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SECURE CREDENTIALS ISSUED BY THE GOVERNMENT PUBLISHING OFFICE

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SECURE CREDENTIALS ISSUED BY THE GOVERNMENT PUBLISHING OFFICE

Wednesday, October 21, 2015

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
WASHINGTON, D.C.

The committee met, pursuant to call, at 10:02 a.m., in Room 2154, Rayburn House Office Building, Hon. Jason Chaffetz [chairman of the committee] presiding.

Present: Representatives Chaffetz, Mica, Amash, Farenthold, Lummis, Massie, Meadows, DeSantis, Buck, Walker, Blum, Hice, Carter, Grothman, Hurd, Palmer, Connolly, Lieu, Plaskett, DeSaulnier, Welch, and Lujan Grisham.

Chairman CHAFFETZ. The Committee on Oversight and Government Reform will come to order. And without objection, the chair is authorized to declare a recess at any time.

I appreciate all of you joining us for this hearing today, Secure Immigration Identify Documents. For nearly 150 years, the Government Printing Office, otherwise known as the GPO, has served as the printer for the Congress and the Federal Government. In that capacity, it is responsible for the collection, production, distribution, and preservation of public information from three branches of government. As government records move from print to digital, GPO finds itself in a challenge to remain relevant and necessary. With declining print demands, GPO is projected to run out of money in 2020 unless it overhauls its current business model.

In 2013, the National Academy of Public Administration, or NAPA, conducted a review of the state of GPO and its ability to meet the digital demands of the future. NAPA found that all the facets of the GPO will need to be realigned, everything from GPO's digital publishing and preservation efforts to the size and skill set of its workforce will need to be re-evaluated.

One major change to its business model involves GPO supplying secure credentials containing radio frequency identification, often referred to as RFID, in these chips to government agencies handling our Nation's immigration functions. GPO now issues those documents. It is unclear, however, if those documents are both secure and functional. Ensuring that identity documents are secure and reliable is critical to our national security.

Immigration fraud was identified by the 9/11 Commission as a key method by which terrorists entered and remained in the United States. As the commission noted, "Travel documents are as important as weapons." It went on to say, "At many entry points to vulnerable facilities, including gates for boarding aircraft,

sources of identification are the last opportunity to ensure that people are who they say they are." Given these facts, it is critical that secure credentials reflect state-of-the-art technology to ensure Federal Government is a step ahead of those who would attempt to alter or misuse documents to commit terrorist or criminal acts.

The Federal acquisition system is built on the principle of full and open competition. Full and open competition means contractors compete against each other on both the quality and the solution and the price. This ultimately benefits the American taxpayer, and I believe provides a better end product.

Essentially, Federal departments and agencies can circumvent the full and open competition process and sole source their secure credential requirements to the GPO. This means that the American taxpayer does not realize the benefit of innovation and the best price through a full and open competition process. It also means the government forfeits the opportunity to leverage innovative solutions to ensure reliable and security of those credentials.

It also appears GPO is increasingly shifting towards in-house production of credentials. Now, if they offer the best product, the best price, more power to them. But without that competition, we are worried that over the course of time that security, that innovation, that it will suffer.

Typically, an agency seeking to contract with the private sector for a good or service must comply with the Federal Acquisition Regulations, or FAR. The agency would publish a request for a proposal and receive bids from potential contractors in response. Then the agency has the opportunity to evaluate the solutions and the price offered by several contractors. This process of full and open competition is intended to make sure the agency is getting the best product at its lowest price.

GPO claims that its 47-year-old authorizing statute, Title 44, justifies its ability to issue secure credentials in this matter simply because these cards have prints on them and printing is a core GPO function.

In particular, GPO has argued that, "The production of secure credentials for Federal agency also involves the printing process, and so GPO is authorized to produce them." This raises the question of whether Title 44 should be used in competition process to acquire secure credentials from GPO. GPO certainly knows how to print, but do they have the capacity to innovate and provide reliable secure credentials?

This is part of the discussion today, and I thank all the witnesses for their expertise and being here today, and look forward to a good discussion about a most important topic.

We will now recognize the ranking member, Mr. Connolly of Virginia, for his opening statement.

Mr. CONNOLLY. Thank you, Mr. Chairman. And welcome to our panelists.

I welcome the opportunity to examine more closely the government's procurement and production of secure identification cards. Today most people take for granted the necessity of carrying around some form of official credential, whether it's a passport, driver's license, employer-issued ID, or if you're a Member of this body, your voting card. Thanks to technological advances in recent

years, some of these cards now digitally store personal information, which makes the integrity of the cards themselves and those involved in the manufacturing to create them critically important. It also strikes me as a prime opportunity for the public sector, which increasingly relies on these smart cards, to partner with industry, which is continually advancing the sophistication of the security, as well as the applications for this technology through innovation and research.

I would suggest the Government Publishing Office, which is statutorily tasked with serving the printing needs for all three branches of the Federal Government, has been successful in fostering such a partnership with industry, on developing the modern U.S. passport, which it produces for the Department of State using paper and electronic components, competitively procured from private sector vendors. Based on that experience and growing interest from Federal agencies for the secure credentials, GPO requested and was granted authority by the Joint Committee on Printing, comprised of Members of Congress, to begin producing secure cards, beginning with the credentials for the Trusted Traveler Programs for U.S. Customs and Border Protection under the Department of Homeland Security.

More recently, GPO took over the production of the Border Crossing Card for the State Department at the agency's request. One of the companies represented today, MorphoTrust, at one time printed those cards. But the State Department determined GPO could produce them with a more reliable read rate at a lower cost. While the production of the physical cards transitioned to GPO, I understand Morpho remains the lead contractor for imprinting the personalized information on each card.

Mr. Chairman, I must say I was puzzled to read the prepared statements from today's industry witnesses in preparing for this hearing. For example, Ms. Carroll, who represents HID Global, an international company that prints the U.S. Government Green Card and passports for 25 other countries, as well as our Member voting cards, and secure IDs for congressional staff, says industry is threatened by GPO's expanded role in producing smart cards.

Further, Mr. Albers of MorphoTrust, the U.S. subsidiary of a multinational company which partners with GPO, on producing U.S. passports and prints the driver's license for 42 of 50 states, suggests GPO's actions represent an existential crisis for industry and its partnership with the Federal Government. Last time I checked, Congress provides GPO with a budget for printing and binding of roughly $80 million. While it does engage in printing and manufacturing of secure cards separate from the passport, it is on a limited basis, utilizing just 27 employees. Production of secure cards accounts for four percent of the GPO's revenue, roughly $30 million, representing a mere fraction of the multi-billion dollar global secure card market. GPO does not actively compete with industry through the agency procurement process, responding only to direct agency requests.

I understand industry representatives may be concerned that such inter-government arrangements hinder competition. But I would note that GPO often turns to industry to competitively procure products to meet those needs. Further, I would suggest that

we ought to be more agnostic about whether this work is best performed by government or private sector, and I think you expressed that, Mr. Chairman, just now about whether this work is best performed by government, private sector, and instead consider which can meet agency needs for a quality product with the best cost.

When I was chairman of Fairfax County, we explored opportunities to outsource several government functions. And I can recall having my auditor look into potential savings of outsourcing vehicle fleet maintenance. I was convinced the private sector could do that more cheaply and probably at better quality. To my surprise, the government actually came in cheaper than Jiffy Lube, and the customer satisfaction was universally positive. I was surprised. My preconceived notion was, in fact, wrong.

So in the case of smart cards, the few agencies that turn to GPO have, in fact, reported savings, as GPO's only allowed to recoup its costs and does not make a profit. Those agencies also may cancel their agreement with GPO at any time without penalty if they find an industry partner that can produce a more reliable card and more cheaply.

In addition, I would note this finding from the GAO which notes GPO, "Does not have the capacity to meet the entirety of the Federal Government demand for secure credentials either through direct production in its facilities, or by contracting outside entities to fulfill a requisition." So even if GPO wanted to expand its secure card business, as our witnesses suggest is the case, it could not do so.

Let me go back to what I said at the outset. This should be a textbook opportunity for government to better collaborate with industry. We wouldn't have this capability if not for the ingenuity of industry which has responded to both the public and private sector needs for technologically advanced secure ID cards. At the Federal level, GPO as the printer of the U.S. passport since 1926, has a role to play in this discussion, albeit a small one, as do other Federal agencies that rely on industry to be a partner in providing those essential services.

I look forward to the hearing. Thank you, Mr. Chairman.

Chairman CHAFFETZ. Thank the gentleman.

Chairman CHAFFETZ. We'll hold the record open for 5 legislative days for any members who would like to submit a written statement.

Chairman CHAFFETZ. We'll now recognize our witnesses. We're pleased to welcome Ms. Davita Vance-Cooks, director of the Government Publishing Office, the GPO; Ms. Kathleen Carroll, vice president of corporate affairs at HID Global; Mr. James Albers, senior vice president of government operations at MorphoTrust USA; and Mr. Michael Raponi—did I pronounce that right?

Mr. RAPONI. Yes, Mr. Chairman.

Chairman CHAFFETZ. —inspector general of the Government Publishing Office. We welcome you all.

Pursuant to committee rules, all witnesses are to be sworn before they testify. So if you will please rise and raise your right hand. Please rise and raise your right hands. Thank you.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Thank you. Please be seated.

And let the record reflect that the witnesses all answered in the affirmative.

Your entire written statement will be entered into the record. We're now going to recognize you for your verbal comments, but if you could please limit those to 5 minutes, we would appreciate it. And then we'll get to the questions.

Director Vance-Cooks, you're now recognized for 5 minutes.

WITNESS STATEMENTS

STATEMENT OF DAVITA VANCE–COOKS

Ms. VANCE-COOKS. Mr. Chairman and members of the committee, good morning. I have been looking forward to this opportunity to showcase the important secure credential work that the GPO performs on behalf of Federal agencies and our U.S. citizens. As you have asked, I will briefly summarize my prepared remarks, which have been submitted for the record.

The GPO has produced the U.S. passports since 1926, giving us extensive experience in the important field of secure credentials. A decade ago, in partnership with State, we developed the e-passport which contains multiple physical and digital security features. And since then we have produced over 100 million e-passports. Based on this experience, in 2007 the Joint Committee on Printing, our oversight committee, approved our request to fund a capability to produce secure credentials for Federal agencies that were asking us for these solutions.

In 2012, the JCP approved our request to fund the establishment of a secure credential COOP site. The JCP, our oversight committee, has overseen and approved funding for this program throughout its existence. Our role in building secure identity documents is to provide Federal Government agencies with an option for a government-to-government solution backed by competitive outsourcing with the private sector. We are a choice. And the agencies are not required to use us.

We are a printer and a card integrator. We produce secure credentials by using qualified expert staff working in an ISO 9001 certified manufacturing operation backed by a COOP facility supported by a secure supply chain with access to both Federal and commercial experts in fraudulent document testing and forensic labs.

In our partnerships with the private sector, we outsource our requirements for consulting, design, equipment, materials and supplies, and fabrication so that we can produce secure credentials with cutting edge security technologies.

Our partnerships with the private sector create hundreds of jobs and provides multiple business opportunities. To date, the GPO has produced over nine million secure credential cards across 15 separate product lines. Among these products are the Trusted Traveler Program cards, the Border Crossing Cards, and the TWIC cards. And our customers are highly satisfied with GPO's product per-

formance, reliability, security, and pricing. Our secure credential operation is relatively modest in size. Total program revenues for fiscal year 2014, approximately $30 million, representing four percent of GPO's revenue.

The secure credential operation is an authorized GPO function as outlined by Title 44, which defines printing and the requisition process. And that requisition process triggers competitive procurement outsourcing throughout the secure credential industry. And by law, the GPO can only recover its costs. So there are no profits, there are no shareholder margins, resulting in significant taxpayer savings. We operate under multiple layers of oversight and review, including our IG office. Our finances are independently audited by KPMG every year. In the last 3 years, at the request of Congress, we have been audited by NAPA and the GAO, and they have validated our mission. We are open and transparent.

In conclusion, we are proud that the program is helping to keep our borders and our facilities secure. Our employees are so proud to print these products. We're proud to serve our country. And I invite you all to come down and see our secure credential operation.

Mr. Chairman, members of the committee, thank you again for this opportunity.

Chairman CHAFFETZ. Thank you.

[Prepared statement of Ms. Vance-Cooks follows:]

[Written statement can be found here: *https://oversight.house.gov/hearing/secure-credentials-issued-by-the-government-publishing-office/*]

Chairman CHAFFETZ. Ms. Carroll, you're now recognized for 5 minutes.

STATEMENT OF KATHLEEN CARROLL

Ms. CARROLL. Good morning, Chairman Chaffetz and Ranking Member Connolly and other distinguished members of the committee. Thank you for inviting me to testify today.

My name is Kathleen Carroll, and I am the vice president of corporate affairs at HID Global, where I focus on the intersection of technology, security, privacy, and public policy. I am honored to be able to share with you our concerns regarding the manufacture and procurement of secure immigration identify documents.

For more than 25 years, HID Global has been designing, developing, and manufacturing secure credentials for private businesses and governments around the world, including the U.S. Green Card. In fact, as the Congressman noted, we do make the congressional staff ID cards and Member voting cards.

The Department of Homeland Security has certified our Austin, Texas, facility for the manufacture of these credentials for the U.S. Government. A simple, easy-to-replicate card can certainly be made by untrained people with readily available equipment. A complex hard-to-replicate reliable card is actually very difficult to make. What is often forgotten in discussions like this is that a secure identify document is part of an ecosystem that includes readers, software, databases, and processes to authenticate and verify such critical documents. All of these components must work together securely, seamlessly, consistently, and in a privacy-protecting manner.

Congress needs to decide whether these systems, which are the first line of defense at the border, require and deserve the innovation and investment that can only come from the private sector. This is why companies like HID Global exist. That is why the HID-made U.S. Green Card, has consistently been considered the hardest to counterfeit government-issued identify document. The Green Card has both physical card security and an extremely reliable RFID read rate.

Congress created programs like the Green Card and the Border Crossing Card and mandated them for a reason, secure the border. We are proud of the jobs we create and the technology we developed to help you do that. And we hope to continue doing so in the future.

Our ability to do so, however, is threatened by the Government Publishing Office's decision to become a manufacturer of secure credentials. With no legislative direction or authority from Congress, the GPO, a government entity, has broadly interpreted its mandate under Title 44 to manufacture ID cards and plastic data pages for passports. The GPO also aggressively markets its manufacturing services to executive branch agencies with the claim that it is the sole legal source of these ID cards.

The evidence shows that the GPO doesn't really intend to compete at all. They instead inform executive branch agencies that they are required to obtain ID cards from the GPO under Title 44. The GPO began asserting this in 2007. We were part of a team of private industry vendors who spent months developing cutting edge secure identity documents for the consolidated Trusted Traveler RFID card program. Late in the procurement process, we were abruptly informed by letter that the GPO would provide the cards. The letter cited Title 44.

More recently we were re-awarded the contract to manufacture the U.S. Green Card under a competitive bidding process with other private manufacturers. That competition almost didn't happen. We learned that the GPO had been having conversations with USCIS for months prior to the release of the most recent request for purchase. It is our understanding that the GPO was asserting that USCIS could avoid the rigorous process of conducting a competitive bid and instead simply request the Green Card be awarded to GPO under Title 44.

Congress needs to decide if your goal is to have the best, most advanced secure credential technology to protect the border. If so, you need to insist that agencies should buy the best and most secure credentials from those of us in industry that have invested millions of dollars in innovation, expertise, and security.

The GPO does not have the incentive or the capability to manufacture or even effectively develop the technologies offered by the private sector. It seems the threshold question Congress should be asking is, how do we make our government-issued credentials used to gain entry into the United States as secure as possible? Not, how do we ensure that the GPO or any other entity that wants to enter the market to manufacture credentials can do so? The decision to manufacture secure immigration documents should not be left up to the GPO. For the sake of our national security, Congress should determine the best path forward.

Thank you.

Chairman CHAFFETZ. Thank you.

[Prepared statement of Ms. Carroll follows:]

[Written statement can be found here: *https://oversight.house.gov/hearing/secure-credentials-issued-by-the-government-publishing-office/*]

Chairman CHAFFETZ. Mr. Albers, you're now recognized for 5 minutes.

Mr. CONNOLLY. Mr. Chairman.

Chairman CHAFFETZ. Yes.

Mr. CONNOLLY. Can I just say to Ms. Carroll I thank you for the voter ID cards you produce, and I just hope we can persuade airports and TSA to accept them as a valid form of ID.

Thank you.

Ms. CARROLL. If you need some help, I'll try to help.

Chairman CHAFFETZ. Mr. Albers, you're now recognized for 5 minutes.

STATEMENT OF JAMES N. ALBERS

Mr. ALBERS. Good morning, Chairman Chaffetz, Ranking Member Connolly, other distinguished members of the committee. I thank you for inviting me to testify today. My name is Jim Albers, and I'm the senior vice president of government operations for MorphoTrust USA.

MorphoTrust employs over 1,600 employees in the United States. All of our employees are cleared U.S. citizens, and all of our secure production facilities are located in the United States. MorphoTrust produces 80 percent of the driver's licenses and IDs in this country, the most widely used document for establishing identify. We have been the prime contractor on the State Department's passport personalization contract for 20 years. I'd like to use this opportunity to talk about the industry, the importance of competition as it relates to price and innovation, and ultimately the security of the country.

Private industry's ability to compete for contracts for Federal secure credentials is threatened by the Government Publishing Office's unique claims under Title 44. In 2008, following a competitive procurement, MorphoTrust was awarded a contract with the U.S. Department of State to produce the U.S. Passport Card, as well as the Border Crossing Card. Under this contract we produced over one million RFID-enabled secure credentials per year.

In 2012, we learned through indirect sources that the GPO would now be producing the Border Crossing Card. There was no public notice, no RFI, no RFP. No opportunity for other suppliers to compete for this business. After a formal inquiry, we received a letter from the State Department's Office of Competition Advocate stating that they were required to use GPO for the production of secure credentials as it falls within the definition of "printing" under Title 44.

There is a belief that the GPO enjoys a loophole from the Federal Acquisition Regulations under the guise of Title 44 which requires that all printing be done by or through the GPO. The GPO is using this to procure without facing the free and open competition any private vendor would face. A lack of competition in industry will

have a direct impact on national security by driving private suppliers and the innovations that they bring out of the business, and make it more difficult for America to stay one step ahead of the counterfeiters and the would-be terrorists.

Production of secure credentials involves complex manufacturing processes that extend well beyond printing. These processes rely on persistent innovation and allow U.S. industry to design and produce some of the most sophisticated and secure credentials in the world. However, as we look at the competitive landscape, we believe that this industry's existence is threatened by the fact that GPO continues to grow large-scale production capability for the production of identity documents.

Our economic system depends and only works well when there is competition. When you remove competition, you destroy capitalism. Competition drives innovation. MorphoTrust invests millions of dollars per year into internal R&D funds. We do this for two reasons. Number one, to stay ahead of the bad guys. And, number two, to stay ahead of the competition. If the government decided to send all its secure credential design, development, and manufacturing to GPO, industry would no longer have an incentive to invest.

As a side note, when we do mess up, industry bears the costs of these mistakes. When government messes up, the taxpayers bear the cost.

Competition drives down prices. As my friend right here, Kathleen, works for a competitor, sometimes MorphoTrust may partner with HID, and sometimes we may compete. Regardless, we both work hard to win. In a recent competition that Kathleen mentioned between our two companies, HID won the DHS Green Card award over MorphoTrust, with both companies drastically cutting prices over the current price, saving the government millions of dollars. Congratulations.

National security is not being served by Title 44. While there were secure credentials prior to 9/11, those terrorist attacks on our soil highlighted the need for better identity documents. As the chairman already mentioned, the 9/11 Commission reported for terrorists, travel documents are as important as weapons.

In conclusion, in order to maintain a competitive industrial base, encourage competition and innovation, and keep one step ahead of the bad guys, it is time for Congress to reform Title 44. Doing so will clarify the authority of agencies to procure the production of secure credentials directly from the private sector. Only in this way will the United States Government secure and ensure the quality assurance, technological innovation, and cost efficiencies associated with robust private sector competition.

Thank you for your time. I look forward to your questions.

Chairman CHAFFETZ. Thank you.

[Prepared statement of Mr. Albers follows:]

[Written statement can be found here: *https://oversight.house.gov/hearing/secure-credentials-issued-by-the-government-publishing-office/*

Chairman CHAFFETZ. We'll now hear from the inspector general, Mr. Raponi, for 5 minutes. You're now recognized.

STATEMENT OF MICHAEL A. RAPONI

Mr. RAPONI. Good morning, Chairman Chaffetz, Ranking Member Connolly, and members of the committee. Thank you for the opportunity to testify on the oversight work of the Office of Inspector General as it pertains to secure credentials issued by the Government Publishing Office.

As you are aware, the OIG is an independent entity within the GPO. Therefore, the views expressed in my testimony are based on the findings and the recommendations of the OIG and not intended to reflect GPO's position.

By way of background, GPO produces Federal secure credentials in accordance with its mandate under Title 44 of the U.S. Code to fulfill the printing needs of the Federal Government. According to GPO officials, production of secure credentials fall within the statutory definition of "printing." We noted congressional support of GPO's production of secure credentials when in December 2007 the Joint Committee on Printing authorized expenditures associated with smart card technology.

And again in 2012 when it authorized expenditures associated with the establishment of a COOP capability for GPO's secure cards production located in Stennis Space Center's facility in Mississippi.

We also noted in 2015, the Government Accountability Office reported its views of activities and processes related to GPO's production of secure credentials. In its report, GAO reported that both Department of State and Customs and Border Protection officials, believe that after consideration of factors such as interagency coordination and collaboration and pricing, among others, GPO was best able to meet their production needs.

OIG has issued ten reports since 2012. OIG reports are intended to help senior managers strengthen operations. Our assessments disclosed that GPO established an overall framework of policies and management controls it uses to produce secure credentials. While an established structure is present, we noted opportunities exist to strengthen some activities and processes. For the purpose of this hearing, I will highlight examples from four audits.

In August 2014, as part of an anonymous hotline complaint expressing concerns over acquisition of passport eCovers, OIG reviewed key factors used to determine whether a proposal was technically acceptable when GPO procured the most recent passport eCovers. In that review we found documentation was not sufficient to demonstrate all key evaluation factors were performed, reviewed, and approved by the contracting officer. We also identified an issue that pertained to inconsistencies with the disposition of test results. Management agreed with our recommendations and took, or is in the process of, taking corrective action.

In September 2014, OIG reported on the steps GPO took for ensuring accountability over blank ePassports through various stages of the production process. By way of computer chips, we traced and analyzed more than 2.4 million eCovers through the production process to final destination at State. In part, we found GPO could strengthen accountability by better documenting the physical destruction of eCovers and blank ePassports at its Stennis facility.

Management agreed with the recommendations and took, or is in the process of corrective action.

In December 2014, based on concerns raised by the Committee on House Administration, OIG conducted a review and reported on whether GPO identified and addressed risks necessary to protect itself in the event a key component of blank ePassports were either compromised or had its supply chain threatened. OIG found that while significant improvements were made compared to results of an earlier review, procedures for ensuring the security of the supply chain were not always followed. OIG also identified a risk associated with sole source providers for key components of the supply chain. And management agreed with our recommendations and took, or is in the process of taking, corrective action.

In my final example, GPO reported that the secure credential production system developed to produce the Transportation Worker Identification Card, TWIC, failed to produce data as expected. GPO management requested OIG review the matter. In response, OIG analyzed the steps taken to develop the secure credential production system focusing on whether risks were adequately mitigated during the system development. We found GPO's taken numerous steps to establish an overall system development policy to follow when introducing new products, GPO's integrated system development policy into key IT policies.

In examining the activities with the development of the TWIC system, we found, in general, the framework for managing projects was not followed for approximately 60 percent of the tasks. Management agreed with the recommendations and has taken, or in the process of, taking corrective action.

In conclusion, since 2012 OIG has made a total 34 recommendations, of which 22 are closed and the remaining 12 are open and pending further verification. OIG is not aware of any current security breaches of the supply chain affecting GPO's production of secure credentials. We continue to work collaboratively with GPO to improve operations, maintain a longstanding record in delivering a world class service to our Nation.

Thank you for the opportunity to testify today. And I'd be pleased to answer any questions that you or any members of the committee may have.

Chairman CHAFFETZ. Thank you.

[Prepared statement of Mr. Raponi follows:]

[Written statement can be found here: *https://oversight.house.gov/hearing/secure-credentials-issued-by-the-government-publishing-office/*

Chairman CHAFFETZ. We'll now recognize the gentleman from Florida, Mr. Mica, for 5 minutes.

Mr. MICA. Thank you, Mr. Chairman. And I appreciate your calling this hearing.

You expressed a lot of pride, Ms. Vance-Cooks, in what you're doing. But I can tell you as far as credentialing and IDs, I have never seen a more screwed up program in my entire life. Our ranking member, Mr. Connolly, made a joke about our ID, being able to use it as identification like it at the airport. You produced the passports or you're responsible for the passports?

Ms. VANCE-COOKS. Yes, sir.

Mr. MICA. Yeah. Well, after 9/11, just a little history, I called in the State Department because they were producing passports, and that was one of our most important documents that government was producing at that time. We said we should have some uniform standards for credentialing and be able to verify who has the passport or the identification, whether it be a passport, whether it be a Member's card, or any other form of Federal identification. Today we still don't have that.

The TWIC card is an—I'd be ashamed to come and say I had anything to do with the TWIC card. We've probably spent a billion dollars, we've issued millions of them, and the TWIC card, which is Transportation Worker Identification Card, we have a document, don't we, a TWIC card? And we're on our second issuance of them. Right? At least.

Ms. VANCE-COOKS. The GPO is responsible for the TWIC card. This is the first time we have produced the TWIC card.

Mr. MICA. I know. But, again, does it have identifiable, verifiable information in it now finally——

Ms. VANCE-COOKS. Yes.

Mr. MICA. —with both thumb and iris?

Ms. VANCE-COOKS. I believe it does.

Does it?

No. It does not.

Mr. MICA. Oh, if you don't know that and come here, that's sad. And you're in charge of it. But it doesn't have it. It's unbelievable, again, and we force people to take it. Now if you go to a port, they show their TWIC card, they have to show another form of identification. It is not verifiable.

I held no less than three hearings, and it's not all your fault, part of it is Congress' fault. They've gone in different directions. This is a useless document, that's a Member card, except for charging trillions of dollars on it when we vote. But it's unbelievable.

The pilot card. I put three times in law that it must have identity verification, a strip that would contain basic information as to who that person was. They produced it, folks. You should see it. It was the biggest joke in the world. A pilot's identification getting into the aircraft, past security and everything, it looked like it came out of a Cracker Jack box. It was a folded little paper ID. And I said it had to be durable. It had to have embedded in it the information, and then it had to have a picture of the pilot. I'll be dammed if they didn't produce it. There's much more information on my American Express Card than they had on the pilot card. No verification.

You're not going to touch my—especially with your reputation on that side of the aisle. I'll let you play with this one awhile—but the only photo on the pilot's license was Wilbur and Orville Wright. It was a national joke and disgrace. But the TWIC card, in particular, is still a fiasco.

Do we have a reader that can read a TWIC card——

Ms. VANCE-COOKS. Yes.

Mr. MICA. —approved?

Ms. VANCE-COOKS. Yes. And——

Mr. MICA. How many ports is it deployed to?

Ms. VANCE-COOKS. I will have to check.

Mr. MICA. Oh, I'm telling you—oh, I could probably count them on my fingers and toes.

Ms. VANCE-COOKS. All right.

Mr. MICA. It's a disgrace. And even if you had a reader, it doesn't have the information to verify. Fingerprint can be played with. Iris is the most dependable.

You said, Ms. Carroll, you must be able to verify the information with the reader. Right? And the private sector has done this. Haven't they?

Ms. CARROLL. Yes, sir.

Mr. MICA. They produce cards with that kind of information. We have security at different facilities, both in the private sector and the public sector that can do that. Right?

Ms. CARROLL. Yes, sir.

Mr. MICA. And you've heard what they've just told us here about the fiasco of this. And it's not all her fault. I don't want to blame—I give you 70 percent of the credit and 30 percent of the blame.

Ms. VANCE-COOKS. All right.

Mr. MICA. Part of it is Congress, and we do need to change Title 44. It's got to be changed. Somebody has to be in charge.

First you get a standard, a basic standard, and the private sector has done it over and over. And you have to have verifiable information embedded in that card. Period. And then you have to have something that can read the damn card. So unless you get that in place, we are just—and this is, guys, this is a multi-billion dollar fiasco. I yield back.

Chairman CHAFFETZ. I thank the gentleman.

Now recommend Mr. Connolly of Virginia for 5 minutes.

Mr. CONNOLLY. I thank the chair.

I really think this hearing seems to be about whether it's appropriate to have GPO in this function at all. And I think that's a fair question. I do think, Mr. Albers, you overstate your case. I hardly think the GPO represents an existential threat to the industry. How big is your company?

Mr. ALBERS. Our company's about—MorphoTrust is about $650 million a year.

Mr. CONNOLLY. Right. And they're talking about $30 million. So I suppose you could argue, and maybe if I were rewriting your testimony, I might make this argument that what they're doing is the camel's nose under the tent. And that is of concern because if that grows, if everybody decides we're not going to go the competitive RFP route, we're just going to go the convenient route and contract directly with GPO, you lose out in a lot of business and so does Ms. Carroll. Fair point.

And let me ask you, Ms. Vance-Cooks, what about the argument Mr. Albers and Ms. Carroll essentially put to us which is, that you're using, and Federal agencies like State Department are using, Title 44 as a loophole from the normal FAR process to essentially give you a sole source contract that eliminates the possibility of private sector competition and quality in that equation?

Ms. VANCE-COOKS. Thank you for the question. Title 44 basically simply states that we have the authority to make the secure credential card because it is, in fact, a printed product. And it's a printed product as defined by Title 44. However, they are making

the assumption that we are forcing the Federal agencies to come to us.

Mr. CONNOLLY. No. No. They didn't make that argument. That's really not at all what Mr. Albers was arguing. He argued, and so did Ms. Carroll, that in various cases, Federal clients of yours used Title 44 to rationalize why they were going essentially sole source with GPO instead of putting it out to bid.

Ms. VANCE-COOKS. That is because the Federal agencies know that they have a choice. They can either go to the commercial sector or they can come to us. When they make that decision to come to us, they know that they can use a requisition process. That requisition process, however, triggers a competitive procurement solution, because we, in fact, outsource all of the components of that card to the rest of the secure credential industry. That creates hundreds of jobs in the community and that creates multiple business opportunities.

Mr. CONNOLLY. Mr. Albers, why given what Ms. Vance-Cooks just said, why shouldn't the State Department have that option? That's a competitive option. We prefer to go with GPO for various and sundry reasons. If I heard your testimony, you talked about the value of competition and free market, but in a sense what you want to do is eliminate this potential competition.

Mr. ALBERS. Not at all, Congressman. First of all, I apologize for the hyperbole in my testimony. I'll have you know that I was a politician at one point. That might be hard to believe.

Mr. CONNOLLY. You poor guy. You know it's very unusual we employ hyperbole up here. But all right.

Mr. ALBERS. So, there's a big difference, I think, between what Ms. Vance-Cooks is saying and what I'm saying. Number one, we're a system integrator, as is HID. We look to prime contracts with the Federal Government. Not that we don't mind subcontracting to organizations like GPO. That's a different piece. Okay? So, I'm not complaining about that.

In my testimony, and by the way, I can put this into the record, the State Department responded to us that said: We were required to use GPO. And again in my testimony, we never had an opportunity to even complain about it. So you know——

Mr. CONNOLLY. So they used Title 44 as the rationale for that?

Mr. ALBERS. They did. And they represented the GPO, and I don't have firsthand information. So I want to give Director Vance-Cooks, you know, a little bit of leeway here. It's been represented to me that the GPO marketing folks say: You have to use us. So I don't know whether that's true or not. I'm sure you probably control that type of communications, but——

Mr. CONNOLLY. Ms. Vance-Cooks, did you want to respond to that?

Ms. VANCE-COOKS. First of all, the GPO does not have sales teams. I hear that constantly that we have sales teams and that they're going door to door to these agencies forcing them to come to us. Nothing could be further from the truth because, first of all, we don't have sales teams.

Number two, it is the client and the agencies who are using or stating that we are telling them that. I think all of this started back in 2007 when the public printer at that time stated in a hear-

ing, that he felt that secure credentials was, in fact, something that could be and should be contained in the government. I have been in charge of the GPO since 2012. I have stated unequivocally, publicly as well as privately, that I don't believe that we should be in charge of all of secure credentials. In fact, what I have stated and what the evidence proves is that it is a choice of the Federal agencies. And I think they deserve that choice. And all of the evidence points to the fact that we are, in fact, using this as an option.

Let me give you some examples. Number one, when there is an RFP out there for a secure credential, you will not find the GPO because we know that the secure credential market compete against themselves. We do not compete for State governments or local government information. What we do is provide a choice for those Federal agencies who want a government-to-government solution. And with that government-to-government solution they get the benefits, and one of the largest benefits, one of the best benefits, is the fact that we don't have shareholder or profit margins. The cost is what they get.

Mr. CONNOLLY. Thank you. My time is up, Mr. Chairman. I would ask unanimous consent that the GAO report dated March 10, 2015, be entered into the report on this subject.

Chairman CHAFFETZ. Without objection, so ordered.

Mr. CONNOLLY. I thank the chair.

Chairman CHAFFETZ. Thank you. I will now recognize myself for 5 minutes.

Director, you have an operating budget roughly in the $700 million range. Correct?

Ms. VANCE-COOKS. Yes, sir.

Chairman CHAFFETZ. How much of that money is allocated for research and development?

Ms. VANCE-COOKS. The research and development for secure credentials comes from our competitive procurement with the outside community. We leverage the best of the best——

Chairman CHAFFETZ. So how much money do you spend? How many people do you have working on research and development?

Ms. VANCE-COOKS. We have a few, less than 5 people, working on R&D for the secure credential market if that's what you're referring to.

Chairman CHAFFETZ. That's what I'm referring to. I'd ask unanimous consent to enter into the record a memo sent on September 30, 2013. And I want to read part of this. Without objection, so ordered.

Chairman CHAFFETZ. This is from Daniel Walt. He's the departmental competition advocate. I mean, he's the competition advocate at the Department of State. And in this email that was sent to MorphoTrust, I'm going to read the middle of it, "Federal Acquisition Regulation, FAR, subpart 8.8 requires Federal agencies to acquire printing services through GPO unless GPO cannot provide the services. Therefore, we must use GPO for the printing of the passports and the Border Crossing Cards rather than re-compete the requirement."

Now, that seems to be directly opposite of what you're saying. Can you shed some light on this? I mean, you're saying you're in favor of competition, but at the same time we have the State De-

partment saying we can't compete this. There can be no competition. Are they wrong or are they right?

Ms. VANCE-COOKS. I think that if you look at the evidence, the State Department doesn't even believe what they wrote. And I'll tell you why. Because if——

Chairman CHAFFETZ. Believe me, that's not the first time that happened.

Ms. VANCE-COOKS. No. What I'm trying to say, Congressman, is that if the State Department really believed that they had to give all of the secure credential work to the GPO, then we would be doing it. Since that document was written by the competitive advocate, I can assure you that the GPO over here produces the passports and we produce the Border Crossing Card, but MorphoTrust handles the personalization of the Border Crossing Card. HID handles the Green Card. My point is that people make that statement, but let's look at the facts. And the facts point to the fact that, that business is spread across all of the commercial carriers. Not all of that business is with us. I think they say it, but it's not the practice.

Chairman CHAFFETZ. And so your opinion of Title 44, in your opinion, you viewpoint here, that it's really up to the agencies to make that determination. That's the first step, whether or not they're going to compete for it or they're going to give it to GPO. Correct?

Ms. VANCE-COOKS. That is the way it's happening. Yes, sir. It is a choice.

Chairman CHAFFETZ. And, but it's their choice. You don't believe it's mandated under the law that they have to use GPO?

Ms. VANCE-COOKS. It's not practical.

Chairman CHAFFETZ. I know, but be specific here. This is a critical point.

Ms. VANCE-COOKS. Yes. Yes.

Chairman CHAFFETZ. Is that, your opinion, under the law, do they have to use you under Title 44?

Ms. VANCE-COOKS. Under the law they are allowed the choice of coming to us. We are limited in our capacity to handle all of the work——

Chairman CHAFFETZ. Okay.

Ms. VANCE-COOKS. —that would be coming through.

Chairman CHAFFETZ. My time's short. And I think you were very succinct in that answer. I appreciate it.

When you say you have no sales force, you do have a bit of a monopoly if you convince somebody to have them come to you. Do you have people that go out to the agencies and say: This is what you should be doing, or this is what we recommend, or this is what you can do? I mean, that in part is a sales force. Correct?

Ms. VANCE-COOKS. No. That in part is an account management. We have an account management group, and they're responsible for taking care of the clients that we currently have. What we have been hearing is that we have been accused of having salespeople who go out and tell people, you must come to us. That is not true. That is a fabrication.

I'd like to also, if I have some time, to go back to the R&D question. I want to make sure that this committee realizes that the

GPO is in the business of outsourcing all of its requirements. And when we outsource our requirements, that means that we leverage the best technology across the world, across the United States, and we do not have proprietary interests in one versus the other. That is to the benefit of the stakeholder. That is to the benefit of the taxpayer.

Chairman CHAFFETZ. My time's expired, and I'll yield back. And now recognize the gentleman from California, Mr. Lieu, for 5 minutes.

Mr. LIEU. Thank you, Mr. Chairman.

I personally don't have a problem with the U.S. Government Publishing Office, publishing U.S. Government documents and credentials. And this is an issue that both Democrats and Republicans in Congress have reaffirmed.

So Director Vance-Cooks, let me ask you a few questions. The GPO was authorized by Congress to print passports in 1926. Is that correct?

Ms. VANCE-COOKS. Yes, sir.

Mr. LIEU. Okay. And then around 2005 the GPO began producing passports with more advanced technology at the request of the State Department. Is that correct?

Ms. VANCE-COOKS. Yes, sir.

Mr. LIEU. And so specifically you began to print passports with embedded RFID chips. Correct?

Ms. VANCE-COOKS. Yes, sir.

Mr. LIEU. And then Congress has continued to authorize GPO to print passports with these chips. Correct?

Ms. VANCE-COOKS. Yes, sir.

Mr. LIEU. All right. And during the GPO's strategic planning, in fact, Congress weighed in to authorize GPO to expand its services and provide secure identification cards for the Department of Homeland Security and the Social Security Administration in 2007 and again in 2012. Is that correct?

Ms. VANCE-COOKS. Yes, sir.

Mr. LIEU. Okay. Then let me just ask you this question, because the chairman did raise a good point. I just want to understand. Does the GPO or Congress force agencies to print with the GPO?

Ms. VANCE-COOKS. No, sir.

Mr. LIEU. Okay. So now I have sort of a different question. It's more for the entire panel.

RFID technology can be read at a distance. Right? You got these readers that can read this. And that means not only can government read these cards at a distance, but so can criminals and other folks. So I'm just sort of curious what kind of precaution should people who have these cards take so that these cards aren't read at a distance by, let's say, a criminal?

I've gone to department stores where they sell these wallets that say, you buy this wallet and you can stop your RFID chip from being read at a distance. Do people need to buy those wallets? Are these wallets a gimmick? Can you sort of tell me there are security issues going on with that?

Mr. ALBERS. So we build in a number of security protections for what we call personal identifiable information. Mr. Mica was talking about that.

In the case of the passport card, there is a pointer to your file that only the CPB would have. So there is no personal identifiable information on that chip. It's only a pointer to your file. So when you're approaching the border with that card, the CPB officer can pull up your file and know that you're the person that's supposed to be there. So there really is no security threat in that application.

You mentioned the protection from the RFID chip. The BCC and the passport card come with a little sleeve actually, so—but that's a passive chip. So there is no radiation, there's nothing coming out of that chip. You can't turn it on or off. It's just there, you know, like your EZ Pass. I mean, it's there and it's read when you go through.

Mr. LIEU. Okay. Thank you.

Ms. CARROLL. I'd like to add that not all RFID technology can be read from a distance. So, for example, in your U.S. passport, that cannot be read from a distance. You have to be in the same plane and within just a few inches of a reader. But the shot there is, is that the U.S. passport has a chip in it. It is not being read. The electronics in that document are not being read. Only the optical part or portion of it is. So the U.S. taxpayer is paying lots of money for a passport with a chip in it. It's not making them any more secure because that chip is not being read at the border.

Mr. LIEU. What's the chip for if it's not——

Ms. CARROLL. It's an ICAO standard. The chip is in the U.S. passport and 27 of the Visa-waiver countries as well to make the document more secure. But the chip is highly resistant to counterfeiting. And so that's why they did that.

Ms. VANCE-COOKS. But it does meet the ICAO standards, and that is the most critical component.

Mr. LIEU. Thank you. I yield back.

Chairman CHAFFETZ. Thank the gentleman.

I now recognize the gentleman from North Carolina, Mr. Meadows, for 5 minutes.

Mr. MEADOWS. Thank you, Mr. Chairman. Thank each of you for your testimony.

Director, I understand you're saying that you've got five R&D. The chairman was asking you. You have five R&D people that are working on the integration. Is that correct?

Ms. VANCE-COOKS. We actually have a secure innovation credential center. And it's a group of individuals who are responsible for looking at counterfeiting technologies and testing. But they work very closely with the private sector for that. And I think it's a great question because I want to emphasize again we're closely tied to the private sector for all of that. We even work with the Department of Homeland Security for all the fraudulent testing in the labs.

Mr. MEADOWS. All right. So let me follow up. Mr. Albers, let me maybe come to you and ask you to give an opinion on that. Because one of the concerns I have is when we look at integration, you can take wonderful pieces of technology, and as you try to integrate them and make them practical and noteworthy, it doesn't produce the end result. So would you comment on what you're hearing. Is that an effective way or——

Mr. ALBERS. So I have no personal information that GPO isn't an adequate systems integrator. Okay? My comment before about systems integration is that, it's a much different task than, you know, being a prime contractor. We want the opportunity and I think HID does, too, to be a prime contractor, to be a systems integrator. So the fact that the GPO——

Mr. MEADOWS. Well, let me rephrase it. What kind of issues can arise from an integration standpoint that would make it less secure?

Mr. ALBERS. Last word? I'm sorry.

Mr. MEADOWS. Less secure.

Mr. ALBERS. So, I mean, just like the GPO, any system integrator goes out to look at third party, and we have a complete supply chain management system, and we pick the best of the best. So when we work with a customer on requirements, for example, for the passport card, we look to build in security features such as watermarks, such as chips themselves. We outsource all that stuff. And our supply chain management manages all that stuff. There is risk in all that part of the process.

Mr. MEADOWS. Sure.

Mr. ALBERS. So the system integrator manages that process. So, you know, Lockheed and Northrop and all the other ones in town, they do the same thing. I'm not sure I'm answering your question, though.

Mr. MEADOWS. All right.

Ms. VANCE-COOKS. I'd like to respond a little bit. He's absolutely correct, it's an ecosystem. But let's look at the trusted traveler program cards, which is what we produce as a printer and a card integrator. One of the ways to determine that we are doing a good job is the read rate, and the read rate for that particular card is between 80 and 90 percent.

So there are different metrics that you can use to choose whether or not your product is doing exactly what it's supposed to and whether or not it is meeting the specs.

Mr. MEADOWS. And I agree with that, so—but let me ask you that from a matrix, how do you—with GPO, how do compare to the private sector in terms of read rates and all that? I mean, do you compare that kind of data to see how effective you are?

Ms. VANCE-COOKS. We are very——

Mr. MEADOWS. I see somebody behind you is nodding yes.

Ms. VANCE-COOKS. Yes. I know, I know. They're—we're proud.

Mr. MEADOWS. Okay.

Ms. VANCE-COOKS. We're proud. We have data to prove that our read rates for our cards are very, very good.

Mr. MEADOWS. All right. So let me in the time I have remaining, let's talk about Title 44, and it sounds like that there is maybe some ambiguity in terms of the requirement.

Director, are you willing to send out a letter to all the agencies that says that they're not required to use you for their printing? To fix this ambiguity, because that's what you were saying, is that it is not really a requirement, but indeed some of the testimony has said that the State Department in particular believes that it is a requirement. So are you willing to correct the record, I guess, coming from, you know, your position?

Ms. VANCE-COOKS. What I'm willing to do is what I've always been doing up to this point, which is to let everyone know that it is a choice and we respect them.

Mr. MEADOWS. So yes or no, would you be willing to send out something to the agencies that said they're not required to use GPO for their—so you are willing to do that?

Ms. VANCE-COOKS. I am willing to send a letter to say that it is a choice, because that is the way it has always been.

Mr. MEADOWS. Okay.

Ms. VANCE-COOKS. Okay.

Mr. MEADOWS. And so——

Ms. VANCE-COOKS. It is a practical business——

Mr. MEADOWS. So do you think the ambiguity that is out there is just someone that happens to misunderstand Title 44 or is it inherent in Title 44?

Ms. VANCE-COOKS. I think that the Title 44 specifically states, that all printing must come to the GPO. What I am trying to say, and I think I'm being very articulate about it——

Mr. MEADOWS. You are very articulate, by the way.

Ms. VANCE-COOKS. Thank you very much. I appreciate it.

What I am saying, though, is that in practical application and in true business sense, what's really happening, sir, is that it is a choice. Not everyone even comes to the GPO for printing.

Mr. MEADOWS. Okay. In the 6 seconds that I have left, let me finish with this, is I would ask that you try to clear up some of the ambiguity. Understand that I don't want you subsidizing and competing with the private sector, nor do I want the private sector coming in and taking over if you can do it more effectively, I'll be your advocate on that. As a business guy, I want to be——

The other thing, it's a pebble in my shoe when you have law enforcement officers sitting in cars outside your office, it doesn't give the impression of efficiency. I don't understand why the printing office would have their own fleet of law enforcement cars. So if you would address that, I'll be happy——

Ms. VANCE-COOKS. You're not—excuse me. You——

Mr. MEADOWS. I walk by them all the time.

Ms. VANCE-COOKS. No, no. I know you do.

Mr. MEADOWS. And he's not sleeping half the time, so that's good.

Ms. VANCE-COOKS. Half the time? He better not be——

Mr. MEADOWS. No. I'm kidding.

Ms. VANCE-COOKS. —sleeping at all. No. Would you believe it's in Title 44 that we must have our own police force?

Mr. MEADOWS. Well, we may need, Mr. Chairman, to look at changing Title 44. I'll yield back.

Ms. VANCE-COOKS. All right.

Chairman CHAFFETZ. I thank the gentleman.

I now recognize the gentleman from Georgia, Mr. Carter, for 5 minutes.

Mr. CARTER. Thank you, Mr. Chairman. And thank all of you for being here. We appreciate your participation.

Ms. Vance-Cooks, I want to ask you, it's my understanding that GPO produces the TWIC cards for DHS and for TSA. Is that correct?

Ms. VANCE-COOKS. Yes.

Mr. CARTER. I have two ports in my district, the port of Savannah, Georgia, and the port of Brunswick, Georgia, and of course they utilize the TWIC cards, and it's my understanding that they reported significant delays in both the renewal and the initial application. And I'm just wondering, is there a problem here? Is there a problem with producing the cards?

Ms. VANCE-COOKS. Are you referring to a recent statement? Because when we took over several months ago, we had a backlog. Now, let me be clear. We just took over that business, and that was, I believe, in June, May, or June of 2014. And when we took over that book of business, we had a backlog that we had to clear up. It is my understanding, sir, and I need to check, that things have been going very well since then——

Mr. CARTER. Okay. Well——

Ms. VANCE-COOKS. —but prior to that, they did have significant backlogs, but that was with another carrier.

Mr. CARTER. Well, it's my understanding that they've had a backlog and that——

Ms. VANCE-COOKS. Yes.

Mr. CARTER. —there are problems.

Ms. VANCE-COOKS. Right.

Mr. CARTER. So if you could check into that——

Ms. VANCE-COOKS. I will.

Mr. CARTER. —I would sincerely appreciate it——

Ms. VANCE-COOKS. Sure.

Mr. CARTER. —because this, of course, is commerce and this is a problem, a big problem in our district, so——

Ms. VANCE-COOKS. Sure. I'll be happy to do that, but I want to be clear that we did inherent the backlog back in June, but we made good efforts to reduce that backlog. And I know this for a fact, because I was heavily involved in it.

Mr. CARTER. Okay. Can you describe some of those efforts to——

Ms. VANCE-COOKS. Sure. When we began to launch, we ran into a problem with the speed rate of the information coming across. And this is a really good example of how well we work with the private sector, because we worked with GDIT on this. And GDIT put all of their best people on it, innovation, creativity, they worked diligently for weeks to make sure that they could correct that speed rate. So I'll check on that for you.

Mr. CARTER. Okay. Well, I appreciate that very much.

Can you tell me, when you get the requests for the TWIC's cards, is it just through some kind of agency form, or I mean, how do you—how does that happen?

Ms. VANCE-COOKS. Right. It's called a requisition form, a standard Form 1 for printing and binding requisition, and this requisition form recognizes that a secure credential is a printed product, so it has a lot of questions on there about the pre-press work and all of the specific requirements that are attached to it. And then there is an MOU attached to it.

Once we get that requisition form, then we issue—or it is triggering a competitive procurement across the entire secure credential industry for all of the components and the products to make that credential.

Mr. CARTER. Okay. So when DHS or when TSA orders these cards, do you have any oversight over it? Do you——

Ms. VANCE-COOKS. Yes. We have complete oversight over it, as well as the agency.

Mr. CARTER. Okay.

Ms. VANCE. The agency works with us 100 percent of the time.

Mr. CARTER. If they order more cards than they need, do you send them?

Ms. VANCE-COOKS. They give us the order about what they need, and then we respond. We only produce what they tell us to produce.

Mr. CARTER. But do you have any oversight about whether they are ordering the number of cards that they need? I'm concerned about the security here.

Ms. VANCE. I would——

Mr. CARTER. If there are excess cards being generated.

Ms. VANCE-COOKS. Okay. They give us an order for X number of cards, we produce them. They have their own oversight where they are responsible for those cards once we deliver it to them, and that's the point.

Mr. CARTER. Okay. So you're just following the order. If it says, give me 100 cards, you're sending 100 cards?

Ms. VANCE-COOKS. That is correct.

Mr. CARTER. No oversight on that whatsoever, no security clearance?

Ms. VANCE-COOKS. No, no, no, no. The oversight is on the production of the cards and taking care of those cards from the moment that we create them to the moment that we transport them to the facility of TWIC. Once TWIC takes ownership, that is their problem.

Mr. CARTER. Okay. Okay. So if there are excess cards that have been generated, it's not your fault, you're just filling the order?

Ms. VANCE-COOKS. If there are excess cards, it's on their end, sir.

Mr. CARTER. Okay. Well, getting back to the delays that they've experienced, tell me about the FAR, what's referred to as the FAR procedures. Do you implement those, do you utilize those procedures?

Ms. VANCE-COOKS. We follow the MMAR, and the MMAR closely mirrors the FAR, in fact, it's almost like the FAR, but it closely models it.

Mr. CARTER. Why would you choose one over the other?

Ms. VANCE-COOKS. Because we're a legislative branch agency and we don't follow the FAR. It's written in law. So once——

Mr. CARTER. It's written in law that you're not to follow the FAR?

Ms. VANCE-COOKS. Section 8.8 exempts printing from the FAR, therefore, the MMAR was developed to closely mirror and model the FAR.

Mr. CARTER. Okay. But we still had the backlog. If you can please check into that, I would appreciate it very much.

Ms. VANCE-COOKS. Absolutely.

Mr. CARTER. We need to know. This is very important.

Ms. VANCE-COOKS. Sure.

Mr. CARTER. Thank you. And I yield back, Mr. Chairman.

Ms. VANCE-COOKS. Thank you, sir.

Chairman CHAFFETZ. I thank the gentleman.

I now recognize the gentleman from North Carolina, Mr. Walker, for 5 minutes.

Mr. WALKER. Thank you Mr. Chairman. I apologize for my tardiness, coming from a markup from another committee hearing, but I did have a couple of things I wanted to address. First of all, let me thank you for the hospitality and all your staff there, Andy, Mike, Steve, and the guys, helping me understand a little bit of the process over there and what you guys are working on.

My question is, in your statement, and you may have covered this, but I wanted to make sure that I'm clear on it, you say Federal agencies approach GPO, asking your agency to do work for them. I think we talked about that a little bit yesterday. Are you saying that the GPO itself does not reach out to Federal agencies to sell, "their products and services GPO wants to produce?" Can you expound on that for a little bit?

Ms. VANCE-COOKS. Certainly. Two points. The first point is that we do not have a sales team. Everyone keeps saying that we have a sales team. We don't have one. That's number one.

I think people also should understand that the customers that we have for secure credentials are the same ones that we have for printing. They understand our function, they understand our capabilities, so they know that we can produce secure credentials.

Mr. WALKER. Okay. Do you have people who market your services in competition with the private sector companies?

Ms. VANCE-COOKS. No.

Mr. WALKER. You don't have salespeople, but would you say you have——

Ms. VANCE-COOKS. We do not have sales teams, we do not have marketers. We have people who can respond to inquiries if an agency contacts us. It is not unusual for an agency to contact us. And as you and I talked about yesterday when you visited, and thank you again for visiting us.

The question is not whether or not GPO can respond, the question is what makes an agency decide that they should come and talk to us about secure credentials, because as you and I talked yesterday, it takes a lot of effort, a lot of resources, and a lot of time for an agency to make a change in a commercial carrier that they currently have. Why do they go to that trouble? Is there a problem with the product quality? Is there a problem with the read rate? What is pushing them to talk to the GPO?

Because we have the consultant expertise, we can help them with that solution, but we do not tell them, you must come to us. But I have to say that in the 8 years that we have been producing secure credentials, not one of those clients has left us. We do very good work.

Mr. WALKER. Can you go a little deeper and maybe explain how you engage in these business development activities just for the record that we would understand how this breaks out, how it flows, and how you keep these for 8 years?

Ms. VANCE-COOKS. Well, let's say that a—let's start at the beginning. If an agency is having a problem with a carrier and let's say they're having a problem with the read rate, they currently do

business with us anyway through printing, they'll talk to us about it, they'll ask us, can you do better, and we'll ask them, what is it that you're looking for. Sometimes they'll even ask us for a prototype. We can produce a prototype. And if that prototype works, they now have further discussions with us.

There is constant conversation back and forth about their requirements, about their specifications, and we can provide it, but as I explained to you yesterday, the way in which we provide service to the client is by outsourcing all of that. I want to be clear that we're using the R&D and the innovation that the rest of the secure credential industry has, bringing it all together as an integrator into the GPO. And as you had said, Mr. Albers, we're an integrator, that's what we do.

Mr. WALKER. So final question. So basically you're making a case, and I don't want to put words in your mouth, that you compete on a level playing field with the private sector through the Federal requisition regulations, or FAR. Is that a fair statement, or would you like to expound on it?

Ms. VANCE-COOKS. The fair statement is that we competitively procure the products and services that we need from the private sector to build the best card that we can. It is competitive, it is a procurement, and it satisfies the stakeholders at a low rate, a very low price, because, again, we can only charge actual cost.

Mr. WALKER. Thank you, Ms. Vance-Cooks. I yield back.

Ms. VANCE-COOKS. Thank you, sir.

Chairman CHAFFETZ. Thank you. I appreciate that.

We'll now recognize the gentleman from Georgia, Mr. Hice, for 5 minutes.

Mr. HICE. Thank you, Mr. Chairman.

Mr. Albers, let me begin with you. In your opinion, how open and transparent would you say the requisition process is at GPO when it comes to these credential cards as it relates to FAR, which you have to abide by?

Mr. ALBERS. I would say the answer is not open and transparent at all. I mean, our personal experience is that we don't compete as a system integrator with GPO, we're not allowed to. The agency decides to go to GPO, that's fine, or they decide to go to the private sector. If they go to the private sector, typically they have an RFI, they have an RFP, they have industry days, we have an opportunity to bid on those programs, those contracts, we compete with one another, and that drives down the cost.

Mr. HICE. So you're saying once it goes to GPO, that private vendors no longer are allowed to compete at all?

Mr. ALBERS. Not as a system integrator. No.

Mr. HICE. Okay.

Mr. ALBERS. As the director said, GPO uses industry, including some of us, to supply them as a subcontractor.

Mr. HICE. And would you agree, too, that in that process, that if it goes to GPO as opposed to private vendors, the lack of innovation, competition, and a host of other factors go out the door as well?

Mr. ALBERS. Well, absolutely. I mean, we don't get an opportunity to compete with one another. So GPO, and I'm sure has the

best interest of the taxpayer at heart, but, you know, we're capitalists, so we have to get to where we need to be to be competitive.

Mr. HICE. Okay. Director, how did GPO end up producing the border crossing cards from the State Department, the requisition process?

Ms. VANCE-COOKS. The State Department expressed some concern about problems they were having with the card. And it goes back to my earlier statement. What causes an agency to come to us, to talk to us, about their card, because it's a lot of work, it's a lot of issues. And they asked us to make a prototype, and we did. That prototype works very well. And then they asked us to perform some other things, and that's how it started.

But let me just say something else. Mr. Albers talked about the lack of innovation. Because of the fact that the GPO procures, through a competitive process, all of the components, the service, the consultation, fabrication, materials to create the product, it means that we are leveraging the best of the best innovation and R&D throughout the industry.

Mr. HICE. Well, I would think that would be fair to say that that's your opinion, but other private vendors out there don't have that same opinion, because they're not allow to even be a part of the process.

How did you arrive at a card price for the BCCs?

Ms. VANCE-COOKS. There are four components to our price: labor, overhead, capital investment, and materials. And we are only allowed to charge those four components.

Mr. HICE. And what was the cost?

Ms. VANCE-COOKS. For the border crossing card, I think it's about 14—6.01 I'm sorry, it's 6.01.

Mr. HICE. Okay. Just out of curiosity, Ms. Carroll, Mr. Albers, did either of your groups have a price in mind? I mean, were you all able to go through the process and come up with a price that may have been different from GPO?

Mr. ALBERS. So actually before Kathleen answers, we did not have an opportunity. As you probably know under the FAR, there is something called a cure notice. So if there is an issue, you get an opportunity to cure, and we were not given that opportunity. So——

Mr. HICE. So you don't know what it would have cost you to produce the cards?

Mr. ALBERS. Oh, we know now. I mean, we continue to produce the border—excuse me, the passport card, and we just bid on the Green Card versus——

Mr. HICE. And what was the difference in your price and GPO's?

Ms. CARROLL. So we bid on the U.S. Green Card. That Green Card has significant enhancements and security features, it has two holograms, it has a window in it with stars, it has tons of security features, in addition to our read rates for the RFID is around 98 percent. Okay.

Mr. HICE. Compared to?

Ms. CARROLL. Compared to 80 to 90 percent. Okay. Now, do you know how much we charge for the Green Card? $2 and—$2 and 50 cents. Sorry.

Mr. ALBERS. We bid $2.99, by the way, so——

Ms. CARROLL. Yeah.

Mr. HICE. So——

Mr. ALBERS. I know this very well.

Mr. HICE. —more or less 65 percent savings——

Ms. CARROLL. Yes.

Mr. HICE. —per card?

Ms. CARROLL. Yes.

Mr. HICE. But you never had the opportunity to be part of the process?

Mr. ALBERS. That's the Green Card.

Ms. CARROLL. No. With a Green Card, we did. We won that one. We did that one.

Mr. HICE. Okay. But is it similar?

Ms. CARROLL. Same kind of card—or this one is better.

Mr. HICE. So the costs should be in the ballpark——

Ms. CARROLL. It should.

Mr. HICE. —of savings?

Ms. CARROLL. Yes.

Mr. HICE. Okay. And also with less problems?

Ms. CARROLL. Absolutely.

Mr. HICE. Okay. Director, I know the time's going away, but it's our understanding that there were some problems. What happens when a card is not reading properly? Is there the ability to rebuild a card, reissue it, or do they have to be destroyed if a card is not reading properly?

Ms. VANCE-COOKS. Well, if a card is not reading properly, then those cards are returned to us.

Mr. HICE. And what do you do with them?

Ms. VANCE-COOKS. And then we determine what the problem is. And in some cases, we would destroy them.

But let me go back to what they just said. I want to make sure——

Mr. HICE. No. We've gone through that——

Ms. VANCE-COOKS. Okay.

Mr. HICE. Do you have quality assurance——

Ms. VANCE-COOKS. Yes.

Mr. HICE. —before you send cards out?

Ms. VANCE-COOKS. Yes, sir.

Mr. HICE. Okay. And you all do, too? Difference between the quality assurance? I'm curious, and I know my time's expired, so however you want to handle it.

Chairman CHAFFETZ. If you could help us to get back to understand the process that you go through, I'd appreciate it. It would take some time, I'm sure, to explain it, so if you could provide that to us, that would be great.

Chairman CHAFFETZ. I now recognize the gentlewoman from Wyoming, Mrs. Lummis, for 5 minutes.

Mrs. LUMMIS. Thank you, Mr. Chairman. And I want to thank our panel for being here today.

My first question is for the inspector general. As a result of your audits, what problems have you found with GPO's contracting processes, and what do you recommend to improve them?

Mr. RAPONI. We've done quite a bit of work with contracting. One of the contracts that we did review was with the passport eCovers.

And as we went through that process to see if GPO followed its own practices, we found that there were several problems with that internally in terms of approval processes, having boards review things. We found problems with testing, inconsistency in, you know, determining what a test result meant.

We also found that there were problems with the roles and responsibilities. When the contracting process requires a board to review the proposals, we found that, you know, maybe one person was doing it as opposed to a board, in which we would have seen a board review it, we would have said, okay, because you had a lot of people having input into making a decision versus one person. We had allegations of steering of contract also, so we looked at that, and we didn't find a problem with that either.

Mrs. LUMMIS. Have the problems that you did identify been cured by the agency?

Mr. RAPONI. Acquisitions right now at GPO still has quite a few open recommendations.

Mrs. LUMMIS. And is there a procedure by which you follow up with the agency to close those open issues?

Mr. RAPONI. Yeah. Our procedure is, as we produce an audit report and management either agrees or disagrees with the recommendation, then that goes on our books in terms of open recommendations as being unresolved. And as management works through the process of corrective action, they would send us proof that they took corrective action, and then we would verify it and then we would close the recommendation.

Mrs. LUMMIS. Okay. So there are still areas of open recommendations, because the agency has not gotten back to you. Is that correct?

Mr. RAPONI. Yeah. Overall, GPO's very responsive to our recommendations. Their chief of staff heads it up. They monitor it closely, they put it into performance standards so that senior managers are held accountable for recommendations, talk about it frequently. They have very few open recommendations right now compared to other organizations, because they do actively manage it.

Mrs. LUMMIS. Okay. Thank you.

Director, I have a couple questions for you. And this is not my area of expertise. I've done requests for proposals as an agency head in State government, so I know the challenges. But I've never done them for secure cards, so I have some questions related to that. Where do the chips and component parts of the secure credentials come from, and how are they obtained?

Ms. VANCE-COOKS. Okay. The secure chips, the materials, the supplies, the fabrication, consultation, design, all of those components come from the private sector. And it depends entirely on what the specifications are for that particular agency.

Mrs. LUMMIS. Okay. Do some of those component parts come from locations abroad?

Ms. VANCE-COOKS. Most of them come from America. Because we are in the MMAR, we follow the Buy American Act.

Mrs. LUMMIS. Are there, though, some that come from abroad?

Ms. VANCE-COOKS. I would say there are probably some.

Mrs. LUMMIS. And how do you vet a foreign provider?

Ms. VANCE-COOKS. We have a supply—we have an intense audit process for our vendors, but, again, most of them are coming from the United States and they all go through the same audit process.

These vendors have to prove to us that they have the best technology and the best components that can be used in the credentials, and we follow them throughout the entire cycle as well. We also visit their factories, too, considerable onsite visits.

Mrs. LUMMIS. So tell me how you can be assured and assure us that components are not compromised?

Ms. VANCE-COOKS. Because of the audit process and the testing process. We also have a tight relationship with the Department of Homeland Security ICE program, whereby they test all of these products for us. They make sure that these technologies are exacting up to the standards and we have appropriate testing for them. And that's a great question. I'd love to respond to that in writing as well to give you some assurance.

Mrs. LUMMIS. I would love to see your response in writing.

Ms. VANCE-COOKS. Thank you.

Mrs. LUMMIS. Thank you, Mr. Chairman. I yield back.

Mr. CONNOLLY. Mr. Chairman, just a clarification.

It's perfectly fair to ask Ms. Vance-Cooks about foreign production and security of components. The private sector also uses foreign vendors——

Ms. VANCE-COOKS. Yes, they do.

Mr. CONNOLLY. —and the same question would apply to them.

Mrs. LUMMIS. Uh-huh.

Mr. CONNOLLY. Thank you.

Chairman CHAFFETZ. I now recognize the gentleman——

Mrs. LUMMIS. If my time hadn't expired, maybe I would have gone there.

Chairman CHAFFETZ. We'll now recognize the gentleman from Wisconsin for 5 minutes.

Mr. GROTHMAN. Yeah. I'll give another question to the director. You've got these global entry cards. Okay? And maybe I just don't understand this. It seems to me they're only—if I cross the border, I'd have a passport. Could you explain to me what the upside of these cards is or what their purpose is?

Ms. VANCE-COOKS. Well, we have the Nexus, the Sentry, and the Global Entry cards. I believe the Global Entry cards are for expedited movement through the system. The Nexus cards are for those people going to Canada, and the Sentry cards are for those people going to Mexico. And so the State Department has just identified—or excuse me—CBNP, that there are these different cards that you can use.

Mr. GROTHMAN. Okay. If I have a passport, I can't get to Mexico or Canada? Doesn't that trump everything?

Ms. VANCE-COOKS. Well, I think a passport trumps everything, yes. This is just for those particular people who might want to use that card.

Mr. GROTHMAN. Okay. And what is that, where they have a reader or something? You just——

Ms. VANCE-COOKS. There are readers for all of those cards, sir.

Mr. GROTHMAN. Okay. So in other words, if I have a passport, I might want a Global Entry card just because it means I can——

Ms. VANCE-COOKS. Well, I mean, you can go across the border and you can flash the card, it goes to the reader. I think Mr. Albers identified the fact that there's a secure identification code that hits the reader and you can just have expedited processing through. With a passport, though, as you know, you have to go right in front of the reader.

Mr. GROTHMAN. Okay. How many Global Entry cards a year do you guys produce?

Ms. VANCE-COOKS. I don't know the one, just the Global Entry, I just know that for the entire program up to this point, we've done about 5 million since inception. I can give you the specifics for each one for the record.

Mr. GROTHMAN. Okay. You have another card, a District of Columbia identification.

Ms. VANCE-COOKS. It's the DC One card.

Mr. GROTHMAN. Yeah. What's the purpose of that?

Ms. VANCE-COOKS. I believe it's just for the people to use to get on the bus.

Is that what it's used for?

Schools, buses.

Mr. GROTHMAN. How did you guys get involved in that?

Ms. VANCE-COOKS. They asked us if we would produce the card. And it only costs—it doesn't cost that much. It's a very low program card.

Mr. GROTHMAN. Okay. So you kind of contract yourself out to local units of government?

Ms. VANCE-COOKS. No. It's just that we are allowed to provide printing to the D.C. Government, but no other local government.

Mr. GROTHMAN. Okay. Now, there's a cost variance between the DHS trusted traveler program card——

Ms. VANCE-COOKS. Uh-huh.

Mr. GROTHMAN. —and the border crossing card. How—like, there's a more than two-to-one difference in price. How does that happen?

Ms. VANCE-COOKS. Well, it's happens because they're different cards for different processes. Now, remember, when you have those different cards, each agency is responsible for working with us to identify the specifications for that card, and we look at each component, and they might tell us they want holograms or they might want a different type of secure credential feature. And so one card may be more expensive than the other depending upon what the agency wants, and so what we can do is just give them the appropriate pricing for that. They make those decisions, we do not.

Mr. GROTHMAN. Okay. And just to digress, you said about 5 million?

Ms. VANCE-COOKS. Year to date with the trusted traveler cards, but you've asked me specifically for how many are in Global Entry——

Mr. GROTHMAN. Yes.

Ms. VANCE-COOKS. —and how many are Nexus. I have to go back and get that information for you and send it to you.

Mr. GROTHMAN. Total combined is 5 million?

Ms. VANCE-COOKS. Yes, sir.

Mr. GROTHMAN. This year so far alone?

Ms. VANCE-COOKS. Since 2008, it's 5 million.

He wants to know how many this year.

One and a half million this year.

Mr. GROTHMAN. Okay. And how long do these things last?

Ms. VANCE-COOKS. Ten years.

Mr. GROTHMAN. Okay. So you figure if we're already at one and a half million this year, maybe 2 million a year?

Ms. VANCE-COOKS. Maybe.

Mr. GROTHMAN. So in a period of 10 years, 20 million?

Ms. VANCE-COOKS. It might.

Mr. GROTHMAN. Okay.

Okay. Thanks. I yield the remainder of my time.

Chairman CHAFFETZ. If the gentleman will yield before he—let's go back to Global Entry. You've been a great witness, but I think you overstepped on the Global Entry.

Ms. VANCE-COOKS. I did.

Chairman CHAFFETZ. Global Entry is worthless. There's not a single thing that that card does. Now, if I'm wrong, tell me. Anybody on this panel knows what the Global Entry card, that is issued does, tell me. And there's not a single reader, because it doesn't do anything. Am I wrong on that?

The Global Entry program, but—it requires a passport, but when I got my Global Entry card, I tried to use it, and they just laughed, they just, like—I said, well, what's this for, and they said, well, nothing. It's sort of like my Wendy's, you know, get a free burger after you do ten trips, you know——

Ms. VANCE-COOKS. Okay.

Chairman CHAFFETZ. —get a frosty——

Ms. VANCE-COOKS. You're asking me——

Chairman CHAFFETZ. —but I don't even get a frosty, so——

Ms. VANCE-COOKS. All right. Well, I'm sorry you didn't get a frosty.

Chairman CHAFFETZ. Yes.

Ms. VANCE-COOKS. Okay. But you're asking me about the purpose of the card, which is, in fact, the agency's response. If you're asking me what does that card do and how good is it, we are responsible for producing the card according to the specifications that the agency has identified. That is what we do. Now, if you are concerned about what their use is or anything like that, I can't explain.

Chairman CHAFFETZ. Just a word of caution. Again, I think you've been an excellent witness, I've got more confidence in you and the agency based on your testimony today in general, but——

Ms. VANCE-COOKS. Okay.

Chairman CHAFFETZ. —there are no readers, it does nothing, it is a waste of time. And when you say that you're partners and fully integrated every step of the way, we're going to hold you partly accountable——

Ms. VANCE. Okay.

Chairman CHAFFETZ. —for producing a product that serves absolutely no purpose other than costs a lot of money.

Ms. VANCE-COOKS. And I will take that back to the agency. Thank you, sir.

Chairman CHAFFETZ. And believe me, we will continue to press them on that point.

Ms. VANCE-COOKS. Okay. All right.

Chairman CHAFFETZ. Does anybody else want to shed any light on the—I see some interest here. Ms. Carroll or Mr. Albers?

Mr. ALBERS. Well, you're right on the Global Entry card. You use your fingerprints when you come in. You don't need a card at all. In fact, I've lost mine. So it doesn't do any—but that's not the fault of the director, I've got to tell you. I think she's right about that.

Chairman CHAFFETZ. Yeah. There's no photo ID on it, there's no biometrics, you can't use it at TSA. I really struggle to understand. And I guess that's part of what we're looking for, for GPO——

Ms. VANCE-COOKS. Right.

Chairman CHAFFETZ. —if you are partners, is to understand——

Ms. VANCE-COOKS. Right.

Chairman CHAFFETZ. —why in the world do we do this card? But the primary responsibility, you're right, is with those that are issuing—or doing the program, but I just wanted to clarify that.

I will now recognize—thank you for the time. We'll now recognize the gentleman from Alabama, Mr. Palmer, for 5 minutes.

Mr. PALMER. Thank you, Mr. Chairman.

This year's Black Hat convention featured a $10 device called BLE key that purports to circumvent the RFD cards by exploiting vulnerabilities in the beacon communication protocol. Once the vulnerability is exposed, the individual can clone the RFID-equipped cards, and according to its researchers, it can be installed in less than 2 minutes. And this is a question to you, Ms. Vance-Cooks. Are you aware of this?

Ms. VANCE-COOKS. Am I aware of the Black Hat?

Mr. PALMER. Are you aware that there's a group out there that claims that they can clone RFID cards and they can be installed in less than 2 minutes?

Ms. VANCE-COOKS. I'm not aware of that particular one, but I'm aware of a move underfoot by so many different organizations trying to clone different components of the card, yes. I can assure you I know in terms of the passport, I'd heard something about that, none of our cards, and we produced 100 million e-passports, none of those have been compromised.

Mr. PALMER. How about you, Ms. Carroll?

Ms. CARROLL. Yes. HID Global is fully aware of that. We actually attend those conferences because we need to understand exactly what the—you know, the Black Hat folks are—you know, maybe they're good guys, but the bad guys are paying attention and they're learning from these kinds of things as well.

And so HID Global and companies like Morpho, too, we invest millions and millions of dollars every year in R&D to stay ahead of the bad guys. Our U.S. Green Card, we have been making it since 1998, it has never been successfully compromised.

Mr. PALMER. I'm glad that you're aware of it and I hope that GPO will get up to speed on this. And I'd like to know what is being done to install safeguards against RFID cloning. I think it ought to be a top priority.

Mr. ALBERS. If I could, Congressman.

Mr. PALMER. Yes.

Mr. ALBERS. I think Ms. Carroll's point is well taken, that we don't just take orders. Okay. We stay ahead of the curve. And I'm talking about industry, not just MorphoTrust. So we are aware of those. We're aware of the defrauders. I mean, when cards were coming from China, we bought them, and we tried to figure out what they're doing, and we put that company out of business; we, all of us.

So, you know, there is a reason to keep industry in the game as much as you can, because we're following those trends. It's all well and good that an agency can go to another government agency and buy a product from an organization that doesn't charge a profit, but we build that into everything that we make. Every new card, every new biometric, every new software or hardware product that we make, we're looking at the trends of the industry and we're trying to stay ahead of them.

Ms. VANCE-COOKS. May I interject?

Mr. PALMER. Yes.

Ms. VANCE-COOKS. Okay. I have just been advised and I want to make sure for the record that we do send people to Black Hat as well.

Mr. PALMER. Okay.

Ms. VANCE-COOKS. So I want to characterize that for the committee. And secondly, I don't think that people should walk away believing that we just take orders. That's not the GPO. The GPO works closely with agencies. We want to serve the agencies, and we do that by working with them to make sure that they have the best product possible available in the marketplace.

Mr. PALMER. My point in this is to make sure that GPO is aware that there are groups out there——

Ms. VANCE-COOKS. Yes.

Mr. PALMER. —that can clone these cards, and that you're taking necessary safeguards to make sure that doesn't happen.

Ms. VANCE-COOKS. You're correct, sir. And I should have answered it correctly. We do send people to Black Hat. They are aware of it.

Mr. PALMER. Thank you very much for——

Ms. VANCE-COOKS. Thank you for letting me clarify that.

Mr. PALMER. —making that clarification.

One last question, and that is, Ms. Vance-Cooks, that you conducted an audit in which a component of the passport eCover failed a specific test, and according to the audit report, the eCover failed the read time test for several sampled products. The solicitation stated that if a product was given a fail at any point, the proposal would be deemed technically unacceptable and would not receive further consideration, yet the products were determined to be technically acceptable with no documented explanation. Can you explain this discrepancy?

Ms. VANCE-COOKS. Sure. In fact, the IG report is very good in detailing that. Couple of points. Number one, the bidder in question submitted a very, very good product—not a very good product, very good price, but unfortunately that product did not work, and according to the specifications, we had to fail that product, and therefore, their product—the vendor was not part of it.

We did not adequately document the part about the read rates, and that is what the IG has referred to, that we need to do a better job documenting what is critical and what is not. And believe me, we appreciate what he wrote, and we have made a lot of changes in our acquisitions to make sure that the next ones are very tightly controlled in terms of what works, what doesn't work, and what happens. It was a learning lesson for us. It would not have changed the decision, but we do need to make sure that we tighten our documentation.

Mr. PALMER. My time has expired. I do appreciate your answers, though. Thank you very much.

Ms. VANCE-COOKS. Thank you.

Chairman CHAFFETZ. I now recognize the gentleman from Virginia, Mr. Connolly.

Mr. CONNOLLY. I just want to say, Mr. Chairman, rarely in the history of Congress is there a hearing that exhaustively, comprehensively addresses one discrete issue. I think we've done that here today. But it has raised some very interesting questions, and I certainly look forward to working with you on reexamining Title 44 to make sure that we're not doing unwittingly harm to the ability of industry to compete, and that we still allow room for choice for Federal agencies with respect to GPO. Thank you, Mr. Chairman.

Chairman CHAFFETZ. I thank the gentleman.

One last question for the inspector general. You've looked at this, you've issued, I think you said, ten reports. What's your biggest concern?

Mr. RAPONI. The biggest concern when I start looking at all of this is there's a couple things. The acquisition process. The acquisition process is flawed right now. And I know GPO is working diligently to make corrective actions.

And then secondly, when I look at the technology associated with it, I see that there is no inter-coordination within the GPO in terms of, like, leveraging the expertise from the CIO shop. And I think that—I had spoke with the CIO yesterday, and he's working on a more collaborative, more involvement in the IT and the security aspect of the secure credentials and the eCovers.

Chairman CHAFFETZ. We want to thank, not only you as the inspector general, but all the people that work in these various IG offices. We have a lot of good men and women who spend a lot of time, months, sometimes years working on these issues. It's imperative that we on both sides of the aisle get that information.

We would ask to you also keenly look at this concern that we have about how Title 44 is interpreted. Part of the reason we held this hearing is we do anticipate potentially rewriting that statute, and as we do so, I want to make sure we get the maximum input and any flaws or things that we might see there.

I do appreciate, Director, the candid discussion we've had, it's an important part of the process, and appreciate the good work that so many of the men and women who work down there, and they do a critical, important thing. They've got to produce a great product at the end of the day. I do think your comments will go a long way to making sure that these agencies know that they do have a choice.

And to Mr. Albers and Ms. Carroll, we appreciate the good work you've done, you've got a lot of good employees and people who are doing important work. The millions of dollars that is spent on research and development cannot be dismissed. Those are real costs, costs that a GPO, for instance, wouldn't go through, but also provides the next wave of technology that can make sure that we have the most secure documentation we can possibly have.

So, again, I appreciate the productive hearing. I appreciate you all being here with us today.

The committee now stands adjourned.

[Whereupon, at 11:42 a.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

March 10, 2015

The Honorable Charles E. Schumer
Chairman
Joint Committee on Printing
United States Senate

The Honorable Shelley Moore Capito
Chairman
The Honorable Brian Schatz
Ranking Member
Subcommittee on Appropriations, Legislative Branch
Committee on Appropriations
United States Senate

The Honorable Tom Graves
Chairman
The Honorable Debbie Wasserman Schultz
Ranking Member
Subcommittee on Appropriations, Legislative Branch
Committee on Appropriations
House of Representatives

Government Publishing Office: Production of Secure Credentials for the Department of State and U.S. Customs and Border Protection

Federal secure credentials include a variety of documents such as personal identification (ID) cards that contain enhanced security features to prevent counterfeiting or other illicit tampering. Such credentials may also have a memory chip with radio frequency identification (RFID) that can store and transmit information to an external card reader. The Government Publishing Office (GPO), formerly the Government Printing Office,[1] an agency within the legislative branch, is the federal government's primary centralized resource for gathering, cataloging, producing, providing, authenticating, and preserving published U.S. government information in all its forms.[2] As such, GPO produces and distributes information products and services for all three branches of the federal government. In response to increasing demand by federal agencies for secure credentials that incorporate smart card technology,[3] GPO requested, and the Joint

[1]Pursuant to the Consolidated and Further Continuing Appropriations Act, 2015, the Government Printing Office has been redesignated the Government Publishing Office and the title of Public Printer has been changed to Director of the Government Publishing Office. See Pub. L. No. 113-235, Div. H, § 1301, 128 Stat. 2130 (2014).

[2]See 44 U.S.C. § 501 (providing, in general and with some exception, that "[a]ll printing, binding, and blank-book work for Congress, the Executive Office, the Judiciary, other than the Supreme Court of the United States, and every executive department, independent office and establishment of the Government, shall be done at [GPO]"); § 501 note (providing, among other things, a prohibition on the use of appropriated funds for the procurement of any printing related to the production of government publications unless by or through GPO).

[3]According to the Smart Card Alliance, an association that works to stimulate the understanding and use of smart cards, a smart card is a device that includes an embedded integrated circuit chip that can be either a secure microcontroller or equivalent intelligence with internal memory or a memory chip alone. The card connects to a reader

Committee on Printing approved, authority in December 2007 to build, equip, and staff a facility to design and produce secure card credentials (secure credentials) for federal agencies and entities.[4] GPO subsequently began production of secure credentials in fiscal year 2009 for enrollees of the Department of Homeland Security's (DHS) U.S. Customs and Border Protection (CBP) trusted traveler programs (TTP) as well as for Puerto Rican beneficiaries of the Department of Health and Human Services' Medicare program.[5] Since then, GPO has produced over 5 million secure credentials across 14 different secure card credential product lines.[6] One of these product lines is the Border Crossing Card (BCC), which GPO began producing for the Department of State (State) in 2014.

You asked us to review the activities and processes related to GPO's production of secure credentials. In addition, Senate Report 113-196, which accompanies the fiscal year 2015 legislative branch appropriations bill, mandates GAO to review GPO's secure credentialing production activities.[7] This report addresses the following questions:

(1) What factors did State and CBP consider in selecting GPO to obtain their secure credentials?

(2) How does GPO produce and ensure the quality of its secure credentials?

To determine what factors State and CBP considered in selecting GPO to obtain secure credentials, we reviewed applicable sections of Title 44 of the U.S. Code, the authority under which GPO produces secure credentials, and the Federal Acquisition Regulation (FAR) to

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with direct physical contact or with a remote contactless radio frequency interface. With an embedded microcontroller, smart cards have the unique ability to store large amounts of data, carry out their own on-card functions (e.g., encryption and mutual authentication), and interact intelligently with a smart card reader.

[4]The Joint Committee on Printing, which is composed of the chairman and four members of the Committee on Rules and Administration of the Senate and the chairman and four members of the Committee on House Administration of the House of Representatives, and for which chairmanship alternates between the Senate and House of Representatives with each Congress, oversees the operation of GPO. See 44 U.S.C. § 101; § 101 note. According to GPO officials, GPO must receive authorization from the Joint Committee in writing before making expenditures, not otherwise approved, that exceed $50,000, and submits an annual spending plan each year for the approval by the Joint Committee of these expenditures. See 44 U.S.C. § 309 (establishing the authority under which GPO funds operations, maintenance, and other activities). The Joint Committee must also approve any subsequent expenditure over $50,000. Since 2007, every annual spending plan by GPO has included expenditures for the production of secure credentials and has been approved by the Joint Committee.

[5]CBP's trusted traveler programs are designed to allow for expedited cross-border travel for preapproved, low-risk travelers and cargo. CBP has four trusted traveler programs. They are predicated on the vetting of travelers and eligible commercial carriers who have voluntarily applied for membership, paid a fee, and provided personal data to CBP. Travelers and commercial carriers who are granted trusted traveler status are considered lower risk than other travelers because of the vetting CBP conducts both when the travelers apply for program participation and after they become members. While TTP cards contain a memory chip and RFID to store and transmit information to external readers; they are not considered smart cards, as they do not have a processor to manipulate the information on the card.

[6]Since 1926, GPO has also been the sole producer of blank passport books for the Department of State. Recent versions of the passport include components such as embedded microchips or other security features that are similar to those used in other secure credentials such as smart cards. We did not include passports in our scope because of differences in the overall design and manufacture of passport books as compared with the design and manufacture of secure card credentials.

[7]See S. Rep. No. 113-196, at 44 (June 19, 2014) (accompanying H.R. 4487, 113th Cong. (2d Sess. 2014), which was enacted as Division H of Public Law 113-235).

understand and describe the authorities associated with federal agencies and entities obtaining printing services from GPO and interviewed GPO officials involved in the management and oversight of the production of secure credentials. We focused our review on the production of two GPO secure credential product lines—BCCs for State and TTP cards for CBP.[8] For both product lines, we reviewed documents provided by GPO, State, and CBP, such as requirements and agreements for card production, requisition forms, and sourcing information. We also interviewed State and CBP officials responsible for the procurement of secure credentials about the processes used and factors considered in selecting GPO to produce the credentials. For the BCC, we obtained and reviewed information from State related to its procurement and analysis of costs for obtaining BCCs. We obtained and reviewed data from CBP on the observed RFID-enabled document performance (read rates) at ports of entry.[9] To assess the reliability of read rate data, we reviewed documentation on the collection and reporting of read rate data at ports of entry and interviewed CBP officials about their policies and procedures for collecting and tracking read rates. We determined that these data were sufficiently reliable for the purposes of reporting RFID-enabled travel document read rates at ports of entry. To obtain the perspectives of industry stakeholders on current federal practices to procure secure credentials, we interviewed officials from the Smart Card Alliance—an association representing a variety of industry suppliers, integrators, and end user organizations, including GPO—and MorphoTrust, a private contractor involved in the production of secure credentials for federal agencies and producer of the previous version of the BCC for State.

To determine how GPO produces secure credentials, we reviewed applicable provisions of the Materials Management Acquisition Regulation (MMAR) and BCC and TTP card production guides, and interviewed GPO officials about their production processes.[10] To determine how GPO ensures the quality of its secure credentials, we reviewed BCC and TTP card production requirements and performance studies conducted by GPO, CBP, and State. In addition, we interviewed CBP, State, and GPO officials about the performance of BCCs and TTP cards and the quality control procedures used in card production and issuance. In addition to reviewing data from CBP on read rates at ports of entry, we reviewed the tests of durability and functionality conducted by GPO and others. Finally, we interviewed officials with U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations Forensic Laboratory (HSI-FL) and CBP's Fraudulent Document Analysis Unit about their analyses of GPO's TTP and BCC cards, including the extent to which the cards are resistant to counterfeiting or other types of tampering.

We conducted this performance audit from August 2014 to March 2015 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

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[8]The BCC and TTP cards represent the two highest-volume secure credential product lines produced by GPO since it started production of secure credentials in fiscal year 2009. Collectively, the two product lines represent almost 75 percent of the total number of secure credentials produced by GPO.

[9]Ports of entry are the facilities and locations that provide for the controlled entry into or departure from the United States for persons and materials. Specifically, a port of entry is any officially designated location (seaport, airport, or land border location) where DHS officers or employees are assigned to clear passengers and merchandise, collect duties, and enforce customs laws. A single land port of entry may be composed of one or more crossings.

[10]The Materials Management Acquisition Regulation provides the policies and procedures GPO follows to conduct its procurements and, similar to the Federal Acquisition Regulation (FAR), promotes the use of competitive procedures to meet in awarding contracts. GPO Publication 805.33 (May 15, 2003).

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

State and CBP considered a variety of factors in selecting GPO to obtain their secure credentials. Specifically, State and CBP officials concluded after consideration of factors such as interagency coordination and collaboration and pricing, among others, that GPO was best able to meet their production needs. State officials also noted other factors led them to choose GPO, such as GPO's experience producing high-performing TTP secure credential cards, GPO's backup production facilities, and the relationship State already had with GPO for the production of passport books. For CBP officials, other factors that contributed to their choosing GPO included GPO's experience producing passport books for State and its secure supply chain. Pursuant to Title 44, federal agencies obtain products and services, such as secure credential production, from GPO by submitting a Standard Form One (SF-1)—Printing and Binding Requisition to the Public Printer of the United States (i.e., a requisition). In the cases of the BCC and TTP cards State and CBP also signed memorandums of understanding with GPO to establish the production requirements for the secure credentials. Production of the credentials is initiated through the submission of a requisition by State and CBP to GPO when needed.

GPO produces secure credentials by integrating and assembling materials and components procured from the private sector and uses a variety of processes, both internal and external, to test and ensure the quality of its secure credentials. According to GPO officials, GPO procures from private sector entities all of the raw materials and components used to construct secure credentials, such as polymers, inks, and RFID chips. After GPO procures the various components from the private sector, its production of the credentials is a multistep process involving secure printing, assembly, validation, personalization or serialization, and delivery of the credentials. To ensure the quality of the secure credentials, GPO carries out a variety of quality control checks and processes, voluntarily complies with international standards for manufacturing quality, and conducts testing of prototype cards. Externally, GPO also works with State and DHS on an ongoing basis to monitor the performance of issued credentials, contracts with private sector laboratories to test prototype cards, and has sought feedback from a DHS lab on the extent to which the credentials are resistant to fraudulent use.

Background

GPO produces secure credentials in accordance with its mandate under Title 44 of the U.S. Code to fulfill the printing needs of the federal government. According to GPO officials, the production of secure credentials includes a variety of products and services involving the processes of composition, presswork, and binding, which fall within the statutory definition of printing.[11] As the production of secure credentials involves printing processes, GPO officials stated that GPO is authorized to produce secure credentials when requested by a federal agency and will do so upon the submission of an SF-1 certifying that the products requested are authorized by law, necessary to the public business, and backed by the necessary funding.[12]

[11]As defined in statute, the term "printing" includes the processes of composition, platemaking, presswork, duplicating, silk screen processes, binding, microform, and the end items of such processes. See 44 U.S.C. § 501 note. For example, according to GPO officials, the presswork used in the production of the credentials' printed layers is done by press craftsmen using a variety of existing printing presses, and the finishing steps are performed by bindery craftsmen and are similar to the activities found with bookmaking.

[12]See 44 U.S.C. § 1102.

GPO officials also stated that while it is presently capable of fulfilling all the requisitions it receives for the production of secure credentials, it does not have the capacity to meet the entirety of the federal government's demand for secure credentials, either through direct production in its facilities or by contracting with outside entities to fulfill a requisition.[13] In recognition of its resource constraints and consistent with Title 44, GPO officials explained that GPO endeavors to produce secure credentials for those federal government entities that request such services.[14]

According to GPO officials, GPO does not actively compete with other producers or suppliers of secure credentials through agency procurement processes, such as by responding to requests for proposals. Rather, GPO responds to agencies that specifically request more information about GPO services and products or that submit a requisition for services or products.[15] GPO officials noted that because of recognized constraints on its production capacity as well as on its ability to effectively manage its procurement processes, GPO does not respond to or otherwise engage any agency with requests for proposal to obtain secure credentials and generally does not respond to requests for information. The officials noted that GPO will, however, respond to requests for information submitted by an agency directly to GPO. GPO officials further explained that while they do not actively solicit business for secure credential production, they are transparent as to having this capability and have publicly acknowledged their role in supplying the federal government with secure credentials through its website and congressional testimonies, among other means.

According to GPO officials, GPO's Security and Intelligent Documents Division (SID), which is responsible for producing secure credentials, is one of eight revenue business units within GPO and represents about 32 percent of GPO's consolidated revenues. Specifically, passport revenue accounts for 28 percent of GPO's revenues, and 4 percent is derived from secure credentials. Within SID, there are 21 managers, 160 production and design staff, plus 1 staff member responsible for coordinating federal agency inquiries into GPO's production capabilities for potential secure credential work.

The secure credential formats of the BCCs and TTP cards were developed by State and CBP, respectively, as part of the Western Hemisphere Travel Initiative (WHTI), a joint State and DHS plan to implement the statutory mandates of the Intelligence Reform and Terrorism Prevention

[13]If GPO is not able or equipped to fulfill a requisition in its printing facilities, it may enter into contracts to fulfill the requisition. See 44 U.S.C. § 502.

[14]See 44 U.S.C. § 504; see also FAR, 48 C.F.R. § 8.802 (describing the circumstances pursuant to which an agency must use GPO for its government printing needs). There remains a long-standing dispute between the executive branch and Congress as to whether federal agencies may utilize an entity other than GPO to fulfill their printing needs without regard for the requirements of Title 44. GAO has, on numerous occasions, concluded that federal agencies must follow the requirements set forth in Title 44 in order to properly obligate and expend their appropriated funds for printing services. See, e.g., B-300192 (Nov. 13, 2002) (concluding, pursuant to 44 U.S.C. § 501 and § 501 note, that no appropriated funds may be used to pay for the printing of the President's Budget other than through GPO). For the examples relied upon in this review, both State and CBP have submitted requisitions to GPO for the production of BCCs and TTP cards respectively, and as such, there is no present controversy regarding the agencies' decisions as to where they are obtaining these secure credentials.

[15]According to GPO officials, GPO has one person dedicated to responding to inquiries from other federal agencies about obtaining secure credentials from GPO and does not initiate contacts with other federal agencies to solicit work.

Act of 2004 (IRTPA).[16] The goal of WHTI is to facilitate entry for U.S. citizens and foreign visitors while strengthening U.S. border security by providing standardized documentation that enables CBP to quickly and reliably identify a traveler. WHTI-compliant documents include valid U.S. passports, passport cards, TTP cards, and BCCs, among others. A variety of WHTI-compliant documents, including TTP cards and BCCs, employ RFID technology to facilitate the inspection process by CBP officers at ports of entry. A unique number is embedded in an RFID chip within the travel document, which can be read wirelessly by an RFID reader at a port of entry. The RFID system automatically looks up a traveler's information from CBP's system for conducting border inspections to assist the CBP officer in the authentication of the identity of the traveler and to facilitate the land border primary inspection process.

The BCC is a combined B-1 and B-2 nonimmigrant visitor's visa issued by State that allows admission for citizens and residents of Mexico who want to enter the United States temporarily for business (visa category B-1) or tourism, pleasure, or visiting (visa category B-2).[17] TTP cards are issued by CBP for each of the four programs that are used in a process of expediting the travel of low-risk passengers and screened shipments across the border.[18] These programs include the following:

- *Secure Electronic Network for Travelers Rapid Inspection (SENTRI)* provides expedited processing for preapproved, low-risk travelers at southern ports of entry by CBP and access to dedicated processing lanes into the United States.

- *NEXUS,* a binational TTP operated jointly by the United States and Canada, allows prescreened travelers (citizens or legal permanent residents of the United States or Canada) expedited processing by U.S. and Canadian officials in air, land, or sea environments or at preclearance locations.[19]

- *Global Entry* allows expedited clearance for preapproved, low-risk travelers upon arrival in the United States. Participants (including eligible U.S. citizens; lawful permanent U.S. residents; and eligible citizens of the Netherlands, Germany, Qatar, South Korea, and the United Kingdom, as well as Mexican nationals) may enter the United States by utilizing automated kiosks located at select airports.[20]

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[16]See Intelligence Reform and Terrorism Prevention Act of 2004, Pub. L. No. 108-458, § 7209, 118. Stat. 3638, 3823, as amended; 8 U.S.C. § 1185 note.

[17]The BCC is valid for up to 10 years. Mexican nationals entering the United States using a BCC may travel within 25 miles of the U.S. border (55 miles if entering through New Mexico and 75 miles if entering through certain ports of entry in Arizona) for a period not to exceed 30 days.

[18]TTP cards are valid for 5 years.

[19]Through preclearance, the same immigration, customs, and agriculture inspections of international air passengers performed on arrival in the United States can be completed before departure at foreign airports instead. Currently, preclearance operations take place at 16 foreign airports in six countries. CBP also staffs a facility for passenger/vehicle ferry traffic to the United States in Victoria, Canada.

[20]Global Entry cards are issued to U.S. citizens, U.S. lawful permanent residents, and Mexican national Global Entry members (not already enrolled in SENTRI or NEXUS) for use at the NEXUS and SENTRI lanes when entering the United States.

- *Free and Secure Trade (FAST)* allows expedited processing for eligible commercial carriers who have completed background checks and fulfill certain eligibility requirements.

In addition to producing BCCs for State and TTP cards for CBP, GPO produces a variety of secure credentials for federal agencies, such as Homeland Security Presidential Directive 12 (HSPD-12)--compliant cards for DHS, driver's licenses for foreign diplomats in the United States, identification cards for United States diplomats, and the Transportation Worker Identification Credential, among other credentials.[21]

State and CBP Considered a Variety of Factors in Selecting GPO to Obtain Secure Credentials

According to State officials, State selected GPO in June 2013 for the production of BCCs after consideration of a variety of factors. BCC production was sourced to GPO after an internal State review determined that GPO was best able to meet State's requirements for the production of BCCs. For example, State concluded that GPO offered a superior credential overall and provided the best option for producing the credential relative to other alternatives. State reached this conclusion based on consideration of a variety of cost and noncost factors associated with GPO's production capabilities and experience. These factors included the following:

- *Experience producing WHTI-compliant credentials*: State officials stated that they considered GPO's experience producing high-performing WHTI-compliant TTP cards for CBP when deciding to source BCC production to GPO. Specifically, State officials noted that the RFID performance of GPO-produced TTP cards at ports of entry, as measured by their read rates, was generally better than that of other RFID-enabled travel documents used at ports of entry.[22] According to State officials, the performance of GPO-produced TTP cards was favorably viewed as an indication of GPO's ability to produce high-quality credentials.

- *Previous relationship for production of travel documents*: State officials stated they also considered their own favorable experience working with GPO for the production of blank passport books as a factor when deciding to source BCC production to GPO.

- *Interagency collaboration and coordination:* State officials noted that interagency coordination and collaboration work well with GPO, as GPO is itself a federal government agency. The officials stated that this proved to be beneficial during efforts to update the BCC, as State was able to directly involve other government agencies in the

[21]In an effort to increase the security of federal facilities and information systems where there is potential for terrorist attacks, the President issued HSPD-12 in August 2004 and directed the establishment of a mandatory, government-wide standard for secure and reliable forms of identification for federal government employees and contractor personnel who access government-controlled facilities and information systems.

[22]"Read rates" indicate the percentage of RFID credentials that successfully transmit the information encoded in them to an external reader system. Consequently, a higher read rate indicates higher performance. According to CBP officials, RFID performance at the entrance of vehicle lanes, or "pre-primary zone" (PPZ), aids CBP officers during the primary inspection process by automating the retrieval of a traveler's information. CBP officials stated that RFID performance in the PPZ expedites the inspection process, including lanes dedicated to specific trusted traveler programs (such as NEXUS and SENTRI), which are dedicated travel lanes at CBP's land ports of entry for travelers holding RFID-enabled documents. See enc. I for more information about read rates and CBP's RFID system.

update process, such as CBP and U.S. Immigration and Customs Enforcement's HSI-FL.

- *Redundant GPO production facilities*: State officials stated that the existence of backup and redundant GPO production facilities that could be used in the event of unexpected disruptions of the main production line was another favorable factor leading to GPO's selection.

- *Pricing*: State officials stated that they considered pricing as another factor when deciding to source the production of BCCs to GPO. Relative to the price per card for obtaining BCC under their previous procurement arrangement with a private sector contractor, State officials said that GPO offered a lower price per card. According to State's analysis, procurement of BCCs from GPO could result in a potential cost saving to State of over $1 million during the first year of GPO production based on State's annual volume of need.[23]

According to CBP officials, they selected GPO for the production of TTP cards after consideration of a variety of factors. In implementing WHTI, CBP determined it needed to upgrade its existing TTP cards, which were initially produced internally by CBP, to improve security features and enhance their functionality to include RFID chips. Starting in fiscal year 2009, CBP sourced TTP card production to GPO after conducting an internal review that determined GPO was best able to meet CBP's requirements for card production. In support of CBP's selection of GPO, CBP officials cited the following factors related to GPO's capabilities and experience:

- *Experience producing travel documents*: CBP officials stated they considered GPO's experience producing passport books for State when deciding to source TTP card production to GPO.

- *Secure supply chain*: According to CBP officials, the fact that GPO already had a secure supply chain and processes in place to produce and distribute secure credentials was a favorable factor in selecting GPO. For example, CBP officials cited the steps GPO takes to ensure the security of its supply and production chains such as conducting routine security audits of its suppliers to validate their security practices and ensuring that GPO employees have the necessary security clearances.

- *Interagency collaboration and coordination*: CBP officials stated that because GPO is a government entity, the interagency collaboration and coordination involved in the development and oversight processes for TTP card production were simpler than collaboration and coordination with outside vendors.

- *Pricing*: CBP officials stated that the pricing offered by GPO for TTP card production was favorable compared to the option of upgrading their existing in-house production capabilities or sourcing production to a private sector entity; however, CBP officials stated that they did not formally solicit bids or information in support of that determination.

[23]The estimate does not include imputed or indirect costs to the federal government.

After selecting GPO to produce their secure credentials, State and CBP formalized their selections by submitting requisitions to GPO for the secure credentials. State and CBP also signed memorandums of understanding (MOU) with GPO to supplement their requisitions and lay out the obligations and protocols to be followed by both parties in carrying out the production and shipment of BCC stock and TTP cards, respectively. State and CBP submit requisitions as needed to request additional card stock.

GPO Produced Secure Credentials for State and CBP Using Materials Procured from the Private Sector and Ensures the Quality of Its Secure Credentials through a Variety of Processes

GPO collaborated with CBP and State in the design of their secure credentials for the TTP and BCC cards. According to GPO officials, the organization or agency purchasing the secure credential has final sign-off on its design, performance characteristics, security features, and durability and quality standards. GPO serves as the expert designer, adviser and consultant, integrator, printer and manufacturer, supply chain and inventory manager, and quality and fulfillment provider. For example, GPO worked in coordination with CBP to produce a card design for the TTP cards that would incorporate the desired security features. Although GPO took the lead in the design of the cards, such as the artwork and card construction, CBP officials described the process as very collaborative as GPO worked closely with CBP to ensure that CBP's requirements were met. For the BCC, although the card had been in circulation for several years, State wanted to update it to ensure it included the latest in security features. To update the BCC, GPO collaborated with State's Visa Office. CBP's Office of Information and Technology and ICE's HSI-FL were also involved and consulted during the redesign of the BCC, providing feedback on ways to improve the functionality of the card's RFID chip at ports of entry (POE) and enhance other security features to discourage its fraudulent use.

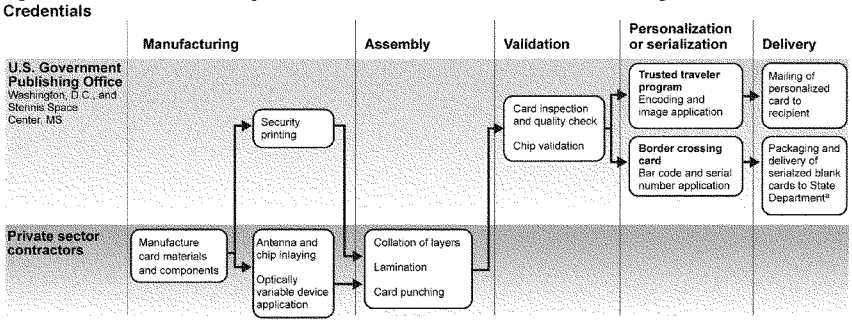
GPO officials said they also consult with a variety of external stakeholders and entities to test and evaluate the performance, durability, and security of its secure credentials. For example, CBP has tested the TTP cards in an environment that replicates processing lanes at POEs. According to CBP officials, CBP has also tested BCCs for RFID sensitivity and has conducted additional tests such as visual inspection, check digit computation, and RFID tag analysis, among others. In addition to tests by CBP, GPO has also had a variety of tests and evaluations of the performance and durability of its secure credentials independently conducted by outside private laboratories that specialize in testing secure credentials. For example, using contracted laboratories and in its internal laboratory, GPO conducted tests of prototype cards for durability when exposed to various stressors such as ultraviolet light, physical bending, and chemicals to simulate use and the environment the cards will be used in. Finally, ICE's HSI-FL is currently evaluating the security of the BCC for its potential to be counterfeited or altered. Findings from this analysis may help to identify if any potential vulnerabilities may exist with the current design of the BCC and identify enhancements for future cards.

Once the secure credentials are designed, GPO's process to produce the credentials involves a number of steps and utilizes materials and components obtained from the private sector. According to GPO officials, all of the materials and components, such as polymers, inks, RFID chips, holograms, and other proprietary security features GPO uses in its production of secure credentials, are sourced from private sector entities in accordance with GPO's MMAR.[24]

[24]The MMAR, like the FAR, prescribes policies and procedures to promote full and open competition in the acquisition process. See MMAR, subpt. 6.1. Also like the FAR, the MMAR prescribes the policies and procedures that must be followed when full and open competition is not feasible, such as when only one source of a supply is

Accordingly, GPO's role in the manufacturing process is that of a printer and card integrator of the various materials and components into a single card product.[25] In addition to procuring the materials and components from private sector entities, GPO also contracts with private sector entities to assist in the production of BCCs and TTP cards, such as the application of RFID chips and binding of plastic material (see fig. 1). GPO carries out the final steps of manufacturing BCC and TTP cards at its Washington, D.C., headquarters and has an additional production facility at the Stennis Space Center, in Mississippi.

Figure 1: Government Publishing Office Production Process for Trusted Traveler Program and BCC Secure Credentials



Source: GAO analysis of U.S. Government Publishing Office information. | GAO-15-326R

[a]The State Department personalizes its Border Crossing Cards (BCC) as a separate process that does not involve GPO.

To ensure the quality of the secure credentials it produces, GPO carries out a variety of internal and external quality control processes and activities. According to GPO officials, these quality control measures include the following:

- *Inspection of card materials and components:* Bulk raw material and component shipments received from private sector suppliers undergo quality inspection and testing by GPO's in-house testing lab before being used in production.
- *Visual inspections and camera scans of finished cards:* All TTP cards and BCCs are visually inspected during the production process to look for flaws. Automated cameras scan TTP cards and BCCs for defects prior to shipment to the end user or to State.
- *Adoption of international manufacturing standards:* GPO voluntarily adopted quality standards established by the International Organization for Standardization (ISO) for its secure credential production processes to ensure that GPO processes meet

available (i.e., sole source). See MMAR, subpt. 6.3. GPO officials explained that, consistent with the MMAR, GPO's policy is to promote and provide for full and open competition in soliciting offers and awarding contracts. See MMAR, §6.101. GPO officials explained that when circumstances require that GPO utilize means other than full and open competition, such as through the use of sole source contracts to procure materials, such as inks, that are available only from a limited number of sources, they provide the requisite justifications and act in accordance with applicable provisions of MMAR subpart 6.3.

[25]According to data provided by GPO, the materials and components procured by GPO from private sector entities to make the TTP and BCC cards represent 31 and 42 percent respectively of the total per card price charged by GPO to make the cards.

internationally recognized standards in production and quality systems and control.[26] GPO was first certified by a third-party firm as compliant with these standards in 2010 and undergoes annual audits of its processes to maintain this certification.

- *Site observation of production plants of material and component suppliers:* Under its Vendor Security Audit Program, GPO officials conduct regular visits and inspections of the production plants operated by private sector manufacturers of card materials and components. In a related joint effort, GPO partners with other agencies, such as State's Bureau of Diplomatic Security, to audit and inspect the processes, facilities, and employees of its private sector contractors and suppliers.

In addition to carrying out quality control processes and activities, GPO officials told us they work with customer agencies to monitor the quality and performance of GPO's cards. For example, GPO holds quarterly meetings with State to discuss the status of BCC production and any quality issues or concerns. A key performance indicator discussed at these meetings is the read rate of the cards at POEs, for which CBP provides monthly reports to GPO and State containing read rate data for TTP cards and BCCs at the POEs.[27] State, CBP, and GPO use the data to monitor trends in the cards' performance over time as well as how the performance compares against that of other secure credentials. Other metrics that are tracked and discussed include card failure rates, number of returned cards, and waste. According to GPO officials, any quality or performance issues are documented and researched by GPO to identify potential solutions to resolve the issues.

Agency Comments

We provided a draft of this product to DHS, State, and GPO for comment. In its written comments, reproduced in enclosure II, GPO noted that since 2007, the Joint Committee on Printing has consistently approved expenditures for GPO's secure credential program, including the 2012 approval for the establishment of a continuity-of -operations capability. GPO also provided technical comments, as did DHS and State, that were incorporated, as appropriate.

We are sending copies of this report to the Secretaries of Homeland Security and State, the Director of the Government Publishing Office, and appropriate congressional committees. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

[26]ISO is an independent, nongovernmental organization that develops voluntary international standards. These standards provide specifications for products, services, and systems and, among other things, help ensure that products and services are safe, reliable, and of good quality.

[27] See enc. I for annual data on read rates at vehicle ports of entry from 2010 to 2013.

If you or your staff have any questions about this report, please contact me at (202) 512-8777 or gamblerr@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 Kirk Kiester, Assistant Director; Michele Fejfar; Melissa Hargy; Christopher Hatscher; Richard Hung; Thomas Lombardi; Carl Potenzieri; and Maria Stattel.

Rebecca Gambler

Rebecca Gambler
Director, Homeland Security and Justice

Enclosure

Enclosure I: Radio Frequency Identification (RFID)-Enabled Travel Document Read Rates

RFID System

U.S. Customs and Border Protection (CBP) employs RFID technology to facilitate primary inspection at ports of entry (POE). CBP's RFID system involves three components:

- Tag: Each RFID-enabled travel document contains a tag or chip with a unique number, which can be read wirelessly.
- Reader: This triggers the wireless transmission of the unique number from the RFID-enabled travel document to CBP's border inspection system.
- CBP's border inspection system: This provides a CBP officer with a traveler's record(s) and completes automatic checks against appropriate law enforcement and other databases.[28]

CBP's RFID system permits prepositioning of the traveler records so that when the individual traveler reaches primary inspection, the relevant information is already on the CBP officer's computer screen and the officer can be properly prepared to either process the border crossing more quickly or refer the traveler to secondary inspection to address any derogatory information related to the individual traveler.[29]

Read Rates

CBP tracks data on RFID-enabled travel document read rates, or the percentage of times a type of RFID-enabled travel document is successfully read by CBP's border inspection system. CBP tracks read rates under two primary categories:

- *RFID*: The travel document is read wirelessly in CBP's border inspection system using its unique number from the RFID tag embedded in the travel document.
- *Non-RFID*: The document is read using a manual process, such as a CBP officer manually scanning a document in a machine or entering a document number into CBP's border inspection system.

Read Rates at Vehicle POEs

At POEs where the technology is deployed, CBP utilizes RFID readers in pedestrian and vehicle lanes to facilitate the inspection process for entry. According to CBP officials, successful RFID system performance at vehicle POEs can result in a time savings during the primary inspection process.

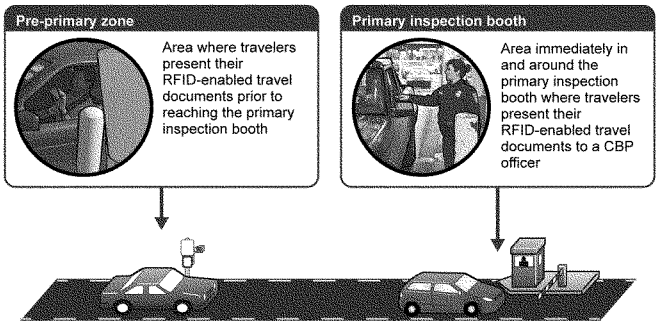
CBP tracks RFID read rates at vehicle POEs in two locations: the pre-primary zone (PPZ) and the primary inspection booth (booth). See fig. 2.

[28]These include systems such as TECS (not an acronym) and the Global Enrollment System (GES).

[29]During primary inspection, travelers present themselves for inspection to CBP officers for a preliminary screening procedure used to process those individuals who can be readily identified as admissible. Persons whose admissibility cannot be readily determined and persons selected as part of a random selection process are subjected to a more detailed review called a secondary inspection.

Enclosure I: Radio Frequency Identification (RFID)-Enabled Travel Document Read Rates

Figure 2: U.S. Customs and Border Protection (CBP) Radio Frequency Identification (RFID) Reader Locations in a Vehicle Lane at a Port of Entry



Source: GAO analysis of CBP information. | GAO-15-326R

CBP officials stated that successful RFID system performance at the PPZ and booth results in a time savings during primary inspection of approximately 20 and 10 seconds, respectively. Consequently, higher read rates aid in expediting travelers in vehicles and reducing wait times to cross the border. All CBP vehicle POE lanes are equipped to process RFID-enabled travel documents. CBP also operates READY lanes, which are dedicated lanes at land POEs for travelers holding RFID-enabled travel documents, and Dedicated Commuter Lanes for travelers enrolled in specific trusted traveler programs (NEXUS and Secure Electronic Network for Travelers Rapid Inspection, or SENTRI).

For examples of read rates for selected RFID-enabled travel documents at all vehicle POEs from 2010 to 2013, see table 1.

Enclosure I: Radio Frequency Identification (RFID)-Enabled Travel Document Read Rates

Table 1: Annual Read Rates for Radio Frequency Identification (RFID)-Enabled Border Crossing Cards and Trusted Traveler Program Cards at All Vehicle Ports of Entry, 2010 to 2013.

		Calendar year			
		2010[a]	2011	2012	2013
RFID-enabled travel document card type	Query type	Read rate	Read rate	Read rate	Read rate
Border Crossing Cards	PPZ	24.66%	37.17%	40.66%	45.65%
	Booth	38.19%	50.96%	47.16%	51.19%
	Total by RFID	62.85%	88.12%[b]	87.82%	96.83%[b]
	Total by non-RFID	37.15%	11.88%	12.18%	3.17%
Trusted traveler program cards	PPZ	92.01%	91.45%	90.45%	91.13%
	Booth	6.14%	7.18%	7.93%	7.54%
	Total by RFID	98.14%[b]	98.64%[b]	98.38%	98.67%
	Total by non-RFID	1.86%	1.36%	1.62%	1.33%

Source: CBP data. | GAO-15-326R

Notes: The total RFID rate (total by RFID) is the sum of the pre-primary zone (PPZ) and primary inspection booth (booth) read rates and reflects the percentage of times that a given travel document card type successfully transmitted its unique number to CBP's border inspection system. Accordingly, it represents the best indication of a card's overall RFID performance. The total non-RFID rate (total by non-RFID) reflects the percentage of times a given travel document card type is read successfully in CBP's border inspection using a manual process, such as a CBP officer manually scanning a document in a machine or entering a document number into CBP's border inspection system.

According to CBP officials, having a RFID-enabled travel document read at the PPZ or booth is an efficiency whereby a travel document can be processed and be ready for inspection by a CBP officer at a primary inspection booth; however, reads, and subsequent read rates, do not indicate a vulnerability, as all travel documents presented by persons seeking admission to the United States are queried as necessary by an officer.

CBP calculated annual read rates using the total number read by card/query type (for example, Border Crossing Card/PPZ) divided by the total number of documents in the card type read per calendar year. Each RFID-enabled travel document read was recorded once at the first successful query type (PPZ, booth, or non-RFID); for example, a Border Crossing Card read at the PPZ would not be counted in booth or non-RFID to calculate read rates.

Trusted traveler program cards include NEXUS, Secure Electronic Network for Travelers Rapid Inspection (SENTRI), Free and Secure Trade (FAST), and Global Entry (CBP began collecting Global Entry card read rates starting in August 2011).

[a]Annual read rate data for 2010 do not include data for January 2010, as CBP was unable to provide read rate data for that month.

[b]The total by RFID does not equal the sum of the PPZ and booth percentages above because of rounding.

Enclosure I: Radio Frequency Identification (RFID)-Enabled Travel Document Read Rates

Factors That Affect RFID Read Rates

CBP officials stated that a variety factors can affect RFID read rates:

- *Traveler behavior:* According to CBP officials, improper presentation of a RFID-enabled travel document by a traveler can directly affect RFID read rates. Examples of improper presentation include holding a RFID-enabled travel document below window level in a vehicle or not removing the document from its protective sleeve. CBP officials stated that improper presentation, especially at the PPZ, can prevent a receiver from capturing the unique number contained within the RFID tag, resulting in a lower read rate. CBP officials stated that frequent border crossers, especially those enrolled in CBP's trusted traveler programs, are more accustomed to using RFID-enabled travel documents and thus are more likely to present their documents properly than infrequent border crossers.

- *Lane type:* CBP officials stated that although all vehicle lanes contain RFID readers, travelers are more likely to use their RFID-enabled travel documents in READY lanes and Dedicated Commuter Lanes, a fact that can affect read rates across different types of RFID-enabled travel documents. For example, while trusted traveler program cards, such as NEXUS and SENTRI, must be used in Dedicated Commuter Lanes at POEs, holders of RFID-enabled travel documents may choose not to use their cards in other vehicle lanes.

- *RFID-enabled travel document*: According to CBP officials, read rates can be affected by travel documents with non-functioning RFID tags, which can be the result of damage to the travel documents, for example, exposure to extreme temperatures or bending the travel document.

- *RFID system performance:* CBP officials stated that RFID read rates can be affected by CBP system maintenance such as upgrades to software and hardware at a POE.

Enclosure II: Comments from the Government Publishing Office.

DAVITA E. VANCE-COOKS
Public Printer

February 23, 2015

Ms. Rebecca Gambler
Director, Homeland Security and Justice
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Ms. Gambler:

Thank you for the opportunity to review the draft report, "Government Publishing Office: Production of Secure Credentials for the Department of State and U.S. Customs and Border Protection" (GAO-15-326R). We find the report to be an accurate, factual representation of how we work to meet the needs of Federal agencies for secure credentials in carrying out their missions.

We would note that, in addition to approving the authority in 2007 to build, equip, and staff a facility to design and produce secure credentials, the Joint Committee on Printing since then has consistently approved expenditures for this program in the annual spending plans of the Government Publishing Office. Additionally, in 2012 the Committee approved the establishment of a continuity-of-operations (COOP) capability for secure credential production at our Stennis, MS, facility.

We appreciate the opportunity to have participated in this study as well as all the courtesies extended to us by the GAO staff.

Sincerely,

Davita Vance-Cooks

DAVITA VANCE-COOKS
Director, U.S. Government Publishing Office

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732 North Capitol Street, NW, Washington, DC 20401 | **202.512.1000** | **dvance-cooks@gpo.gov**

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Public Affairs	Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

Please Print on Recycled Paper.

State response to Inquiry from MorphoTrust RE Border Crossing Card Issue

From: Walt, Daniel J [mailto:WaltDJ@state.gov]
Sent: Monday, September 30, 2013 10:38 AM
To: Taylor, Charles
Subject: Response to letter

Mr. Taylor:

This is in response to your letter dated August 15, 2013 (attached) regarding the Bureau of Consular Affairs and the filling of their requirements for printed passports. You are incorrect in asserting that acquiring printing services through the Government Printing Office violates Federal acquisition law. On the contrary, Federal Acquisition Regulation (FAR) Subpart 8.8 requires Federal agencies to acquire printing services through GPO unless GPO cannot provide the services. Therefore, we must use GPO for the printing of the passports and BCCs rather than recompete the requirement. You may want to contact GPO to see what help you can be to them regarding these and other government printing needs.

We look forward to doing business again with you in the future.

Sincerely,

Daniel J. Walt

Departmental Competition Advocate
703-516-1696
waltdj@state.gov<mailto:waltdj@state.gov>

Statement for the
Committee on Oversight and Government Reform
U.S. House of Representatives
October 21, 2015
Secure Credentials Issued by the Government Publishing Office

The Business Coalition for Fair Competition (BCFC) is a coalition of private sector firms, large and small, trade associations, think tanks, organizations, and individuals who support the competitive free enterprise system and seek relief from unfair government sponsored competition with private business.

BCFC is deeply concerned that some Federal agencies operate activities in direct and unfair competition with for-profit, tax-paying private businesses. The Government Publishing Office (GPO) is one such example of an agency that has become so entrepreneurial that it is aggressively attempting to expand its current product and services offering and thereby removing opportunities for private sector firms to perform commercially available goods and services.

Whether in action or by words, the GPO has made it a point to openly run the agency like a business. In 2013, GPO Director Davita Vance-Cooks said public information is a "product," citizens are "consumers," and fellow agencies are "clients."

In its 2014-2018 strategic plan, the GPO identified its Secure Credentials "business line" as a revenue generator for the GPO to offset the agency's overhead expenses on the core functions GPO was created to perform. Plans call for creating "New Smart Card Products" to sell to Federal agencies – such as secure immigration documents or government-issued ID cards.

According to its website, GPO operates on a revolving fund basis, like a business. Only 16% of GPO's funding comes from direct appropriations to cover the cost of Congressional work and the depository library program and supporting distribution programs. All other revenues to GPO are reimbursements from agencies for work performed or sales of publications to the public. In other words, 84% of the GPO's operating budget comes not from funds Appropriated by Congress, but on the profits gained from selling publications to Federal agencies or to the public. Increasingly, this includes manufacturing and selling secure credentials that would otherwise be manufactured and sold by the private sector. GPO can charge any price it wants, because ultimately the one paying the tab is the US Taxpayer. And all of that money is funneled back into the revolving fund of the GPO to buy more equipment and services to compete with the private sector.

Another area the GPO had embarked upon is website design. In April 2015, the GPO made strides in its campaign to be regarded as more than the federal government's printing shop. The office handled the redesign of the Commerce Department's new Commerce.gov. GPO's web designer worked with the Commerce Department's chief information officer's team in a government-to-government service solution that "streamlined the web design process." In the GPO news release touting the its capability, GPO Director Davita Vance-Cooks reminded agencies that "web site design is one of GPO's many services available to Federal agency customers." "Whether it is designing a Web site, developing an app, or converting an eBook, GPO has many Government-to-Government service solutions. GPO is here to meet the information needs of Congress, Federal agencies, and the public." The GPO has been clear that it wants to overhaul its image into a modern, digital agency – beyond its new name.

GPO's continued production of identity credentials and growing encroachment within the secure credential market for the US Government is a waste of taxpayer dollars as it duplicates commercially available goods and services already found in the private sector by taxpaying for-profit companies. Federal agencies, such as GPO, enjoy significant advantages over for-profit companies. Such agencies often have the ability to secure non-competitive, sole source contracts with government agencies. Agencies pay no taxes. Overhead – buildings, electricity, even equipment, is already paid for and is provided for "free". The advantages agencies bring to the market make it virtually impossible for private sector firms to compete.

This problem and other such examples of unfair government competition with the private sector has become so pervasive that unfair government-sponsored competition has been a top issue at every White House Conference on Small Business.

In 1980, the first White House Conference on Small Business made unfair competition one of its highest-ranked issues. It said, "The Federal Government shall be required by statute to contract out to small business those supplies and services that the private sector can provide. The government should not compete with the private sector by accomplishing these efforts with its own or non-profit personnel and facilities."

In 1986, the second White House Conference made this one of its top three issues. It said, "Government at all levels has failed to protect small business from damaging levels of unfair competition. At the federal, state and local levels, therefore, laws, regulations and policies should ... prohibit direct, government created competition in which government organizations perform commercial services ... New laws at all levels, particularly at the federal level, should require strict government reliance on the private sector for performance of commercial-type functions. When cost comparisons are necessary to accomplish conversion to private sector performance, laws must include provisions for fair and equal cost comparisons. Funds controlled by a government entity must not be used to establish or conduct a commercial activity on U.S. property."

And the 1995 White House Conference again made this a priority issue when its plank read, "Congress should enact legislation that would prohibit government agencies and tax-exempt and anti-trust exempt organizations from engaging in commercial activities in direct competition with small businesses." That was among the top 15 vote getters at the 1995 Conference and was number one among all the procurement-related issues in the final balloting.

The Federal government can lower costs and increase revenue by applying the "'Yellow Pages' Test", a simple test that says if an activity is available from a private sector company found in the Yellow Pages, that activity should not be a responsibility of a government agency and, instead, should actually be performed by a tax-paying private sector firm.

In December 2012, BCFC attempted to bridge the impasse in negotiations on the fiscal cliff and sequestration by providing President Obama and Congressional leaders budget savings of $795 billion by simply utilizing tax-paying private sector firms for commercially available goods and services currently performed by a government or tax-subsidized entity. The federal government can achieve $795 billion in savings simply by getting out of activities that duplicate or compete with the private sector, which subsidize unfair competition with private, for-profit companies, or by privatizing activities for which there are current or potential private sector providers.

BCFC believes that private enterprise constitutes the strength of the United States economic system and competitive private enterprises remain the most productive, efficient, and effective sources of goods and services.

Unfair government competition with the private sector, and small business, is a public policy issue deserving of immediate attention and reform. This hearing will provide an important forum for the private sector to discuss the broader aspects of this issue. We commend your efforts to further explore private sector complaints in this area and advance the debate. The private sector seeks a competitive environment in which all participants play by the same rules.

Business Coalition for Fair Competition (BCFC)
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www.governmentcompetition.org

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