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## The Watcher

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## GAO: New Contractor ID System Needed

When the federal government is handing out thousands of contracts to more than half a million contractors, it's important to have a robust system for tracking the companies that receive each contract. Earlier this month, the Government Accountability Office (GAO) [issued a report](#) on the federal government's use of a private, proprietary corporate identification system to track federal contractors and award recipients. Because corporations are continually acquiring new firms and/or merging with others, it is often difficult to keep track of which companies are actually responsible for the work the government has contracted out. The report recommended the government adopt a new approach to tracking this information.

The GAO report noted that the current system – [Dun & Bradstreet's \(D&B\) Data Universal Numbering System \(DUNS\)](#) – is so problematic that the government is currently trying to disentangle itself from it and figure out other ways to track the corporations receiving federal funds. GAO's recommendations make it clear that the federal government needs a better, cheaper solution that is open to the public and doesn't require expensive licensing fees each year.

The federal government uses DUNS data to help it identify the 625,000 private entities that are registered as recipients or potential recipients of federal contract, grant, or loan dollars. [On USAspending.gov](#), the government's spending transparency website, every entity must have a DUNS number in order for government and researchers to track all of the contract or grant funds each

company receives. D&B also tracks main corporate entities and their subsidiaries (“parent-child” relationships), allowing users to have a more complete picture of the total amount of federal funding going to individual corporate entities.

Unfortunately, the DUNS system does not track historical corporate ownership of companies, so a researcher or auditor has no way of knowing that Halliburton Co., for instance, won billions of dollars in Iraq war contracts and over \$30 billion in total government contracts in the previous decade. KBR, Inc., was owned by Halliburton when it was awarded the Iraq contracts but was sold off in 2007. Because DUNS does not reflect historic ownership records, users of federal spending data would have no way of knowing that a company formerly run by Vice President Dick Cheney was awarded tens of billions of dollars in federal contracts. Instead, these interested citizens would only see the [\\$5 million](#) in contracts that is currently shown in federal spending data for Halliburton, and they would have to [search specifically for "KBR"](#) to find the Iraq war contracts.

According to GAO, the DUNS system is made available to the government through a contract with D&B that costs over \$19 million per year; the current contract could be worth up to \$154 million over the next eight years. This cost is relatively small compared to the [\\$500 billion the government awards to contractors each year](#), but it is a significant amount of money to spend to *lease* a corporate ID system, especially one that is as limited as DUNS. This amount is more than the federal government will spend on the [entire E-Gov Fund](#), which pays for a wide array of government websites, including USAspending.gov.

The federal contract with D&B puts tight restrictions on how the government can use DUNS data. Specifically, GAO notes that the contract "specifies that Dun & Bradstreet data ... can be used only for acquisition purposes" and cannot be used by other agencies for other purposes. The report gives an example of how this contractual restriction has prevented the Department of Defense from identifying which of its contractors have committed fraud in relation to any federal contracts on which they were working.

The restrictions would prevent other federal agencies from linking contracting data with other databases. For instance, it prevents the U.S. Environmental Protection Agency (EPA) from using DUNS numbers to track corporate polluters, making it almost impossible to see if recipients of federal funds are also responsible for hurting the environment. To do this, EPA would have to sign a new, separate contract with D&B.

Previously, OMB Watch [has recommended](#) that any spending transparency regime should include the ability to link contracts, grants, and loans to other datasets. Without this, key relationships between government spending and the performance of contractors and recipients can't be examined.

GAO also noted a problem that OMB Watch has repeatedly raised: the DUNS system is proprietary. As a result, the database is closed to the public. The government cannot publish the contents of the database, leaving interested citizens in the dark about corporate ownership structures and other data that would allow them to ask tough questions about contractors' conflicts of interest and accountability. Furthermore, the database is not subject to Freedom of Information Act (FOIA) requests, again due to the proprietary nature of the system.

Unfortunately, moving away from DUNS would come with costs. The regulations that govern federal purchasing have locked in DUNS as the sole identification system for the government's major acquisition systems. And according to the General Services Administration (GSA), these rules have created a monopoly for DUNS, disallowing D&B competitors to submit competing bids and resulting in higher prices for the DUNS data.

Federal officials are concerned that if they do move away from DUNS, certain contractor information would have to be deleted from federal databases due to the way the contracts have been written. The GAO indicates that if the current contract expires, the government would be required to remove data elements – including business names and addresses – from all systems that were using DUNS-provided data. This process would take time and resources that the government is currently hard-pressed to find.

Despite these problems, the federal government is exploring alternatives to the current system. GSA, the procurement agency that oversees the DUNS contract, is conducting a cost-benefit analysis for changing ID systems and creating a strategy for making the switch to minimize disruptions to agency work. However, given the potential costs and hurdles involved, this move may require congressional action.

The federal government needs a non-proprietary system, one that can be used across agencies and is open to the public. If the past predicts the future, it will be difficult for GSA and other agencies to adopt a single, open standard without direct intervention from Congress. Developing a new identification system will require upfront expenses, as every agency will have to retool its internal tracking system. But in the long run, it should save money and help bring more transparency to federal government spending and give us a more complete picture of who receives federal funds.

## **New Complaint Database Will Empower Credit Card Users, May Expand to Other Financial Products**

On June 19, the Consumer Financial Protection Bureau (CFPB) [issued a policy](#) that establishes a public online database of credit card complaints from customers. The [database](#) allows consumers shopping for a credit card to view data about other customers' experiences in order to avoid abusive practices and poor customer service.

The database will allow consumers to make more informed choices about credit cards. In addition, transparency should create an incentive for companies to improve their business practices. While the initial database only includes information about credit cards, the CFPB has [proposed to expand the database](#) to include the other financial products it regulates, such as mortgages and student loans.

### **Background**

The [Dodd-Frank Wall Street Reform and Consumer Protection Act](#), passed in 2010, created the CFPB and gave it authority to address consumers' complaints about financial services providers. The law

established the CFPB to ensure "that markets for consumer financial products and services are fair, transparent, and competitive," as part of a response to the financial crisis of 2008.

According to Federal Reserve data, [72 percent of consumers have at least one credit card](#), as do [83 percent of small businesses](#). Thus, if credit card companies load on unnecessary fees, raise interest rates, or fail to resolve incorrect charges, they could have a significant effect on the economy and on families and small businesses.

In July 2011, the CFPB began accepting consumer complaints, beginning with credit cards. The agency subsequently expanded the system to include mortgages, bank products such as checking accounts, private student loans, and consumer loans, with plans to eventually accept complaints about all financial products under its jurisdiction. In December of that year, the agency [proposed](#) to create a public online database containing the complaints it received about credit card companies and asked for public comment.

## **The Database**

In the [Consumer Complaint Database](#), the public can view key information, including the type of complaint (such as "late fee," "APR or interest rate," or "collection practices"). In addition, the database shows the name of the company that issued the credit card, the type of response the company offered to the complainant, and whether the consumer disputed the company's response. The data does not contain any personal information, such as the consumer's name.

The database allows users to search and sort the data and to export it in spreadsheet or database formats. The data tool, called Socrata, also allows users to create custom visualizations of the data, such as charts and graphs. Users can also subscribe to updates to the database. In addition, an application programming interface (API) helps external developers use the data, facilitating the development of innovative new tools.

Journalists and analysts have already begun using the data. Just hours after the database launched, the *Charlotte Observer* had created a chart showing [each company's share of the complaints](#). The database will also allow the public to evaluate the effectiveness of CFPB's complaint system and ensure that the agency is responsive and accountable to the public interest.

## **The Future**

At the same time that the CFPB issued the policy to disclose credit card complaints, the agency [proposed expanding the database](#) to the other financial products that the CFPB regulates. The public can comment on the policy until July 19. Expanding the database would make it useful to consumers of other financial products, such as mortgages and student loans. Given the many abuses practiced by the mortgage industry, that dataset would be particularly important for American consumers.

CFPB staff also identified several potential ways that it might improve the database going forward. Most significantly, the agency will examine the feasibility of publishing the actual text of consumers'

complaints and companies' responses while protecting privacy. Such narratives are important because they allow the public to better evaluate complaints and responses.

The CFPB may also consider making its database available to other regulators, which would provide those agencies a tool to disclose their own complaint data. The CFPB's authority includes banks or credit unions with more than \$10 billion in assets; credit cards issued by smaller banks or credit unions are supervised by other regulators, including the National Credit Union Administration (NCUA) and the Treasury Department's Office of the Comptroller of the Currency (OCC). Including complaint data from those regulators would make the database more complete and useful to the public.

### **Transparency that Empowers Consumers**

With the launch of the database, the CFPB joins a handful of other federal agencies that make their complaint data accessible to the public, including the [Consumer Product Safety Commission \(CPSC\)](#) and the Transportation Department's [National Highway Traffic Safety Administration \(NHTSA\)](#). The Food and Drug Administration, within the Department of Health and Human Services, also discloses data on reported problems with drug safety, but not in such consumer-friendly formats.

Nonetheless, the transparency models pioneered by the first two agencies should provide valuable lessons for other federal agencies that handle consumer complaints or incident reports, like the National Credit Union Administration and the Office of the Comptroller of the Currency, as well as the Federal Trade Commission, the Federal Communications Commission, the Coast Guard, the Agriculture Department, and the U.S. Environmental Protection Agency. With very few exceptions (national security and privacy concerns among them), information that is collected by government agencies should be readily available to the American people.

## **Diesel Exhaust Causes Lung Cancer**

For more than a decade, the mining industry has been waging a war to cast doubt on scientific studies showing that diesel exhaust causes lung cancer. Industry lost that fight on June 12 when the International Agency for Research on Cancer (IARC) voted unanimously to designate diesel exhaust as a known cause of lung cancer. IARC's conclusion comes more than a decade after the Mine Safety and Health Administration (MSHA) adopted a standard that reduced miners' exposure to diesel particulate matter – a prudent move on MSHA's part in the face of industry criticism.

On Jan. 19, 2001, the last day of the Clinton administration, MSHA issued [a standard regulating miners' exposure to diesel particulate matter](#) (DPM) in metal and non-metal mines. MSHA's goal was to protect miners from lung cancer and other respiratory diseases. Mining interests fought MSHA's standard, claiming the agency was relying on "junk science" and that the rule would cost the mining industry too much money.

Miners who work underground are exposed to extremely high levels of diesel exhaust because diesel engines power the equipment used to extract ore. By the 1990s, dozens of epidemiology studies

showed that workers exposed to high levels of diesel particles had a statistically significant increased risk of lung cancer. During the Clinton administration, MSHA proposed to strictly regulate the amount of these particles that miners could be exposed to. In response, the mining industry worked hard to create phony “doubts” about the need for a new diesel standard, and the rule wasn’t finalized before Clinton left office.

When the Bush administration arrived, the mining industry used its new political clout to try to stop the standard. Initially, it looked like they had succeeded: MSHA proposed to weaken and delay the rule. However, in 2006, MSHA reaffirmed the scientific basis for the DPM standard and added medical evaluation and transfer rights for miners who became ill. In response, the industry tried to convince a federal appeals court that MSHA’s rule lacked an adequate basis, but [the challenge was rejected](#).

The industry also tried to undermine federal research on the hazards of diesel exhaust. In the mid-1990s, the National Institute for Occupational Safety and Health (NIOSH) was about to begin an epidemiology study to determine whether DPM caused lung cancer among miners and asked its Board of Scientific Counselors to review the study protocol. Through a clerical error, NIOSH forwarded the charter for this federal advisory committee to the wrong congressional committee, and mining interests used this mistake to argue that they had been “harmed” by this procedural error.

The industry was able to persuade a federal judge in Louisiana, on three different occasions, to enjoin NIOSH from publishing the results of its DPM study until industry representatives had reviewed the research. NIOSH appealed this order three times and, in February 2012, was [permitted to publish the final results](#) of its diesel study.

The study was much more comprehensive than earlier research. NIOSH and the National Cancer Institute jointly studied more than 12,000 workers exposed to diesel exhaust. [The research determined](#) that miners exposed to DPM faced a three-fold risk of lung cancer. Those with the highest exposures had a five-fold risk of developing the disease compared with the lowest exposed workers.

For 20 years, the International Agency for Research on Cancer (IARC) had designated diesel exhaust as a probable human carcinogen. After NIOSH published the results of its study earlier this year, an IARC study committee unanimously ruled that [diesel engine exhaust causes lung cancer](#) in humans. Diesel exhaust is now in the same risk category as asbestos and tobacco.

It turns out that MSHA was right. The agency acted prudently to protect miners and refused to bow to political pressure or the industry campaign to question the quality of the science on which its rule was based. This time, David beat Goliath.

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OMB Watch • 1742 Connecticut Avenue, N.W. • Washington, D.C. 20009  
202-234-8494 (phone) | 202-234-8584 (fax)

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