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United States Government Accountability Office
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The Honorable E. Benjamin Nelson
Chairman
Subcommittee on Legislative Branch
Committee on Appropriations
United States Senate

Subject: *Government Is Analyzing Alternatives for Contractor Identification Numbers*

In 2011, the federal government spent more than \$1 trillion on contracts and grants. To help manage and oversee these activities, the government relies on a number of data systems which are used, for example, to advertise solicitations, report awards, and track performance. The government needs a way to distinguish between the numerous entities with which it does business. For decades, the government has relied on Dun & Bradstreet's Data Universal Numbering System (DUNS) as a unique identifier. The General Services Administration (GSA) contracts with Dun & Bradstreet for use of DUNS numbers in governmentwide data systems. Over time, DUNS numbers have become embedded in various government data systems and processes, and all prospective contractors, grantees, and other federal aid recipients generally are required to have a DUNS number in order to do business with the government. In recent years, government officials have expressed concerns about the rising costs of using DUNS numbers. In addition, other companies that offer unique identifier numbering systems have questioned why the government will not consider their products and services as an alternative to DUNS numbers.

You asked us to review the federal government's use of DUNS numbers. In response, we examined (1) how the government currently contracts for and uses DUNS numbers; (2) the challenges posed by the government's use of DUNS numbers; and (3) steps GSA has taken to mitigate these challenges. To address these objectives, we analyzed GSA documents such as analyses of alternatives and contracts and interviewed officials from GSA, other agencies, and Dun & Bradstreet. We also interviewed officials from companies that compete with Dun & Bradstreet in commercial markets.

We conducted this performance audit from January 2012 to June 2012 in accordance with generally accepted government auditing standards. Those

standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

In recent years, the government's reliance on DUNS numbers has increased significantly. There has been a dramatic increase in the number and types of entities that are required to have DUNS numbers to do business with the government. GSA also has expanded the level of business information services that it acquires from Dun & Bradstreet. These services include data verification and monitoring as well as corporate linkage information to support enhanced reporting capabilities. As GSA has increased its use of the DUNS number and business information services, its costs have increased from about \$1 million in 2002 to approximately \$19 million per year under the current contract. The current contract for DUNS numbers is a sole-source contract awarded to Dun & Bradstreet in 2010 for a 3-year base period with options for 5 additional years—the contract now totals up to \$154 million.

There are several challenges associated with GSA's contract for unique identification numbers. GSA believes that Dun & Bradstreet effectively has a monopoly for government unique identifiers that has contributed to higher costs. This effective monopoly results in part from government regulations and directives that require contractors, grantees, and other entities seeking to do business with the government to obtain a DUNS number. Also, due to the proprietary nature of DUNS numbers, Dun & Bradstreet has placed restrictions on how GSA can use DUNS numbers. This limits the purposes for which the government can use the data and hampers the ability to switch to a new numbering system. Dun & Bradstreet's competitors have raised concerns regarding the government's use of DUNS numbers as its unique identification number. These companies believe that the integral role of DUNS numbers in government systems has provided Dun & Bradstreet with unfair advantages in the government or commercial markets for business data. Other organizations have expressed concerns about the government's use of DUNS numbers as well. For example, one organization noted that DUNS numbers are not subject to transparency requirements such as Freedom of Information Act requests so it is difficult to determine independently the accuracy or comprehensiveness of DUNS information.

To address concerns about the high costs and proprietary restrictions associated with the government's use of DUNS numbers, GSA recently began an analysis of alternatives for unique numbering systems. In its ongoing analysis, GSA has conducted market research and plans to conduct a cost-benefit analysis and feasibility study for alternatives to using DUNS numbers by September 2012. GSA has concluded that it is not in the best interests of the government to change from one proprietary number to another. The agency is therefore evaluating the advantages and disadvantages of replacing DUNS numbers with a government-owned numbering system. GSA also will be considering a hybrid approach utilizing

both DUNS numbers and a government-owned numbering system, which could be a viable alternative. A key factor in deciding whether to replace DUNS numbers in government data systems is the cost of switching. In the event of a change, GSA and dozens of other agencies would have to modify their data systems, replace all DUNS-related data in those systems, and update policies and procedures that refer to DUNS numbers. GSA officials have said switching costs could be substantial and, while they have outlined steps for capturing costs, they are still developing their methodology for estimating these costs. Meanwhile, even as GSA continues using DUNS numbers, the agency may be able to ease current restrictions on their use, such as the requirement to delete associated DUNS data when the contract with Dun & Bradstreet ends. We are recommending that GSA initiate negotiations with Dun & Bradstreet to that end. GSA agreed with our recommendation.

Background

Governmentwide acquisition systems, finance systems, and other data systems depend on the ability to assign a unique identification number to businesses and other organizations seeking to do business with the government. The federal government has contracted with Dun & Bradstreet since 1978 to provide DUNS identification numbers for all government contractors. A DUNS number is a unique nine-digit number that is assigned to every business entity in Dun & Bradstreet's global business database, which according to Dun & Bradstreet contains more than 166 million records. Many businesses have multiple DUNS numbers since Dun & Bradstreet assigns a number to each physical location of an organization (such as branches, divisions, and headquarters). In addition to the right to use DUNS numbers as a unique identification number, GSA also contracts with Dun & Bradstreet to provide business information and related services on all existing and potential government contractors and awardees. This information is linked to the business entity through the DUNS number. The DUNS number and associated business information are owned and controlled by Dun & Bradstreet, but licensed to the government to be used for selected acquisition purposes.

The federal government began using DUNS numbers in the 1970s to identify and track contractors. During the late 1980s and early 1990s, the government replaced the DUNS number and established its own database of Contractor Establishment Code (CEC) numbers. The government contracted with Dun & Bradstreet to operate and maintain this database. In 1996, the government made a determination to replace the CEC numbers and use the commercially available DUNS number to fulfill its needs; a Federal Acquisition Regulation (FAR) interim rule was issued to implement this determination.¹ Government officials said the decision was based on several factors, most notably that the DUNS number was widely used and accepted, both domestically and internationally, and that the DUNS number was viewed as the only reliable mechanism for cross-walking to other numbering systems. In 1998, the FAR was amended with a final rule to replace the CEC with the DUNS number as the means of identifying contractors in the government's main reporting data system,

¹61 Fed. Reg. 67,412 (Dec. 20, 1996).

the Federal Procurement Data System (FPDS).² In 2003, another amendment to the FAR specified that contractors must obtain and submit a DUNS number in order to register in the Central Contractor Registration (CCR), a data system in which all prospective contractors generally must register to be eligible for government contracts.³

GSA is the agency responsible for managing the Dun & Bradstreet contract. That contract provides the rights to use DUNS numbers in CCR, the Federal Procurement Data System-Next Generation (FPDS-NG), and several other governmentwide acquisition data systems. In 2002, the contract became part of the Integrated Acquisition Environment (IAE), a GSA-led initiative to bring together different acquisition data systems. IAE consists of several data systems that support actions integral to the acquisition process, such as posting contracting opportunities, registering prospective contractors, assessing contractor performance, and reporting contract actions.⁴ GSA uses memorandums of understanding with the 24 departments and agencies now covered by the Chief Financial Officers Act of 1990 to collect funding contributions, which pay for the development, operations, and maintenance of IAE's portfolio, including the Dun & Bradstreet contract. GSA is currently working to consolidate its portfolio of data systems into one single system known as the System for Award Management (SAM). The first phase of SAM will incorporate the functionality of three IAE data systems—CCR, the Excluded Parties List System (EPLS), and the Online Representations and Certifications Application (ORCA). GAO recently reported on GSA's progress in implementing SAM and found that higher than anticipated costs and constrained resources have resulted in delays and pose a risk to the future viability of the project.⁵ In response to our recommendations, GSA is currently reassessing its approach to developing and implementing SAM.

The DUNS Number Has Become an Increasingly Integral Component in How Government Data Systems Operate

In recent years, the government's reliance on DUNS numbers has increased and they have become an integral component in how government data systems operate. For instance, there has been a dramatic increase in the number and type of entities that are required to have DUNS numbers to do business with the government. When the DUNS number was incorporated into the FAR as a final rule in 1998, only

²63 Fed. Reg. 9,049 (Feb. 23, 1998). The final rule is currently implemented at FAR § 4.605(b) which identifies the DUNS number as the Contractor Identification Number for reporting the successful offeror in the Central Contractor Registration database.

³FAR § 4.1102; 52.204-7. Exceptions to registration in the CCR database for prospective offerors are in FAR 4.1102

⁴The nine systems of IAE include Federal Business Opportunities (FedBizOpps), FPDS-NG, Wage Determinations OnLine (WDOL), Past Performance Information Retrieval System (PPIRS), Excluded Parties List System (EPLS), Central Contractor Registration (CCR), Federal Agency Registration (FedReg), Electronic Subcontract Reporting System (eSRS), and Online Representations and Certifications Application (ORCA).

⁵GAO, *Effort to Consolidate Government Acquisition Data Systems Should Be Reassessed*, [GAO-12-429](#) (Washington, D.C.: March 2012)

prospective contractors were required to obtain DUNS numbers. In 2003, the Office of Management and Budget (OMB) issued guidance that also required grant and cooperative agreement applicants to obtain DUNS numbers.⁶ OMB expanded this policy in 2008 when it required DUNS numbers for recipients of loans and other types of financial assistance.⁷ In January 2006, there were 403,000 contractors registered in CCR. There are approximately 625,000 entities currently registered in CCR, including contractors, grantees, and other federal assistance recipients and each had to obtain a DUNS number in order to register.

In addition to an increase in the number of entities required to obtain a DUNS number, the level of business information services that GSA acquires from Dun & Bradstreet also expanded. These services include verifying basic information such as an entity's name and address, providing corporate linkages, and monitoring changes to entity names or corporate ownership.⁸ Previously, GSA's contract with Dun & Bradstreet only provided business information services for the acquisition community and the IAE systems associated with it. This changed when the Federal Funding Accountability and Transparency Act of 2006 (Transparency Act) required OMB to ensure the existence and operation of a website at which the public could search certain data about government financial awards, including contracts, grants, and loans.⁹ Among the required searchable elements for each award is a unique identifier of the entity receiving the award and of the parent entity of the recipient. OMB chose the DUNS number to fulfill the unique identifier requirement. With this action the number of entities for which Dun & Bradstreet provides corporate linkage information expanded from just contractors to all recipients of federal awards. Later, in 2010, OMB also began requiring all federal awardees to register in CCR, which increased the level of business verification information provided by Dun & Bradstreet.¹⁰ Finally, the American Recovery and Reinvestment Act of 2009 (Recovery Act) temporarily increased the number of entities receiving federal awards, thereby increasing the number of entities registering in CCR for which the government collected DUNS information.¹¹

⁶Office of Management and Budget Memorandum M-03-16, "OMB Issues Grants Management Policies" (July 15, 2003); Use of a Universal Identifier by Grant Applicants, 68 Fed. Reg. 38,402 (June 27, 2003) Grantees were not required to register in CCR at that time, but were directed to do so by OMB in August 2010. OMB Memorandum, "Open Government Directive—Federal Spending Transparency and Subaward and Compensation Data Reporting" (Aug. 27, 2010); Financial Assistance Use of Universal Identifier and Central Contractor Registration, 75 Fed. Reg. 55,671 (Sept. 14, 2010).

⁷OMB Memorandum M-08-19, "Authority to Collect DUNS Number to Meet Requirements of the Federal Funding Accountability and Transparency Act of 2006" (May 30, 2008).

⁸The corporate family information allows the government and the public, through the Federal Procurement Data System-Next Generation (FPDS-NG) and USAspending.gov, to aggregate data to show the total amount of contracts or awards a company has received. The linkage information also enhances the effectiveness of the Excluded Parties List System (EPLS), the list designed to identify individuals and entities that have been debarred or suspended from obtaining government awards.

⁹Pub. L. No. 109-282, as amended by Pub. L. No. 110-252 § 6202. The website became USAspending.gov.

¹⁰75 Fed.Reg. 55,671 (Sept. 14, 2010).

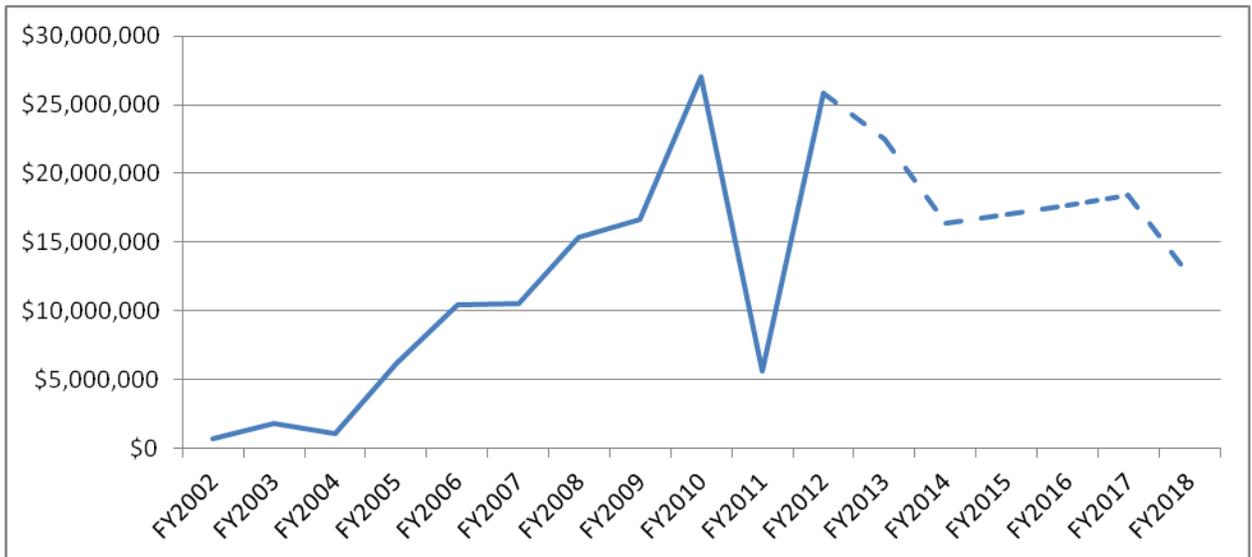
¹¹Pub. L. No. 111-5.

The DUNS number has also become embedded in agencies' internal data systems and is used to support other agency missions. IAE officials report that most of the more than 60 agencies that use IAE acquisition systems rely on DUNS numbers in their internal financial and contract writing systems. For example, CCR contains information on contractors, including DUNS numbers and entity name and address, which agencies download and use to make payments. The DUNS number has become so integrated and common in government financial systems that GAO recommended its use in a report that provided guidelines on properly functioning financial processes.¹² In addition, some agencies have separate contracts with Dun & Bradstreet for DUNS numbers and business information services to support their specific missions. GSA officials said that agencies may use Dun & Bradstreet data from CCR or other IAE systems for acquisition purposes. However, if they need DUNS related information or services that are not covered by the GSA contract, they must enter into their own contract with Dun & Bradstreet. For instance, the Small Business Administration has a contract with Dun & Bradstreet to use DUNS numbers and related data to help provide financial oversight of its loan programs. Other agencies have their own contracts with Dun & Bradstreet for data used for visa fraud detection, financial fraud detection, and air cargo risk management.

As use of the DUNS number and business information services has increased, GSA's costs have increased as well. Between 2002 and 2004, the cost of the DUNS number contract was tied to the number of CCR registrants and cost about \$1 million per year. In response to the new demands for business information services required by the Transparency Act, GSA signed a contract with Dun & Bradstreet in 2007 that changed the pricing structure from a per-transaction model, where costs were based on the number of CCR registrants, to an "enterprise" model where the government is provided with access to Dun & Bradstreet business data for a fixed price. GSA officials told us that the requirements in the Transparency Act to make corporate linkage information available on a public website also resulted in higher prices since Dun & Bradstreet needed to be compensated for making proprietary information publicly accessible. While GSA believes this pricing structure is more cost effective given the new requirements, it has resulted in a large increase in payments to Dun & Bradstreet, which average \$19 million per year under the current contract (see figure 1). There was a temporary drop in payments in fiscal year 2011 because GSA modified its contract with Dun & Bradstreet to defer payments to later years. Under the terms of the contract, GSA had been scheduled to pay Dun & Bradstreet \$18 million in August 2011. In order to support efforts related to the development of SAM, GSA negotiated two modifications to the contract that allowed GSA to defer \$14 million from fiscal year 2011 to fiscal year 2012. This action was a result of the fiscal challenges GSA has faced as it consolidates its portfolio of data systems into its new unified data system, SAM.

¹²GAO, *Core Financial System Requirements: Checklist for Reviewing Systems under the Federal Financial Management Improvement Act*, [GAO-05-225G](#) (Washington, D.C.: February 2005).

Figure 1: IAE Payments to Dun & Bradstreet by Fiscal Year



Source: GAO analysis of GSA information.

Note: The dotted line indicates the future payment schedule identified in the Dun & Bradstreet contract. Also, the final option ends on June 29, 2018, so the fiscal year 2018 payment does not cover the final 3 months of the fiscal year.

The current contract, which was awarded in 2010 for up to 8 years (3-year base period plus options for 5 additional years) and is now worth up to \$154 million, is the latest in a series of sole-source, multiple-year contracts awarded to Dun & Bradstreet. GSA officials told us the DUNS contracts have been sole-source awards because of the FAR requirement that all government contractors obtain a DUNS number, and because they have been unable to identify an acceptable alternative. In addition to assigning DUNS numbers and providing related services, Dun & Bradstreet operates a help desk to support current and new registrants and carries out special analyses and ad hoc projects. GSA officials reported that assigning DUNS numbers and the help desk represent about 20 percent of the contract price. The remaining 80 percent of the price primarily pays for the business verification and corporate linkage information that Dun & Bradstreet provides.

The Government Faces Several Challenges Associated with Using DUNS Numbers

The government faces several challenges associated with GSA's contract for unique identification numbers. GSA believes that Dun & Bradstreet effectively has a monopoly that has contributed to higher costs. This effective monopoly results in part from the FAR requirement and OMB directives that require all contractors, grantees, and other entities seeking to do business with the government to acquire a DUNS number. GSA officials have said that as long as the FAR requirement is in place they must use the DUNS number and cannot hold a competition for unique identification numbers. GSA officials said that the current sole-source environment results in higher prices to the government, and that a competitive acquisition likely would result in lower prices to GSA. They also expressed concern that Dun &

Bradstreet's prices may continue to rise as the government's use of its services continues to expand. Additionally, members of the Acquisition Committee for e-Gov (ACE), IAE's governance committee, have also questioned the high costs for DUNS numbers as Dun & Bradstreet's contract is IAE's largest expense.¹³ In response to cost concerns, GSA officials held discussions with a Dun & Bradstreet competitor in 2008 to help gauge the reasonableness of the prices that Dun & Bradstreet charged. GSA officials found that Dun & Bradstreet's prices were relatively high compared to this competitor, which offered another proprietary product, and the officials said they used this information to negotiate a better price from Dun & Bradstreet for the contract awarded in 2010. GSA officials said they negotiated a 25 percent reduction in prices in exchange for a longer contract length and changes in how GSA administers the contract. However, despite the lower prices, GSA officials are still concerned with the high costs associated with the use of DUNS numbers relative to other IAE program costs.

Another challenge the government faces involves the proprietary limitations that Dun & Bradstreet has placed on GSA's use of DUNS numbers. Specifically, GSA's contract with Dun & Bradstreet limits how and where Dun & Bradstreet data can be used. For example, the contract specifies that Dun & Bradstreet data may only reside in IAE data systems and on federal agency acquisition systems, and can be used only for acquisition purposes. Any other uses or disclosure of data outside of the contract scope and licensing terms, even if the activity is government related, would require either a contract modification or a new separate contract. In at least one case, this has hampered the government's ability to effectively use DUNS numbers. In 2009 Congress requested that the Department of Defense (DOD) report on the total value of DOD contracts entered into with contractors that have been indicted for, settled charges of, or had been fined or convicted of fraud in connection with any contract entered into with the federal government over the past 10 years.¹⁴ In responding to this directive, DOD obtained fraud case data from the Department of Justice that did not contain DUNS numbers. DOD used the company names to search for contract obligation data in FPDS-NG. Without DUNS numbers and their associated corporate linkage information, however, DOD was unable to identify the parent company of all offending companies and could not capture all the obligation data. DOD was unable to use corporate linkage information since this use of data fell outside the scope of GSA's contract with Dun & Bradstreet.¹⁵

¹³The ACE is a subcommittee of the Chief Acquisition Officer's Council which was established to provide a senior level forum for monitoring and improving the federal acquisition system.

¹⁴Explanatory Statement of the House of Representatives Subcommittee on Defense Appropriations H.R. 3326, Department of Defense Appropriations Act, 2010 (the Act). 155 Cong. Rec. H15,042, H15,043 (2009). As enacted, the Act provided that the Explanatory Statement shall have the same effect as if it were a joint explanatory statement of a committee of conference. Public Law No. 111-118 § 1014 (2009).

¹⁵GSA officials told us that the Dun & Bradstreet contract was modified to clarify GSA's liability in the event that another agency used Dun & Bradstreet data in ways that were not allowed under GSA's contract. Specifically, they said that GSA was not responsible for the misuse of Dun & Bradstreet's data by non-GSA users. GSA officials said other government agencies would have to determine whether their use of Dun & Bradstreet's data complied with the terms of the contract.

Additionally, there are other restrictions in the contract that could cause challenges for the government if it were to change to an alternative numbering system. According to GSA, the contract specifies that the government would have to delete certain Dun & Bradstreet provided data from its databases at the end of the GSA contract. GSA officials said that under the terms of the contract, GSA is not required to delete the DUNS numbers, but could have to purge associated data. This would include data elements such as business name and address.¹⁶ GSA officials said this would apply to the IAE systems in addition to agency acquisitions systems if GSA ended the Dun & Bradstreet contract and moved to a new numbering system. Given the widespread use of DUNS numbers and associated data in government data systems, this could be very disruptive.

Dun & Bradstreet's competitors have raised concerns regarding the government's use of DUNS numbers as its unique identification number. We spoke with three companies that compete in the commercial market with Dun & Bradstreet and each of these companies raised issues that they believe provide Dun & Bradstreet unfair advantages in the government or commercial markets for business data. For instance, one company noted that some federal agency officials have interpreted the DUNS requirement in the FAR to mean that DUNS numbers are required in other contexts as well. The company provided several examples, one of which was a solicitation to create a new agency-specific database that required the database to use DUNS numbers. Although this solicitation was using full and open competition, the company told us that including the DUNS number requirement in the solicitation ensured that only Dun & Bradstreet could qualify for the contract. Additionally, the same company also pointed out that the requirement to register in CCR means that thousands of companies provide Dun & Bradstreet with their business information, while Dun & Bradstreet's competitors have to discover this information using their own resources. Because of this, the competitor believes that Dun & Bradstreet has a monopoly for government identifiers which gives Dun & Bradstreet an unfair advantage in the competitive commercial market for business data as well.

Organizations concerned about transparency in government activities also have raised concerns related to using a numbering system that does not enable the public to fully track entities doing business with the government. For example, in a 2008 letter to OMB, the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) noted that Dun & Bradstreet is not accountable to any government authority, yet DUNS numbers play a vital role in providing a governmentwide identifying system. NASACT also cited data reliability concerns with Dun & Bradstreet's process for assigning DUNS numbers to state government agencies and other entities. OMB Watch, a nonprofit organization, also has criticized the lack of transparency associated with using the DUNS numbers. For example, the organization noted that DUNS numbers are not subject to transparency requirements such as Freedom of Information Act requests so it is difficult to

¹⁶When entities register in CCR, they only need to enter their DUNS number for their entity name and address information to be imported from Dun & Bradstreet's database. GSA officials said that because these data come from Dun & Bradstreet, they are subject to the limitations specified in the Dun & Bradstreet contract.

determine independently the accuracy or comprehensiveness of DUNS information. OMB Watch encouraged the government to develop its own unique identification number rather than remain dependent on a privately owned system that is inaccessible to the public.

GSA Is Analyzing Alternatives to Mitigate DUNS Challenges, but Results Yet to Be Determined

Concerns about the high costs associated with the government's use of DUNS numbers have led GSA to consider using alternative unique numbering systems. In 2009, GSA issued a sources sought notice to measure the interest and availability of companies capable of providing a system for unique identification numbers.¹⁷ GSA officials did not know whether any companies other than Dun & Bradstreet offered unique identifiers and related services that were comparable to DUNS numbers. GSA received two responses to its 2009 sources sought notice (and a third from Dun & Bradstreet) and determined that one of the companies was a viable competitor to Dun & Bradstreet. However, in their evaluation of the responses, GSA officials concluded that they could not conduct a competition for unique identifiers until the FAR was modified to remove the DUNS requirement. These officials recommended that GSA initiate a FAR change and then conduct a full and open competition for unique identifiers once the change had been completed. GSA officials said they developed a proposal to change the FAR, but the Federal Acquisition Regulatory Council recommended suspending the effort to change the FAR until the completion of a comprehensive cost and schedule analysis.¹⁸ GSA had not evaluated the costs of changing numbering systems at that time although some agencies had voiced concerns that switching costs could be significant. Shortly after the FAR change was put on hold, GSA awarded the current sole-source contract to Dun & Bradstreet in 2010. In explaining its rationale for awarding a sole-source contract, the agency noted that the FAR required the use of DUNS numbers and Dun & Bradstreet was the only source of DUNS numbers.

In 2011, GSA initiated another effort to identify possible alternatives for unique identification numbers and expects to issue a report on its findings and recommendations by September 2012. This latest effort consists of a sources sought notice as well as a cost-benefit analysis and feasibility study of alternative approaches to acquiring numbering systems. The different approaches that GSA has considered include:

- Continue to use DUNS numbers and services,

¹⁷A sources sought notice is a form of market research that is designed to allow agencies to describe a specific need and get input from industry to determine if there are sources capable of meeting the need, whether commercial solutions are available, and whether a particular approach is viable. See FAR Part 10. Responses to these notices are not offers that could result in a contract. See generally FAR 15.201(e).

¹⁸The Federal Acquisition Regulatory Council is made up of representatives from OMB, GSA, DOD, and the National Aeronautics and Space Administration (NASA). The Council is responsible for managing, coordinating, controlling, and monitoring the maintenance of, issuance of, and changes in the FAR.

- Conduct a full-and-open competition, if the sources sought assessment identifies potential competitors,
- Change to a non-proprietary solution, either using a non-proprietary numbering system or obtaining services from one or more vendors, and
- Change to a government-owned number and obtain data services from one or more vendors.

GSA issued a sources sought notice in October 2011 and received six responses, including one from Dun & Bradstreet. Based on the responses, GSA determined that there are potential competitors for unique identification numbers. However, GSA has ruled out conducting a full and open competition for numbering systems after concluding that it is not in the government's best interest to move from one proprietary numbering system (DUNS numbers) to another one. GSA officials said the additional costs and data system disruptions encountered each time it changed numbering systems would at least partially offset any potential cost savings achieved by introducing competition. GSA also has ruled out changing to a non-proprietary numbering system because none of the sources sought responses included a non-proprietary alternative.¹⁹

GSA is currently considering two strategies as part of its analysis—continuing to use DUNS numbers or changing to a government-owned numbering system. The first option is to continue the current Dun & Bradstreet contract “as-is.” However, this alternative does not address a key concern raised about the use of DUNS numbers. The Dun & Bradstreet contract limits the purposes for which the government may use DUNS information and according to GSA requires the government to delete Dun & Bradstreet data such as business name and address when the contract ends. Two of Dun & Bradstreet's competitors indicated that they do not require that clients delete their data when a contract ends, but it is unclear what they would offer in a formal contract. Continuing to use DUNS numbers does not prevent GSA from taking steps to ease some of the restrictions that Dun & Bradstreet has placed on the government's use of DUNS information. GSA officials said that simply by asking Dun & Bradstreet for a discount they were able to negotiate a significant price reduction for the current contract. However, they said they did not raise the issue of expanding the government's data rights during negotiations.

GSA is also considering changing to a government-owned numbering system. There are several possible government-owned numbers that GSA could use, such as SAM numbers. SAM is scheduled to begin operation in 2012 and once operational, contractors, grantees and other entities seeking to do business with the government will have to register in SAM, which will replace CCR. As entities register, they will automatically be assigned a SAM number. The SAM number was not initially

¹⁹Some of the responding companies offered numbering systems that have non-proprietary aspects. For example, one company indicated that its identification numbers and data are non-proprietary, but its process for generating that information is. Another company told GSA that its numbers are not proprietary, but the associated information including name, address, and phone number is.

intended to serve as a unique identifier and like other government-owned numbers, GSA would have to add capability to make them viable alternatives to DUNS numbers. For example, SAM does not currently have a registration system to collect name, address, and other information on businesses and other entities so a registration system would have to be created. Similarly, SAM numbers would not provide corporate linkage information or the ability to verify or monitor data so GSA would have to add those capabilities. GSA officials said that if they were to change to government-owned number, they would likely award one or more competitive contracts to manage the numbering system and provide services similar to those that Dun & Bradstreet currently provides. They said that other adjustments and associated costs, both internal to the government and otherwise, could be involved as well. They also said that there could be other solutions not yet identified.

Although there may be numerous benefits to changing to a government-owned numbering system, including long-term cost savings, unlimited data rights, and greater transparency, the switching costs from using DUNS numbers could be prohibitively high. We asked GSA whether it would be feasible to use a hybrid approach in which GSA would continue to use DUNS numbers in addition to a government-owned number for an extended period of time. Under this alternative, GSA would continue its current contract with Dun & Bradstreet while it phases in the use of a government-owned number. Entities registering in SAM would have both a DUNS number and a number from the new system. Once the new numbering system is fully established, GSA would have the option of phasing out DUNS numbers. A hybrid approach could avoid or defer a significant portion of the switching costs, minimize disruptions to agencies, and better position the government to introduce competition for unique identifiers in the future. GSA officials agreed that a hybrid approach was a viable alternative and now are considering it as part of the analysis of alternatives.

GSA officials are planning to assess the feasibility of the alternatives and then begin coordinating with federal agencies to develop a cost estimate for changing numbering systems. Changing to a new numbering system would include costs associated with the following actions:

- Adding capabilities to a government-owned number. As noted above, changing to a government-owned number would require GSA to establish a registration process and add the ability to provide corporate linkage information and add data verification and monitoring capabilities.
- Modifying data systems. To accommodate a new number, GSA and other agencies would have to change the name of data fields and possibly add new data fields or modify the format of the existing DUNS field in their data systems. For example, DUNS numbers are numeric whereas SAM numbers are alpha-numeric and therefore may not be compatible with current DUNS data fields.
- Replacing DUNS information with information from a new numbering system. Changing numbering systems could require agencies to delete DUNS information, including contractor name and address, from their data systems and replace it with information from the new numbering system. This process could

be complicated by the data restrictions in GSA's contract with Dun & Bradstreet. GSA officials said that they are uncertain whether the terms of the contract with Dun & Bradstreet would allow the government to use the existing DUNS information to transition to a new numbering system. If GSA is unable to use DUNS information for transition purposes, it would have to match the new numbering system to existing contractor information without the benefit of using the contractor's name or address. GSA is planning to discuss with Dun & Bradstreet what rights the government would have in the event of a transition.

- Updating policies and procedures. GSA would have to modify the FAR to remove the DUNS requirement and agencies would have to update their FAR supplements. Agencies would also have to update acquisition-related policies, procedures, and documents that refer to DUNS numbers.

GSA provided documents to us reflecting some initial steps it will take to assess switching costs. A GSA official said the agency plans to estimate the costs of changing its own internal systems and then extrapolate the costs to other agencies. GSA's analysis is still ongoing. The agency has identified potential cost drivers, but it is still developing a methodology for quantifying them. Determining an accurate estimate of switching costs could be difficult due to the number of agencies and data systems involved. GSA identified approximately 80 data systems that contained DUNS information extracted from CCR and would therefore have to be modified in the event of a transition to a new numbering system. There are also many more subsystems within agencies that could potentially be affected by changing DUNS numbers. GSA is still determining how best to capture switching costs associated with these agency data systems.

Conclusions

Rising costs, restrictions on the government's data rights, and a lack of competition have raised concerns about the government's use of DUNS numbers as a unique identifier. Those concerns have prompted GSA, not for the first time, to analyze options for changing how it acquires unique identifiers. GSA has a difficult task ahead as it evaluates the legal, contractual, and technical challenges associated with changing identification numbering systems. GSA is still developing its methodology for conducting its analysis so it is too soon to comment on how comprehensive GSA's analysis will be. Further, choosing an alternative may only be the first step in a process that GSA expects could take years to complete. If GSA decides to change how it acquires unique identifiers, it would need to develop a detailed plan for executing the transition. GSA would need to develop an acquisition plan for acquiring additional services, plan and budget for any additional resources necessary to effect the change, and define the roles and responsibilities for numerous stakeholders. If GSA is able to successfully complete its analysis and a transition plan, it may be able to mitigate the challenges posed by the government's use of DUNS numbers as a unique identifier. Alternatively, the analysis may demonstrate that GSA's current approach is the best for the government.

Meanwhile, there may be an opportunity to negotiate better terms for the government under the existing arrangement with Dun & Bradstreet. Even as GSA continues to use Dun & Bradstreet as the provider of unique identifier services, the agency may be able to ease the current contractual restrictions on the use of DUNS numbers, such as the requirement to delete data at the end of the contract, by bringing these provisions more in line with prevailing industry practices.

Recommendation for Executive Action

To ensure that government agencies have improved access to information needed to effectively fulfill their missions, we recommend that the Administrator of GSA initiate discussions with Dun & Bradstreet on ways to reduce current restrictions on the use of DUNS numbers.

Agency Comments and Our Evaluation

We provided a draft of this report to GSA. The agency agreed with our recommendation and indicated it would take appropriate action. GSA's written comments appear in enclosure I. GSA also provided technical comments that we incorporated as appropriate.

We are sending copies of this report to other interested congressional committees, the Acting Administrator of General Services, and the Office of Management and Budget. In addition, this report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-4841 or by email at woodsw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were John Oppenheim, Assistant Director; E. Brandon Booth; Jeffrey Sanders; Benjamin Shattuck; Deanna Laufer; and Marie Ahearn.



William T. Woods
Director
Acquisition and Sourcing Management
Enclosures – 1

Enclosure I: Comments from the General Services Administration



The Administrator

June 8, 2012

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the draft report, "Government is Analyzing Alternatives for Contractor Identification Numbers" (GAO-12-715R). The U.S. Government Accountability Office (GAO) recommends that GSA initiate discussions with Dun & Bradstreet on ways to reduce current restrictions on the use of DUNS numbers, so as to ensure that Government agencies have improved access to information needed to effectively fulfill their missions.

We agree with the recommendation and will take appropriate action. GSA, as the GAO report discusses, has been conducting an analysis of alternatives to the use of the Dun & Bradstreet DUNS entity unique identifier and we expect to complete our analysis in September. The objective of the analysis is to identify feasible alternatives to awarding the current sole source contract for Dun & Bradstreet's proprietary services and to identify whether the current contract path or an alternative solution is the most cost-effective option available, given the identified risks, particularly very large switching costs, and given federal requirements for transparency.

If you have any additional questions or concerns, please do not hesitate to contact me or Ms. Kathleen Turco, Associate Administrator, Office of Governmentwide Policy, at (202) 501-8880.

Sincerely,

A handwritten signature in black ink, appearing to read "DT", written over a white background.

Dan Tangherlini
Acting Administrator

cc: William T. Woods

U.S. General Services Administration
1275 First Street, NE
Washington, DC 20417
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