



Decide with Confidence

Best Practices in Registration Data Management

Government agencies can reduce fraud and turn registrant data into a powerful asset

WHITEPAPER

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Executive Summary

E-government has generated enormous savings in time and resources for citizens and agencies at all levels of government. Public sector systems that support online business licensing, professional licensing, and business registration have not only improved the speed and ease of registration over paper-based processes, but they also hold the potential to strengthen agencies' mission capabilities in such areas as regulation and oversight, collection of revenue and fees, transparency, and economic development. However, many agencies are not fully exploiting the power of their registration and licensing systems to achieve these goals due to inadequate data-quality checks. Many agencies miss the opportunity at the initial registration or renewal points to ensure complete and accurate records; and as a result, errors cascade through databases, diminishing e-government's benefits and efficiencies. In addition, these systems are experiencing increasing numbers of fraud and misrepresentations that have enabled criminals to use government websites to steal the identities of legitimate businesses to perpetrate crimes.

Dun & Bradstreet has identified a set of best practices for managing registration data that are helping government organizations ensure data integrity and mitigate the risk of fraud. When implemented together, these best practices create an end-to-end Registration Data Management solution that leverages comprehensive, third-party commercial data to verify, authenticate, and monitor the registration data of businesses and individuals. Government agencies implementing this approach have realized a number of benefits:

- Improved management of registration data;
- Better data integrity – more complete, accurate, timely and linked;
- Significant reduction of business fraud and other crimes;
- More efficient renewals of licenses, permits and other registration requirements;
- Enhanced transparency of business information and processes;
- Improved collection of taxes, fees and other payments; and
- Robust data that can be used to promote economic development and other government initiatives.

Registration Data Challenges

Government's management of business registration, business licensing and professional licensing has changed significantly in recent decades. For most of our nation's existence, these transactions were conducted in-person or through the mail. The advent of the telephone eventually enabled centralized, paper-based call centers that reduced the need for in-person transactions. The Internet enabled government agencies to place registration information and forms online, but the process initially remained paper-based. Ultimately, the rise of e-registration solutions transformed registration management by enabling businesses and individuals to register online, a process that not only streamlined the process for registrants but also offered significant benefits and savings for government and the business community. E-registration helps the issuing agencies perform their respective missions more effectively by



making it easier to collect revenues and fees, enforce laws and regulations, and guard against fraud. The public and industry also benefit because the registration process enables transparency and serves as a proof of right that bolsters confidence in the legitimacy of registered businesses and professionals. Our economy relies in part on government registrations and licenses as proof of right for doing business with or extending credit.

Today, U.S. government agencies handle more than 100 million registrations of individuals and businesses each year. At the federal level, agencies such as the General Services Administration, U.S. Department of Transportation, Small Business Administration, Food and Drug Administration, Environmental Protection Agency, and Federal Emergency Management Agency register and monitor businesses and individuals to regulate activities or deliver assistance and benefits. State agencies register businesses and individuals for various types of legal structures, licenses, permits, and payments, as do city and county governments. Manual processes that once took hours or even days—and often required people to wait endlessly in lines—have been automated and reduced to minutes, creating enormous efficiencies and savings for both agencies and registrants that now conduct business over the Internet.

Although online registration has significantly streamlined government processes and enhanced mission capabilities, it also has created numerous unforeseen challenges. The most well-known challenge is managing the quality of data at the point of entry. Accidental errors and omissions or worse, false information often occur in the initial registration process. Compounding the data entry challenges, business information changes frequently. Every 12 months, 21 percent of businesses will change CEOs, 20 percent will change addresses, 18 percent will change telephone numbers, and 17 percent will change their business names. However, most agencies lack reliable processes to update databases. Inconsistency of data among agencies that share information also complicates the data management challenge. Our experience indicates that, on average, approximately 20 percent of the registration data in government databases is inaccurate¹. This not only represents a costly data management headache for government, it also means that money owed to government is not collected because agencies do not have complete records of the businesses operating in their jurisdictions or correct addresses for sending license renewals, tax invoices and other transaction notices.

Constant Vigilance of Data Quality is Required

Information is dynamic. In the next 60 minutes:

- 251 businesses will have a suit, lien or judgment filed against them
- 58 business addresses will change
- 246 business telephone numbers will change or be disconnected
- 81 directorship (CEO, CFO, etc.) changes will occur
- 41 new businesses will open their doors
- 7 businesses will file for bankruptcy
- 11 companies will change their names

So in a year:

- 21 percent of CEO's will change
- 20 percent of all addresses change
- 18 percent of telephone numbers will change
- 17 percent of business names will change

Another growing problem is online corporate identity theft. This crime, which entails the unauthorized use of a company's name and information to perpetrate fraud, is often more

¹ Dun & Bradstreet analysis of public sector registration data files, 2011.



lucrative and easier than stealing individual identities. In many instances, there are few safeguards to prevent criminals from altering company information on a government website, such as registered agent names and addresses, and then using the falsified information to obtain commercial lines of credit or goods and services from unsuspecting victims. It may be weeks or months before a company discovers that it has shipped hundreds of thousands of dollars worth of goods to a fraudulent business, or that criminals gained access to its networks and data by posing as a legitimate business. And by that time, the criminals are long gone, carrying out the same scheme in another city or state. Similarly, criminals are using their ability to register fraudulent or shell companies on government databases as a means to launder money, evade taxes and commit other crimes.

“The speed and ease of online government transactions have empowered citizens and improved public services at all levels,” said Bob Beckett, Director of Business Development with Dun & Bradstreet. “But e-government has also created challenges, particularly for preserving data quality and preventing misrepresentation or business fraud. Agencies are looking for solutions that can ensure data security and integrity while maintaining the many positive benefits of digital government.”

Best Practices in Registration Data Management

The private sector, particularly financial institutions and online shopping sites, have long dealt with issues related to online registration and data management. Bank customers and online shoppers want to register quickly and easily; and once registered, they want ready access to the website services offered by the bank or store. At the same time, they want security and privacy safeguards that protect their data and prevent identity theft and other crimes.

In working with commercial companies and government organizations that serve millions of customers and citizens through daily online transactions, Dun & Bradstreet has identified best practices that are commonly used for efficiently managing registration data. These best practices are built upon a foundation of commercial third-party data that, when accurately matched and combined with government registration data, enables organizations to authenticate business registrants and then continuously scrub and update the data to maintain a portfolio of high-quality registrants or licensees.

The Registration Data Management best practices consist of seven sequential and reinforcing steps that create an end-to-end solution for ensuring data integrity and reducing fraud:

Identification	Support	Verification	Authentication	Resolution	Monitoring	Oversight
Unique Identifier	Call Center Web / Portal	Business Verification	Individual Verification	100% Resolution	Events Captured	Portfolio Analysis
Authoritative Data	Additional Data Capture	Authoritative Business Data	Authoritative Individual Data	Exceptions Process	Rules Based Notification	Rules-Based Risk Modeling
	Consistent Global Deployment	Associate DUNS / Data	Individual Authentication	Investigations	Data Updates	Dashboards
			Initial/Renewal Registration		Renewal Notification	Reporting
			D&B Web Seal			

Figure 1: D&B's Registration Data Management Best Practices

Seven sequential step methodology offering an end-to-end solution to ensure data integrity, reduce fraud and turn your registrant data into a powerful asset.

- **Identification.** New business entities are assigned a unique number—such as D&B's proprietary D-U-N-S[®] Number—when they register and enter into the system. (For new registrants that already have an assigned number, the system performs a look-up to link them to the correct business entity.) This globally recognized unique number is a “persistent key” or identifier that enables government organizations to track a business and its activities anywhere in the world for as long as it exists, and even after it closes.
- **Support.** If an entity cannot be identified during the first step, a process or mechanism—such as a call center of experts who interact directly with the entity—must be available to handle exceptions and collect information.
- **Verification.** After the business entity is identified in either of the first two steps, it is verified through an external authoritative data source, such as the D&B global database. The authoritative source data is transferred to the registration system, thus ensuring that quality information—such as U.S. Postal Standard information—is entered into the registration system.
- **Authentication.** Knowledge-based authentication is the process of using high-quality data that is external to the actual registration/licensing transaction to significantly increase the confidence of the transaction. It is used to validate the identity of the

Use of the D&B D-U-N-S Registered Seal as Proof of Right

To strengthen the authentication of businesses within the registration process, D&B also offers a Registration Seal that government agencies can offer as an additional “proof of right” to registering businesses. The seal, which can bear the approval of D&B and/or the issuing government entity, serves as evidence that a business has been verified and authenticated.

The seal offers a number of benefits for the issuing agencies and registered businesses, such as:

- Promoting confidence in the businesses that display the seal;
- Driving on-time renewal of licenses, permits, etc., which is required to retain the seal;
- Promoting the agency or jurisdiction;
- Providing revenue or fees to offset the investment in Registration Data Management capabilities; and
- Accessing government registration data in real time.

person registering the business to determine that: 1) this person is who he or she claims to be; and 2) this person is authorized to make changes to the business filing. Red flags—such as listing a deceased person or an incorrect address—help indicate potential issues. After a business entity has been identified, verified and authenticated, the government agency can, if it desires, issue a Registration Seal as a “proof of right” for the business to display on its website (see related sidebar).

- **Resolution.** In the event, that a business or individual fails the identification, verification or authentication steps, supplemental documentation or additional support, such as an investigation, can help resolve questions and discrepancies. These exception-based steps allow for one-hundred percent resolution and tracking.
- **Monitoring.** Registration and licensing entities should be monitored based upon what each agency considers a significant event or change over time. These might include lawsuits, a bankruptcy filing, or changes in legal structure, ownership, leadership, address, etc. Proactive automated notification alleviates the agency’s administrative burden and increases on-time renewals of licenses and permits, thus improving revenue and fee predictability while mitigating fraud and agency reporting errors.
- **Oversight.** Ongoing portfolio analysis via dashboards enables risk management, transparency and reporting. Use of models to identify risk based on data-driven rules can be customized to enable agencies to review specific risks such as propensity for financial failure, socioeconomic demographics, revenue forecasting and economic opportunity.

As agencies expand their online interactions and transactions to better serve the public, these seven steps can help agencies minimize risk and shrink significantly the opportunities for fraud.

D&B’s Registration Data Management Expertise

D&B has 170 years of experience managing business and registration data, including the support of large, complex, entity registration systems for both government and commercial organizations. In a mature registration system implementation, the customer essentially outsources business and individual data maintenance to D&B, where we have a core competency. This allows the customer to focus on its core functions, which typically are not data collection and maintenance.

The Four Attributes of Data Quality

- **Accuracy**—the right information on the right entity;
- **Completeness**—information reflects all relevant attributes of the entity;
- **Timeliness**—the most up-to-date, current information available;
- **Cross-border Consistency**—the information is consistent—that is, no conflicting information—across the globe.

D&B’s global database, the world’s largest commercial business database, is gathered from 200 million businesses in over 190 countries. We track and report more than 45 million business changes each year. Our patented DUNSRight[®] data quality process, which performs over 2,000 continuously automated checks, ensures that these records are constantly updated and compared against multiple databases to resolve inconsistencies and produce the highest quality data. Every piece of business information that is collected undergoes a rigorous five-



step quality assurance process to give government agencies a single, more accurate picture of each business entity within their databases.

Beyond business entities, D&B has an extensive set of data assets that cover individual people in the United States. In addition to our company executive data, which includes 118 million company executives, our people insight content covers over 315 million unique living individuals and over 87 million deceased individuals.

D&B's global database and services have supported registration systems for both government and commercial organizations, including:

- The General Services Administration's Central Contractor Registration (CCR) requiring all entities conducting business with the U.S. Federal Government to register for all procurement-payment related activity (www.ccr.gov);
- The U.S. Citizenship and Immigration Services' automated visa fraud adjudication solution that streamlines and standardizes the process for reviewing and approving petitioning companies who are party to employment-based visa applications as part of the system called Validation Instrument for Business Enterprises (VIBE); D&B also has supported the E-Verify system to validate new business registrations in real-time;
- The collector and aggregator of state entity registration records, such as Secretary of State registrations. D&B processes over 33.3 million business registrations annually, including 250,000 new registrations each month. As of January 1, 2011, the D&B database contained 67.7 million U.S. business registration filings.
- Wal-Mart, the world's largest retailer, uses D&B's registration data and services for a variety of purposes, such as reducing financial and operational supply chain risk; streamlining supplier management, including on-boarding new suppliers globally and ensuring that suppliers are financially and operationally sound and comply with regulations; and monitoring suppliers for changes that may impact their ability to deliver goods and services.

Primary Applications for Registration Data Management

- **Business Registration** – forming a corporation or limited liability company
- **Business Licensing** – obtaining the authorization/approval to perform a service /business in a specific jurisdiction or regulated occupation, such as restaurant, contractor, etc.
- **Professional License** – obtaining the authorization/ approval to practice a certain type of business or related activity, such as doctor, tax preparer, etc.
- **Business Vendor or Contractor Registration**

D&B can provide agencies with an end-to-end solution for managing registration data that comprises all seven steps, or we can implement selected steps as stand-alone modules to fill gaps within an existing registration system. "E-registration systems can provide enormous benefits to both business registrants and government, especially in terms of streamlined transactions and improved oversight, transparency, revenue collection, and business confidence," Beckett said. "But these benefits can only be achieved when the data within those systems is accurate and reliable."



Conclusion

The need for strong Registration Data Management grows each day. As government agencies expand their online transactions with businesses and citizens, the task of managing the data to ensure its accuracy and prevent fraud becomes increasingly difficult. In addition, as a result of government transparency initiatives, agencies are making increasing amounts of public information available online. For example, the federal government's data.gov website is host to more than 389,000 raw and geospatial datasets and over 970 government applications from 172 agencies and sub-agencies, including agencies from more than 30 states. The potential benefits of data transparency are substantial, but only if the information is timely and accurate. Agencies could quickly find themselves the subject of intense public scrutiny and criticism if their information proves unreliable.

D&B's seven steps of Registration Data Management provide rigorous processes and controls to maintain data integrity and, equally important, prevent criminals from misusing registration processes to engage in fraudulent or illegal business activities. Backed by the largest commercial database of global business information, D&B provides comprehensive Registration Data Management that enables government agencies to effectively manage data as an asset and confidently expand e-government services to businesses and citizens.

For more information

Contact Bob Beckett, D&B's Director of Business Development, at 610.882.7323 or beckett@dnb.com or D&B Government Solutions at government@dnb.com.