

Should “Shell Companies” Receive Federal Contracts?

Written by Nick Sanders

Wednesday, 06 July 2011 00:00



Most folks normally think it's sufficient simply to review the Excluded Party List before making a contract award, in order to make sure their awardee isn't suspended or debarred. In fact, that's a mandatory step even if you're a prime contractor, and one that's checked in almost every Contractor Purchasing System Review (CPSR) performed by DCMA functional specialists. Woe to the Government Contracting Officer or to the prime contractor's contract administrator who awards work to a suspended or debarred entity!

But is that review good enough?

Recently, we came across [this article](#) that discussed the State of Wyoming's "liberal incorporation laws" that permit entities to incorporate using an "alias" in order to preserve "corporate anonymity". [Wyoming Corporate Services](#) was named in the article as the provider of such services. According to the entity's website, it offers the following benefits to companies interested in incorporating anonymously in Wyoming:

-

No State Income Taxes

-

No information collected to be shared with IRS

Should “Shell Companies” Receive Federal Contracts?

Written by Nick Sanders

Wednesday, 06 July 2011 00:00

-

Privacy allowed

-

Shareholders are not listed with the state

-

Best Asset Protection Laws

-

Nominee officers are legal

-

Citizenship not required

-

State tax not being considered

-

Wyoming draws little attention

-

No Nevada "Stigma"

-

Lower Startup Costs

Should “Shell Companies” Receive Federal Contracts?

Written by Nick Sanders

Wednesday, 06 July 2011 00:00

There’s nothing illegal in incorporating in Wyoming, nor in using the services of Wyoming Corporate Services—at least, as far as we can tell. However, problems seem to arise when an unscrupulous corporation uses its corporate anonymity to misrepresent itself when bidding on a Federal contract. We’re talking, once again, about representation as a small or small socioeconomically disadvantaged business when the entity fails to meet the qualifications established by FAR Part 19.

According to the article—

In January, the Defense Logistics Agency (DLA) banned Eagle Logistic Solutions and Eagle Logistics Aerospace from selling components to the Pentagon for three years. The ban came after investigators found the firms, and their owners, had knowingly supplied air and fluid-filtering kits for military tractor-trailers between 2001 and 2005 that were reverse-engineered in Turkey to look like they were made by Parker Hannifin, the required manufacturer. ... The parts were considered ‘critical application items,’ which the Pentagon defines as ‘essential to operating personnel.’

The article continued—

The companies were created by Atilla C. Kan, an employee of another Pentagon supplier called New York Machinery. DLA records, Wyoming incorporation data, and documents submitted by an attorney for New York Machinery in a settlement agreement in a separate federal criminal lawsuit show Kan formed the companies in Wyoming under the name John Ryan. He later used the alias, and a description of the companies as ‘minority-owned,’ ‘woman-owned’ and ‘Hispanic-owned,’ when applying to supply military parts, the documents show.

The article reported that, “Both firms listed their address as 2710 Thomes Avenue in Cheyenne, the DLA records show.” That address is—not coincidentally—the address of Wyoming Corporate Services. The article noted that—

A Reuters investigation has found that more than 2,000 companies are registered at 2710 Thomes Avenue in Cheyenne, the headquarters for Wyoming Corporate Services ...

Should “Shell Companies” Receive Federal Contracts?

Written by Nick Sanders

Wednesday, 06 July 2011 00:00

Among the firms incorporated there is a small subset that make their money from government contracts.

A Reuters review of federal contracting databases found nine firms registered at 2710 Thomes Avenue have been awarded 93 contracts worth more than \$1.6 million by a half dozen government agencies, including the U.S. Department of Defense, the U.S. Treasury's Internal Revenue Service, the Centers for Disease Control, and the Department of Veterans Affairs.

More than 90 percent of the contracts were awarded by the Department of Defense.

We have previously reported on the real and present danger posed by counterfeit parts within defense program supply chains. Many contractors simply don't know how to secure their supply chains so as to lock-out untrustworthy suppliers. Today, we are suggesting one test to check for the trustworthiness of a potential supplier.

We recommend checking the corporate address of the potential supplier. If the corporate address is 2710 Thomes Avenue, Cheyenne, Wyoming ... then we recommend caution and further checking. Having that address is not evidence of a problem, but we consider it to be an indicator—a warning sign, if you will—of potential concern.

Should “Shell Companies” Receive Federal Contracts?

Written by Nick Sanders

Wednesday, 06 July 2011 00:00

To our original question (should a contract be awarded to a shell company run by somebody using an alias?) we can only answer that we would hesitate, and run several more checks on that supplier, before doing so.