

2012 IACA MERIT AWARD APPLICATION



Jurisdiction: Colorado Secretary of State

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Description of the Innovation:

Business identity theft is a growing crime. Colorado has been a leader in combating this crime and, with Secure Business Filing, provides Colorado businesses with leading protection against identity theft criminals. The Colorado Secretary of State's office launched its Secure Business Filing system on January 24, 2012. The system allows customers to add password protection to their business records.

The Secure Business Filing system provides password protection to business records. Establishing a password protects business records from unauthorized changes—the first step in business identity theft. Once Secure Business Filing is set up, filers will be required to enter a password and email address when submitting documents affecting the business record..

The Secure Business Filing system addresses customer demands for additional protection of business records. Yet the system preserves the openness and transparency required for commerce by continuing to allow any user to freely search business records.

Some of the major features of the Secure Business Filing system are:

1. Filers can set up Secure Business Filing for a new record immediately upon creating the record.

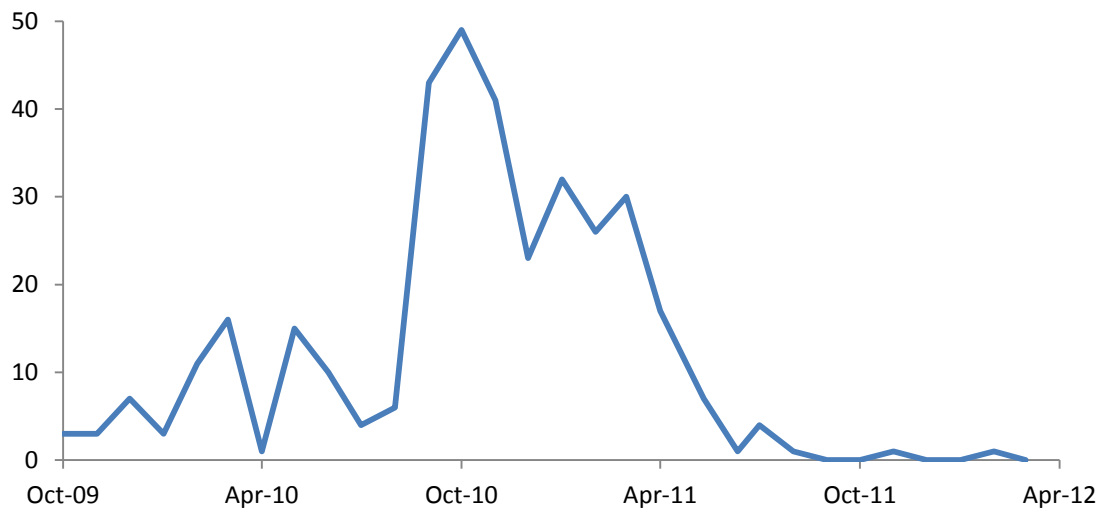
2. For an existing record, a PIN be mailed to the record's principal office address is required to set up a password, preventing identity thieves from setting up unauthorized password accounts.
3. More than one person may have filing privileges for a record.
4. A person who establishes an account may add or remove users for the same record
5. Each person with access to an account will have the same rights to add and delete other users.
6. If a business has Secure Business Filing enabled, a password and email address must be entered for *each* document that is submitted.
7. An automated password-recovery option is available.
8. A person who chooses to create an account will be automatically signed up for email notification of changes to the associated record.
9. An account holder can delete all users for a record to disable Secure Business Filing.

In addition to the Secure Business Filing system, Colorado has fought business identity theft by building partnerships with law enforcement, developing a business identity theft resource website: www.protectyourbusiness.us (which is a model for the national website Businessidtheft.org), and leveraging email notification regarding changes to business records.

Results of Implementation:

These efforts have led to a dramatic reduction in the number of reported business identity thefts in Colorado. Thefts have **dropped 46 percent from 2010 to 2011 and only one case so far in 2012.**

Reported Business ID Theft Cases Per Month



This drop in cases can be attributed to our multipronged approach to the problem. The addition of Secure Business Filing is another component of this effort and will help control the problem going forward.

Since launching Secure Business Filing just two months ago, **4,032 businesses have signed up.**

Another resource for identifying fraud is the Secretary of State's email notification system. After signing up for email notification, when a change is made to a company's record, an email alert is sent immediately. This helps businesses quickly discover any potential fraud and take steps to prevent loss. Over **90 percent of active businesses have signed up for email notification.**

The Colorado Secretary of State became aware of business identity theft in early 2010 when victims and law enforcement began contacting the office about fraudulent documents being filed and businesses' credit being negatively affected.

Colorado was specifically targeted because of its open online filing system, which launched in 2004. The online filing system did not require log in or other customer information to access or change business records. The open system made filing fast, easy, and inexpensive for the overwhelming majority of customers. However, the openness also made the system susceptible to fraud.

In response to the fraud, the office began to work closely with the Colorado Bureau of Investigation (CBI) and United States Secret Service. The Secretary of State provided CBI and the US Secret Service with payment information and Internet Protocol (IP) addresses associated with fraudulent filings. Law enforcement used the information to investigate the perpetrators.

This cooperation led to the arrest of a ring of identity theft criminals in California in July 2010.

Working with law enforcement and the private sector, the Secretary of State's office is a national leader in combatting the growing problem of business identity theft. Secretary Gessler continues to work with law enforcement agencies and national stakeholders to identify the criminals and shut down their operations. He currently co-chairs the National Association of Secretaries of State Business Identity Theft Task Force, helping establish best practices for other states to address this criminal activity.

Benefits of the Project (cost, production or customer service):

While business identity theft has affected less than 1 percent of all Colorado businesses, the impact to each business may be significant. Each victim has the potential for hundreds of thousands of dollars in credit charges, many hours lost to recover from the fraud, and reputation damage.

Implementing Secure Business Filing and reducing business ID theft will save the office about 120 hours and \$20,000 per year that were needed to investigate and respond to identity theft cases.

The savings to customers are difficult to quantify; however, the costs of each case of business ID theft are estimated at \$60-90,000 in credit losses and several hours of effort to repair credit histories. In one case alone, losses were estimated at \$250,000.

Lessons Learned:

Implementing a password-protection system had the potential to complicate filing for several of our customers, most notably service companies and other multi-filers. We alerted those customers before launching the system; however, involving customers earlier may have improved project outcomes

Colorado Secure Business Filing & Business ID Theft Timeline

