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MEDIA CONTACT: GARY SOMERSET 202.512.1957, 202.355.3997 cell gsomerset@gpo.gov

GPO RESPONDS TO THE WASHINGTON TIMES STORY. GPO PRESENTS THE FOLLOWING FACTS OF THE U.S. PASSPORT

October 2007 Testimony before the Committee on Oversight and Government Reform House of Representative on Technology for Secure Identity Products.

http://www.gpo.gov/congressional/testimony/benbrink-housetestimony_oct07.pdf

Manufacturing Passports/Security

GPO has been producing passports for the State Department since the 1920s. The manufacturing of passports is conducted in Washington, D.C. at GPO facilities. More than 120 GPO employees work around the clock to produce the document. In addition, GPO's Congressional Oversight Committee, the Joint Committee on Printing (JCP), authorized the agency to begin construction on a second Secure Production Facility in Mississippi, which will also manufacture passports beginning this spring. The paper, covers and manufacturing supplies come from U.S. companies.

GPO had to meet the deadline set in The Enhanced Border Security and Visa Entry Reform Act to produce the e-Passport. Here is the timeline:

2001: The International Civil Aviation Organization (ICAO) sets standards of air travel, including the international standard for interoperable e-Passports.

May 2002: The Enhanced Border Security and Visa Entry Reform Act requires the USA and other countries whose citizens don't need visas for entering the USA to develop electronic passports. The act sets a deadline of October 2004.

March 2004: The Bush administration asks Congress to delay the deadline to October 2006 to allow participating countries more time to address technical issues. Congress agrees.

November 29, 2004 : US Visit and DHS coordinate mock Port of Entry testing at Baltimore airport.

April 2005: The State Department closes comment period, begins to firm up plans for the new e-Passport.

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February 27, 2006: State Department starts testing the new passport with diplomats and select government officials.

August 16, 2006: State Department makes e-Passports available to U.S. travelers.

May 2007: The last legacy passport is produced, all passports are now e-Passports.

In coordination with the State Department and the U.S. intelligence community, GPO conducted a Request for Proposal (RFP), under GPO's procurement rules and regulations, to procure the required bio-metric components to build an e-passport. When the RFP was announced there was no U.S. company that produced bio-metric parts that met ICAO standards. During the vendor selection process, GPO and the State Department vetted the limited number of qualified vendors through rigorous security audits. Those audits included inspections of facilities and employee background checks. Our passport books incorporate several components manufactured abroad because no U.S. company produced those parts when we began our e-passport program. GPO never rejected an American company, none met the standards that the State Department needed. GPO was shocked to learn no U.S. company met the ICAO standards, therefore, GPO has encouraged U.S. companies to consider producing ICAO compliant components.

GPO contracts with two suppliers (Gemalto and Infineon), who produce the chip in the e-passport and who subcontract with another vendor to do the inlaying. That subcontractor is an overseas company, who does inlaying and is the only company in the world who met standards required under the RFP. At GPO's urging, the company intends on moving their production plant to the U.S. in the near future. This subcontractor met GPO's, the State Department's and the U.S. intelligence community's security standards.

Aside from the fact that we have fully vetted and qualified vendors, we also note that the materials are moved via a secure transportation means, including armored vehicles.

Chip in E-Passport

The e-Passport includes an electronic chip embedded in the cover that contains the same information that is printed in the passport: name, date of birth, gender, place of birth, dates of passport issuance and expiration, passport number and photo image of the traveler.

Price/Production Rates

The current agreed upon price between GPO and our customer (the State Department) for the production of the e-passport is \$14.80 per book. That includes: materials, labor, overhead, required inventory, the secure production facility and future investments. GPO does not have any role in setting the price to the public for a passport, the State Department determines that price.

Not all the expenses included in the price we charge the State Department for passports are booked at the same time as revenue. As a result of Generally Accepted Accounting Principles (GAAP) and our business type accrual accounting, the expenses are not recognized until the

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investment has been placed into service. There's a timing difference—revenue first, then expenses and not necessarily in the same year

Last year's Annual Report shows net income from operations. We then show planned uses of net income. This clearly identifies the impact of the accounting rules on the recognition of revenue and expenses.

From GPO's 2007 Annual Report:

In fiscal 2007, the GPO had an overall positive contribution of \$90.9 million which was comprised of \$87.6 million from operations and \$3.2 million from a reduction in the future long-term workers' compensation liability. In fiscal 2006 the total contribution was \$16 million. Approximately \$62 million of the \$87.6 million contribution from operations is for uses that have been previously approved by the appropriate parties. A total of \$39.5 million of the \$62 million relates to capital projects, including the development and fit-out of the new secure production facility (\$27.8 million) and the development of GPO's Federal Digital System (appx. \$11.7 million) which is partially supported by appropriated funds. The remainder of the \$ 62 million, \$22.5 million, is being used to purchase inventory for the production of the the e-Passport.

The State Department asked GPO to increase the production rate of blank passport books due to an increased demand from the American public. In FY07, GPO produced about 20 million books, a seven million increase from the previous year. GPO and the State Department are still determining the production requirements for FY08.

GPO is unlike most other Federal agencies in that all GPO activities are financed through a business-like revolving fund. The revolving fund functions as GPO's checking account with the U.S. Treasury. The fund is used to pay all of GPO's costs and the fund is reimbursed by our agency customers when they pay GPO invoices.

TITLE 44

Section 309, b

(b) The fund shall be -

- (1) reimbursed for the cost of all services and supplies furnished, including those furnished other appropriations of the Government Printing Office, at rates which include charges for overhead and related expenses, depreciation of plant and building appurtenances, except building structures and land, and equipment, and accrued leave; and
- (2) credited with all receipts including sales of Government publications, waste, condemned, and surplus property and with payments received for losses or damage to property.

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Transport Concerns

GPO's independent Inspector General did a study of our passport facility in 2007 with FPS and GPO complied with recommendations. GPO also did a preliminary study with Capitol Police requested by JCP in the fall 2006. Recently, JCP asked us to do another study in which we enlisted support from JCP to request GAO to do the study for us. Currently, only uniformed GPO police officers guard the passport facility in Washington D.C. We intend to use contract security at the Secure Production Facility in Mississippi because it is on a secure military installation.

Inspector General Report

The IG report the Washington Times is referring to comes directly from a March 31, 2005 OIG Inspection report AI0502 - *Blank Passport Product Integrity and Security Review*. The report concerned manufacturing of the legacy passports. The agency has addressed the majority of the recommendations and continues to work with the OIG to close out any outstanding recommendations. The processes and internal controls have changed significantly.

GPO's Director of Product Security responded to those recommendations in 2005—see below:
Open Recommendation Response

Inspection Report AI0502

“Blank Passport Product Security and Integrity”, March 31, 2005

Recommendation AI0502-3: *GPO should adopt ISO 9000 as the best practices for the manufacturing of security and intelligent documents and pursue ISO 9000 certification. In addition, the MDPO should create and fill the position of Quality Assurance Specialist to implement a program based on the ISO 9000 standards.*

Status: The MDPO appreciates the value of an ISO 9000 certification but believes the final decision to pursue certification rests with the Public Printer due to the long term commitment of resources required. However, the following work in progress toward standard operating procedures and quality assurance are fully aligned with an ISO 9000 effort:

- Discussions and observation of work done by the Bureau of Engraving and Printing concerning their ISO 9000 certification
- Standard Operation Procedures (SOP) developed for the Passport Waste Processing Center, Returned Book Processing Center, Plate making, Press, and Bindery
- Operator Checklists developed and implemented
- Two training sessions for a variety of personnel involved with the manufacturing of security and intelligent documents in the ISO methodology and philosophy.
- Established liaison with ISO Audit entities
- Staffing in process for three Quality Control Officers for passport manufacturing operations
- Staffing in process for three Production Engineers who will focus on continuous improvement projects.
- Staff training has been accomplished in the Six-Sigma techniques and tool set.

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Recommendation AI502-5: *RFID or similar technology should be implemented as soon as practical for all SID components to enhance receiving, surveillance, control and issuance.*

Status: Less than 60 items of stock supply the passport manufacturing operation. This includes non-security items such as boxes, labels, tape, and others. All items are managed in the Oracle inventory system and strong procedural controls are in place. RFID is a powerful tool to assist in what the recommendation suggests however, the financial investment is high to implement an RFID infrastructure of surveillance readers and software interfaces to the Oracle inventory management system. Given the small number of items in the passport manufacturing universe there would be no return on investment commensurate with any further reduction in risk to implement such a system at this time. Should SID product lines increase and the component materials to manufacture increase to a level where RFID tagging requirements are economically practical, the MDPO will revisit the implementation of the technology at that time.

Congress

GPO officials have been meeting with staffers on the House Commerce and Energy Committee to discuss these issues. We look forward to more future meetings to answer questions and concerns about integrity of the U.S. passports.

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