move to Amend – Iowa Chapter

Kentucky

Kentucky Fair Share

Minnesota

Main Street Alliance of Minnesota
Minnesota Fair Share

Maine

Maine Small Business Coalition

Maryland

Maryland Fair Share
Maryland Public Interest Research Group

Massachusetts

Massachusetts Fair Share
Massachusetts Public Interest Research Group

Michigan

Michigan Fair Share
Michigan Public Interest Research Group

Missouri

Missouri Public Interest Research Group

Montana

Montana Fair Share
Montana Small Business Alliance

Nevada

Nevada Fair Share

New Hampshire

New Hampshire Fair Share
New Hampshire Public Interest Research Group

New Jersey

New Jersey Main Street Alliance
New Jersey Public Interest Research Group

New Mexico

New Mexico Public Interest Research Group

North Carolina

Fair Share in North Carolina
North Carolina Public Interest Research Group

North Dakota

North Dakota Fair Share

Ohio

Ohio Fair Share
Ohio Public Interest Research Group
Main Street Alliance of Ohio

Oregon

Jubilee Oregon
Main Street Alliance of Oregon
Oregon Fair Share
Oregon State Public Interest Research Group

Pennsylvania

Pennsylvania Fair Share
Pennsylvania Public Interest Research Group
SEIU Local 668, Pittsburgh, PA
UFCW Local 23, Western PA

South Carolina

South Carolina Small Business Chamber of Commerce

Texas

Texas Fair Share
Texas Public Interest Research Group

Vermont

Main Street Alliance of Vermont

Virginia

Virginia Fair Share
Main Street Alliance of Virginia

Washington (State)

Main Street Alliance of Washington
Washington Public Interest Research Group

Wisconsin

Wisconsin Fair Share
Wisconsin Public Interest Research Group

Individual Supporters

Eileen Appelbaum, Senior Economist, Center for Economic and Policy Research
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Elise J. Bean, former Staff Director and Chief Counsel of the U.S. Senate Permanent Subcommittee on Investigations
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