



Colorado Secretary of State

NASS IDEAS Award Nomination

Nominating Secretary of State:

Colorado Secretary of State, Jena Griswold

Contact Information:

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Project Lead:

Mike Fitzpatrick, Business and Licensing Deputy Director

Project Title:

Battling Business Fraud

Project Description:

In response to the rising incidents of individuals falling victim to business identity theft, particularly cases where their personal information was unlawfully used in business filings, our office established an innovative concept aimed at providing meaningful relief and restoring a sense of security to those affected by business fraud.

Subject Area:

Business and Licensing Services

Executive Summary

History

The rise in incidents of fraudulent filings with our office called for serious consideration and a concerted policy response. Our office took a legislative approach to provide additional authority to meet the needs of the communities that we serve. A rise in identity theft, unauthorized use of individual's names and addresses, along with demand to address these business records on behalf of victims ultimately led our office to pursue this solution. Business identity theft, a form of identity theft, takes various forms:

In one scenario, criminals "hijack" an existing business by altering critical information such as entity name, entity address, and registered agent details.

In a separate type of business identity theft, criminals establish an entirely new business using the victim's address or, at times, both the victim's name and address.

In both instances, the perpetrators exploit the business's identity to, among other schemes, establish credit lines with financial institutions or retailers. Subsequently, these identity thieves leverage the acquired credit to purchase items that can be easily converted into cash.

The repercussions for the victim can be severe, ranging from damage to credit history and denial or credit to potential contact by government agencies like the IRS. The cleanup process to rectify the damage is not only time-consuming but also comes with a substantial financial burden, often amounting to thousands of dollars.

The Colorado Department of State's primary challenges associated with business identity theft, or business fraud, include:

Unauthorized Use of Personal Information

Customers, unbeknownst to them, found their names and addresses associated with businesses in which they had no affiliation.

Demands for Resolution

Individuals were contacting our office, seeking assistance in rectifying this misuse of their personal information. However, state law did not afford our office with tools to directly respond to these calls for assistance.

Potential for Illegal Business Activities

The misuse of personal information in business filings raised red flags about the legitimacy of these business entities. There was a reasonable suspicion that such businesses could be engaged in illegal activities, making it imperative for our organization to take decisive action to protect both the victim and the public.

[Senate Bill SB22-034](#) revolutionized the handling of fraudulent business filings by instituting a streamlined complaint process housed within our office. This legislation empowers individuals whose business identity or personal information has been unlawfully utilized in filings with the Secretary of State by establishing a new avenue for submitting these complaints for investigation. This then initiates an interagency process to review the complaint, investigate it, and if the entity is found to be fraudulent, then flag the record in the office's business registry. The approach once completed not only aids victims by removing their information from the Colorado Department of State's website, but also proactively works toward

preventing additional harm by preventing attempts by illegitimate businesses to engage in illegal activities under the business' name.

In addition to its provisions for addressing fraudulent filings, SB22-034 also established the Fraudulent Business Filings Working Group. This group has diligently worked to formulate recommendations aimed at enhancing protective measures against deceptive practices. The recommendations of this working group were introduced and enacted as legislation this year (HB24-1137), further demonstrating the ongoing commitment of our office to innovate and advocate for the welfare of Coloradans and bolster the integrity of business practices in the state.

Primary Goals of this Solution

To provide a means to formally address the unauthorized use of names and/or addresses of constituents whose information had been used in fraudulent business filings with the Secretary of State.

To provide our office with the authority to identify and remediate business records deemed as ceded by the Attorney General's office so that unauthorized names and addresses are not publicly viewable.

To increase public confidence in the accuracy and dependability of business records on our registry.

Key Components of Implementation

Initial steps involved the creation of a fillable PDF form designed for customers filing complaints about businesses fraudulently using their personal information. To enhance user experience and minimize errors, proactive measures to simplify the form were taken. This significantly reduced the occurrence of errors and ensured a smoother submission process.

In collaboration with the Attorney General's office a structured process to tackle alleged fraudulent documents was created. According to the [Colorado Revised Statutes 7-90-314\(4\)\(c\)](#), an initial letter is dispatched by the Attorney General's office to the Registered Agent address inquiring information in response to the alleged misuse of the name or address, allowing 21 days for a response. Subsequently, if there is no response to the first letter, a second notice is sent, affording an additional 21 days for a reply. If no reply is received by the Attorney General, the Attorney General's office considers the allegations of misuse of a name or address conceded to – and then our office remediates the business record.

Our Business and Licensing division seamlessly collaborated with our internal IT division to establish and refine requirements, adapting them as needed within our tight timeline. This joint effort culminated in a strategic plan for processing records deemed fraudulent by the Attorney General's office.

In our office, we utilize Jira (www.atlassian.com/software/jira), a versatile software designed for issue tracking, project management, and workflow automation. Within Jira, we have established a dedicated project Kanban board specifically tailored for managing fraudulent business filings. Each customer complaint is represented by a ticket on this Kanban board, guiding us through the various stages of our process.

Program Significance

The results of this initiative have been significant. Victims now experience a quicker resolution, and the reaction process has significantly reduced the potential for ongoing harm.

Collaboration across state agencies in service of a shared mission to protect our constituents demonstrated the Department's commitment to protecting our citizens through strong communication, process and workflow design and customer-centric solutions.

Our initial design provided a low-cost solution that had minimal budgetary impact and therefore negligible fiscal demands on the public.

This solution leveraged existing technology to keep costs low while at the same time providing effective agility to properly triage and document complaints.

Historically our office's role in overseeing business records has been purely administrative. This solution demonstrated a first foray into a more active role where complaints against business filings are reviewed and records amended as necessary.

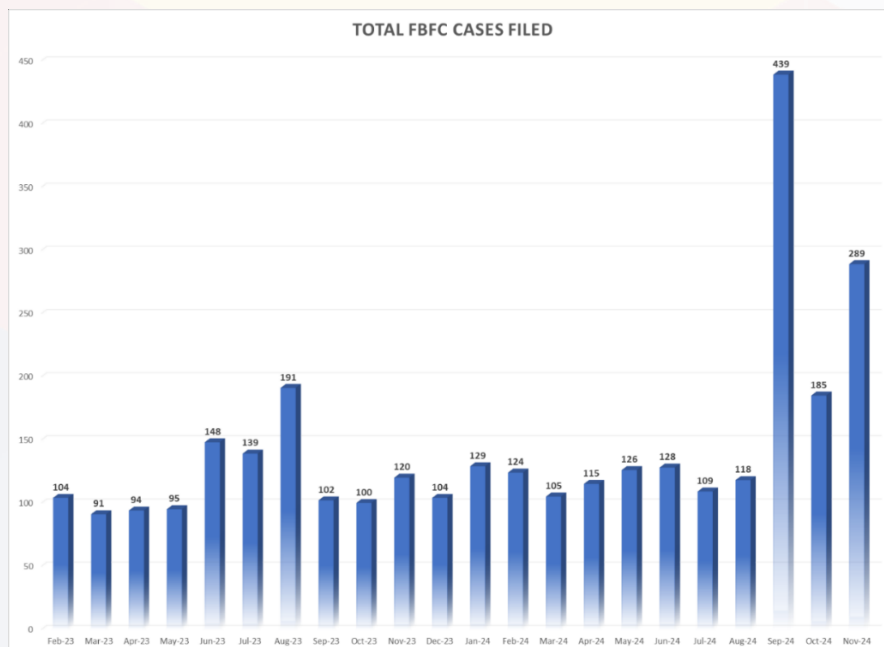
Created customer-friendly resources to educate and inform the public on how to submit complaints and navigate the process.

We are actively standing up a Business Fraud Unit to ensure adequate coverage and focus on this critical work.

Impacts & Results

Recognizing the gravity of business fraud, the Colorado Secretary of State and the Colorado Attorney General's office have collaboratively developed a system to combat instances of business fraud. Our efforts not only address the immediate concerns of victims but also play a pivotal role in creating a safer business environment.

When a complaint is filed, the Department of State does an initial assessment of whether the complaint has sufficient evidence of likely fraud. It is then referred to the Attorney General's office for investigation. If that investigation concludes that there is sufficient evidence to deem the business fraudulent, the case is then referred back to the Department of State so that we can adjust the business registration. Since the program's inception on 2/1/23, through 12/10/24, we have received 3,120 complaints and successfully completed our office's processing obligations on 100% of them.



Additionally, we have completed processing 100% of the 1,273 complaints referred to the Attorney General's office that have concluded investigations, with our staff amending the associated business filings to redact unauthorized information such as victim's names and addresses.

Our office has developed internal processing protocols for modifying records, ensuring that we promptly address completed investigations from the Attorney General's office. As a result, we typically account for only a small fraction of the overall case backlog (0-1%). Currently, we are awaiting the completion of investigations by the Attorney General's office on approximately 1,200 additional cases.

HB24-1137 provided authority for law enforcement agencies to submit complaints on behalf of the victims that they are representing as well as providing our office the authority to mark records as delinquent when created using unauthorized or fraudulent information.

Since the program's launch, Secretary Griswold has hosted multiple public events and issued several press releases to raise awareness about the program.

See attached visual of active Dashboard used by the Division for case management.

Supporting Materials

Fillable Fraudulent Business Filing Complaint Form

Fraudulent Business Filing Complaint

Business Program

Colorado Secretary of State

1700 Broadway, Ste. 550 Denver, CO 80290

Phone: 303-894-2200

Fax: 303-869-4864

Email: BusinessFraud@coloradosos.gov

Website: www.coloradosos.gov

Handwritten forms won't be accepted.

Complete this form online, save it, then email it to our office.

Type of violation

I allege that a business filing was made in violation of section 7-90-314(1), C.R.S. as follows:

A new business was created using my information. (Mark all that apply)

An address was included in a filing without the written consent of the owner or occupier of the address.

My name, without my written consent, was included in a filing as: (Mark all that apply)

The registered agent.

The individual causing the document to be delivered to the Secretary of State's office for filing.

The person incorporating forming, or organizing a business; or

Any other person required to be identified in a document filed in the Secretary of State's office under Title 7, C.R.S.

My existing business record was changed without my written consent or authority to do so.

Complainant information

Enter the contact information of the person making this complaint.

Name

Street address

City

State

ZIP

Phone

Email

Alternate phone or email (optional)

Relationship or affiliation with entity, if any (officer, director, shareholder, employee, client, etc.)

Example of a Fraud Notation on a Business Record

Summary

This entity is unauthorized or fraudulent.

Details			
Name	Web Design Michelle Vasquez LLC		
Status	Noncompliant	Formation date	08/13/2022
ID number	20221783173	Form	Limited Liability Company
Periodic report month	August	Jurisdiction	Colorado
Principal office street address	n/a		
Principal office mailing address	n/a		

[Filing history and documents](#)

Business Identity Theft Informational Flyer

WHAT IS BUSINESS IDENTITY THEFT?

In the case of a business, a criminal takes over the identity of a business and uses that identity to establish lines of credit with banks or retailers. Using this credit, the identity thief purchases goods, gift cards, and other items that can be bought and exchanged for cash, or sold with relative ease.

The damage can be devastating to the business and to the credit history. This can lead to denial of credit. Correcting the damage can be both costly and timely.

PROTECT YOUR BUSINESS

Take the following initial steps to protect your business from identity theft:

- ❗ Sign up for Secure Business Filing. Secure Business Filing works best when you include more email addresses of trusted parties, so that you are not locked out of your account. Other trusted parties to consider are:
 - Your registered agent
 - Your accountant
 - Your lawyer
 - You can also add yourself under another email address
- ❗ Subscribe to the Secretary of State's e-mail notification services
- ❗ Obtain a commercial credit report for your business
- ❗ Sign up for electronic notifications with your bank, other creditors, and service providers

These are your first steps to protecting your business. Your effort should not stop there. For more information on additional steps to protect your business, see the Business Identity Theft Resource Guide available at:

coloradosos.gov/pubs/business/ProtectYourBusiness/protectYourBusiness.html

VICTIMS OF BUSINESS IDENTITY THEFT

If you believe your business is a victim of identity theft, you should immediately take the following steps to begin the recovery process:

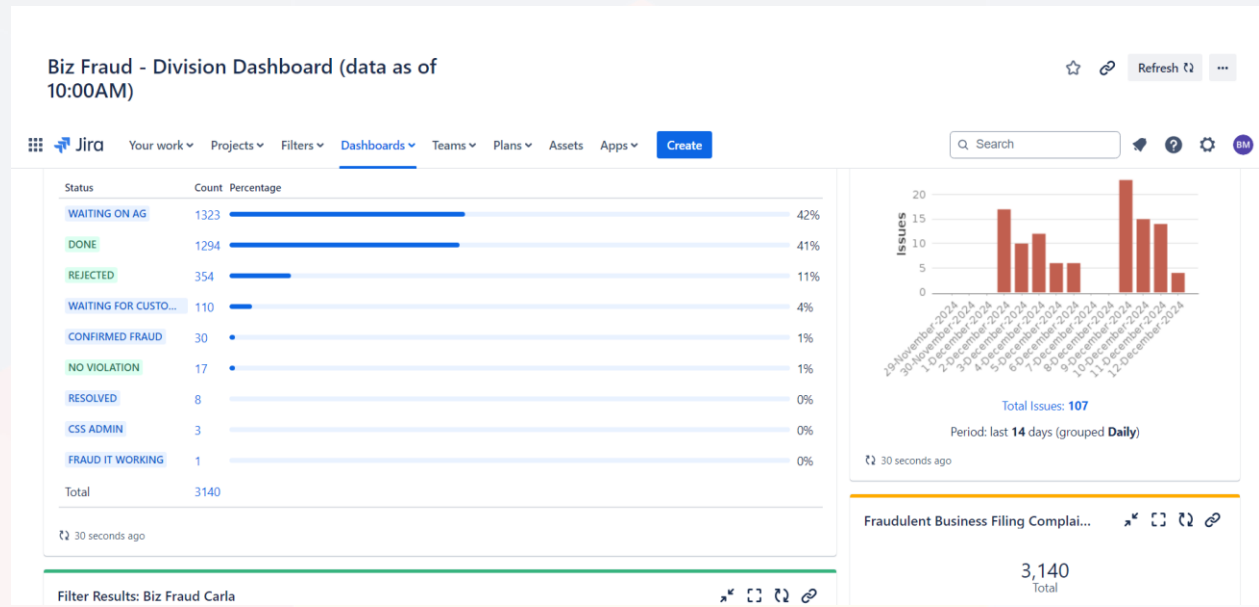
- Report the theft to your local law enforcement agency
- Contact all your business' banks, or credit providers and report the theft
- Contact credit reporting agencies and speak with the fraud department to report the crime and view your business credit report

For a complete list, see the Business Identity Theft Resource Guide available at:

coloradosos.gov/pubs/business/ProtectYourBusiness/protectYourBusiness.html

If you need support, contact the Colorado Bureau of Investigation, and request the help of a Victim's Advocate.

Business Fraud Complaint Tracking Dashboard



Colorado Secretary of State Jena Griswold Launches Resource to Help Prevent Business Identity Theft

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Denver, February 2, 2023 - A new tool allowing Coloradans to report fraudulent business filings is now available at www.ColoradoSOS.gov. The resource, which launched on February 1, protects Colorado businesses and individuals by allowing them to report when a bad actor has:

- formed a new business fraudulently using someone else's address or personal information.
- taken over a legitimate business filing in an attempt to leverage it for fraud.

"As Secretary of State, I will always work to ensure Colorado remains a great place to own and operate a business. This new resource provides protections for hard-working Colorado business owners from the increasing threat of business identity theft, while cutting red tape," **said Secretary of State Jena Griswold.**

When the Secretary of State's office receives a complaint of a suspected fraudulent filing via this new tool, that complaint will be referred to the Attorney General's Office for investigation. If the subsequent investigation determines the business filing to be fraudulent, the Secretary of State's Office will then redact victim information and flag the record as suspected fraudulent activity.

"Fraudulent business filings with the state can cause significant harm and inconvenience to legitimate business owners, and these types of filings are often made in order to commit other fraud and crimes. My office is committed to working with the Secretary of State's office to crack down on business identity theft using this new state law," **Attorney General Phil Weiser said.**

This interagency process, established as a result of the Combating Business Identity Theft Act (SB22-034), aims to stem business identity theft in Colorado. Business identity theft is a crime in which, for example, thieves use a business's identity to establish lines of credit with banks or retailers. With these lines of credit, the identity thieves often then buy items that can be exchanged for cash or sold with relative ease. The damage can be devastating to the victim business, with credit history damage or denial of credit leading to operational problems.

The Combating Business Identity Theft Act passed the Colorado legislature with bipartisan support in 2022 prior to being signed by Governor Polis. The bill was sponsored by Senator Chris Kolker, Senator Kevin Priola, Representative Shannon Bird, and Representative Shane Sandridge.

"The collaborative efforts of the Legislature, Secretary of State and Attorney General's office has resulted in an important step in stopping bad actors from stealing the identities of Colorado businesses," **said Representative Bird.** "We are keeping it easy to start a business in Colorado and at the same time making it very hard for fraudsters to steal identities and take advantage of the public."

Businesses and individuals may file a formal complaint at <https://coloradosos.gov/pubs/business/fraudFilingsComplaints.html>.

A complaint should only be submitted to the Secretary of State's Office if one of the following violations from section 7-90-314(1), C.R.S., has occurred:

- A new business was created using someone else's personal information without their written consent, such as an address or name.
- An existing business record was changed without the written consent of the business owner or representative who has the authority to do so.

The filing of a complaint is not for settling internal disputes between former or current business partners, spouses, family members, friends/acquaintances, co-workers, competitors, etc.

In addition to this new tool, the Colorado Secretary of State, the Colorado Attorney General, and the Colorado Bureau of Investigation ID Theft Unit provide a [Business Identity Theft Resource Guide](#) with the information necessary to avoid and reduce the threat of business identity theft while also assisting businesses that have already fallen victim to these crimes.

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Colorado Secretary of State's Fraudulent Business Filing Process Showing Immediate Impact

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Interagency Process with Attorney General's Office has Flagged First Fraudulent Entries

Denver, May 5, 2023 - The new tool allowing Coloradans to report fraudulent business filings is already protecting Colorado businesses and individuals. The interagency process, which launched on February 1, 2023, has begun recording and flagging the first examples of fraudulent business filings.

"Protecting hard-working Colorado business owners from the increasing threat of business identity theft is vital," said Secretary of State Jena Griswold. "Colorado is a great place to own and operate a business, and my office is here to make sure it stays that way."

The Fraudulent Business Filings tool protects Colorado businesses and individuals by allowing them to report when a bad actor has:

- formed a new business fraudulently using someone else's address or personal information.
- taken over a legitimate business filing in an attempt to leverage it for fraud.

When the Secretary of State's office receives a complaint of a suspected fraudulent filing via this new tool, that complaint is referred to the Attorney General's Office for investigation. If the subsequent investigation determines the business filing to be fraudulent, the Secretary of State's Office will then redact victim information and flag the record as suspected fraudulent activity.

This interagency process, established as a result of the Combating Business Identity Theft Act (SB22-034), aims to counteract business identity theft in Colorado. Business identity theft is a crime in which, for example, thieves use a business's identity to establish lines of credit with banks or retailers. With these lines of credit, the identity thieves often then buy items that can be exchanged for cash or sold with relative ease. The damage can be devastating to the victim business, with credit history damage or denial of credit leading to operational problems.

The Combating Business Identity Theft Act was a priority of Secretary Griswold's in 2022. The bill passed the Colorado legislature with bipartisan support. It was sponsored by Senator Chris Kolker, Senator Kevin Priola, Representative Shannon Bird, and Representative Shane Sandridge.

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