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Six Degrees of Corporations

How the Lack of Unique Legal Identifiers is Undermining Corporate Accountability in America

Unique Corporate Identifiers

There are millions of corporations in the United States today. They span many industries and have an enormous impact on the economy, education, social services and the democratic process. In many ways, they are legal entities that have the same responsibilities as individuals. However, while individuals can be uniquely identified by a social security number, systems for identifying corporations are much more nebulous. There is not a single number you can use nor authority you can ask to know if the First National Bank of Atlanta is the same entity as the First National Bank of St. Louis. Answering that question would require manual cross-examination against other contextual information. The lack of a unique identifier for corporations has significant implications for corporate accountability, disclosure in political giving, evaluation of systemic risk in financial markets, oversight of government contracts and more.

Currently, the United States government has several disparate systems for uniquely identifying a corporation, subsidiaries of that corporation and instances when one corporation merges with another. There are also many private firms that compile, market and sell similar information. The need for this information is clear, which is why there are so many expensive and competing efforts to provide it in both the public and private sectors. However, many of these systems have been developed for narrow and specific uses, such as tracking defense contracts, tax reporting, identifying publicly traded companies, EPA violations or procurement oversight. If a publicly traded company were to enter into a contract with the federal government, it is very likely that the company would have to be assigned and maintain an

identifier from each of these categories, resulting in inefficiencies and unnecessary overhead in its interactions with the government. Even if all of these systems were used exactly as intended, there would still be a problem.

All of these identifiers are mostly used at the federal level. State and local approaches to corporate identification vary widely, with at least one system or numbering scheme per state. State business registrations are often treated individually, and are not cross-referenced with other state or federal data. All of these unaligned efforts create duplicative work and make it difficult to prevent corporate misconduct that is often repeated at local, state and federal levels.

Existing Identifier Systems

The most prominent identifier system in use by the federal government for (non-tax) corporate identification is DUNS numbers. DUNS, or Data Universal Numbering System, is a proprietary standard maintained by Dun & Bradstreet, a private business information firm. DUNS numbers are intended to uniquely identify not just corporations, but even distinct departments and facilities of a single corporation. They are also used by state and local governments.

The biggest drawback to DUNS numbers is that they are considered the intellectual property of Dun & Bradstreet. For years after its launch, USASpending.gov did not publicly display parent DUNS numbers – which allow otherwise-uselessly granular DUNS numbers to be tied to their controlling entities -- because of objections from Dun & Bradstreet. Dun & Bradstreet requires a hefty fee just to view the corporate hierarchies associated with DUNS entities. The high cost is even more striking in light of the sometimes scant information available from Dun & Bradstreet. For example, when federal contractors are required to register for a DUNS number, providing parent company information is optional. This results in large gaps in the data, making it difficult to establish a corporate hierarchy for many entities.

Another ubiquitous identifier used by the federal government is the Employer Identification Number (EIN), which is issued by the IRS. For publicly traded companies, the EIN is displayed in all documents filed with the Securities and Exchange Commission (SEC). For all others, it's considered 'sensitive' information and is not generally displayed as a public reference. The EIN is the closest thing the federal government has to a unique identifier for all corporate entities in the U.S. However, it's only used in this capacity for tax reporting purposes.

Some federal agencies have developed their own solutions to this problem. The Department of Defense requires suppliers to have a CAGE (Commercial and Government Entity) code. CAGE codes are also used to identify a given facility at a specific location. This code is also used internationally (sometimes referred to as NCAGE codes in this context).

The Environmental Protection agency developed its own system for identifying facilities regulated under Federal environmental laws. The Securities and Exchange Commission (SEC) uses CIK (Central Index Key) codes to identify companies and CUSIP numbers (Committee on Uniform Security Identification Procedures) to track securities instruments. The SEC also requires filers to report their EIN.

These are just six of the identifiers used within the federal government, not including international or state identifiers. The existing systems have been developed over the years as a particular need arises, but no central planning effort has been undertaken to unify these systems and expand their capabilities. Recently, the U.S. announced its commitment to the [Open Government Partnership](#). These included the following commitment:

Legal entities can provide access to the international financial system for illicit actors and may frustrate financial investigations. To increase transparency over the next year, we will: Advocate for Legislation Requiring Meaningful Disclosure. As a critical element of a broader strategy to safeguard the international financial system from such abuse of legal entities, the Administration will advocate for legislation that will require the disclosure of meaningful beneficial ownership information for corporations at the time of company formation.

While seemingly intended to prevent money laundering, there is a large overlap with other aspects of corporate accountability. Legislation like this that also addresses contractor oversight, regulation enforcement and political disclosure is critical in resolving the unique identifier problem.

Next Steps

Creating an ideal system that accommodates all the needs for unique identifiers is not trivial, especially if it is designed to fit into a broader international context. There are a few organizations that are attempting to solve this problem. ORGpedia is a project aimed at creating crosswalks between all the disparate identifier systems, as well as creating a policy framework going forward. OpenCorporates.org is creating a huge database of all corporate

registrations at the state level and inviting users to contribute knowledge and parent company linkage information. In Congress, the proposed DATA Act (HR 2146), which establishes an independent board to track federal spending, requires the use of a non-proprietary recipient identifier but leaves the exact implementation up to the new board.

Regardless of the the exact solution, any proposed legal identifiers must be non-proprietary, open to the public, reliable and enforceable. Currently, the federal government is moving towards the expanded use of DUNS for grant recipients and state governments. DUNS numbers do not have any of the aforementioned properties, and the intellectual property limitations surrounding them ensure that they never will. The federal government, in partnership with transparency and corporate accountability advocates, needs to explore new solutions rather than continuing to rely on DUNS.