

April 28, 2016

Mr. David Lebryk
Fiscal Assistant Secretary
US Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
VIA EMAIL: David.lebryk@treasury.gov

Mr. David Mader,
Controller and Acting Deputy Director of Management
White House Office of Management and Budget
725 17th Street, NW
Washington, DC 20503
VIA EMAIL: David_a_mader@omb.eop.gov

Dear Mr. Lebryk and Mr. Mader:

We, the 23 undersigned organizations write to urge the US Department of Treasury and Office of Management and Budget (OMB) to embed beneficial ownership transparency in federal procurement through the current implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act). This would be an important step to build upon the gains in transparency that this Administration has championed over the past seven years and to institutionalize them for the future.

We welcome greater transparency among bidders for federal funds as a vital mechanism to help the U.S. government better ensure high standards of performance and integrity among contractors, which is essential to combatting corruption, waste, fraud and abuse. However, currently many U.S. states rank among the easiest places in the world to form companies without revealing the identity of the people who ultimately own or control them (often called “beneficial owners”).

Years of research demonstrate that the U.S. is a favored place for incorporating anonymously-owned companies that have been used to hide stolen assets; bribe public officials; evade sanctions; dodge taxes; and launder drug money. They have also been used to defraud vulnerable Americans, businesses and the government, including through public procurement. The result of such fraud harms all of us in the form of lower quality infrastructure and services, higher prices, wasted tax dollars and decreased trust in government.

In one instance a Pentagon supplier formed two shell companies in Wyoming and pretended they were largely owned by ethnic minorities to win preferential treatment for government contracts so that he could profit from supplying substandard parts to the military. These schemes happen all too often. In another, conspirators used sham companies from North Carolina, Nevada and Tennessee to steal more than \$2 million from subcontractors that they tricked into fulfilling contracts.

Federal procurement is an important area where the Administration has the authority to act without Congress and to significantly impact the devastating consequences of corruption, waste and fraud. **To address this issue, the Treasury Department and OMB should embed beneficial ownership transparency in federal procurement through the implementation of the DATA Act.** The DATA Act, which expands on federal awards spending and builds on reforms that began with the Federal Funding

Accountability and Transparency Act (FFATA) of 2006, allows the Administration to add to a single searchable website “any other relevant information specified by [OMB] the Secretary of the Treasury.”¹ Beneficial ownership transparency can and should be added to USASpending.gov via requirements for registration to the System for Award Management / Central Contractor Registration.

All companies in the federal procurement system should provide beneficial ownership information so that contracting officers have the information they need to make accurate responsibility determinations. This includes publicly traded companies, as FFATA makes no exemptions for such entities involved in federal procurement from making disclosures, aside from one instance under FFATA guidance created by OMB concerning executive compensation.²

In addition to the collection, verification and publication of beneficial ownership information for all bidders for U.S. federal funds, award and contract information should be available for free in a machine-readable and open data format, such as the Open Contracting Data Standard. The Treasury Department and OMB should take these steps as a part of their mandates to adopt a government-wide identifier for every recipient of federal contracts, grants and other assistance.

As the Data Universal Numbering System (DUNS®) Number, the current identifier for contractors, is replaced with an alternative unique identifier, we welcome opportunities to participate in a transparent, public process to help evaluate alternatives. We support the government’s stated objectives for these efforts—to better verify entity information and incorporation information, as well as to create transparency given that it is critical to ensure federal dollars are awarded to responsible parties, that awardees are paid in a timely manner, and that awards are appropriately recorded and reported.

To achieve these objectives, information about the real people who own or control entities receiving federal awards must be collected, verified and made publicly available. Until the unique entity identifier captures beneficial ownership information sufficiently, the identifier and related data element, under development as part of the implementation of the DATA Act, will fall short of their added value in the government’s pursuit for transparency, integrity, optimal contract performance and the safeguarding of tax dollars.

These practical steps toward greater transparency in federal contracting 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 of these comments. Please contact Eryn Schornick at eschornick@globalwitness.org or (202) 580 - 9711 for additional information or to schedule a meeting.

Sincerely,

Alliance for a Just Society

Citizens for Tax Justice

¹ The Digital Accountability and Transparency Act of 2013, Report 113-217, Section 2 (b)(1)(B)(G)(vii), available at <https://www.gpo.gov/fdsys/pkg/CRPT-113hrpt270/html/CRPT-113hrpt270.htm>.

² Office of Management and Budget, Memorandum for Senior Accountable Officials, August 27, 2010, available at https://www.frs.gov/documents/OMB_Guidance_on_FFATA_Subaward_and_Executive_Compensation_Reportin_g_08272010.pdf.

Demand Progress
EG Justice
Enough Project
Financial Accountability and Corporate Transparency (FACT) Coalition
Fair Share
Global Financial Integrity
Global Integrity
Global Witness
Greepeace USA
Investors Against Genocide
Main Street Alliance
Natural Resource Governance Institute
Open Contracting Partnership
OpenCorporates
OpenTheGovernment
Oxfam America
Project on Government Oversight
Project on Organizing, Development, Education and Research (PODER)
Sunlight Foundation
Transparency International-USA
US Public Interest Research Group (PIRG)

cc: Mary Beth Goodman, Senior Director for Development & Democracy, National Security Council
Christina Ho, Deputy Assistant Secretary for Accounting Policy and Financial Transparency, US
Department of Treasury
Eric Ferraro, Assistant Commissioner of the Integrated Acquisition Environment, Federal
Acquisition Service, US General Services Administration
Karen Pica, Management Analyst, Office of Federal Procurement Policy, Office of Management
and Budget