WRITTEN STATEMENT OF

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BEFORE THE

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UNITED STATES HOUSE OF REPRESENTATIVES

SECURE CREDENTIALS ISSUED BY THE GOVERNMENT PUBLISHING OFFICE

PRESENTED

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Good morning Chairman Chaffetz, Ranking Member Cummings and other distinguished members of the Committee. Thank you for inviting me to testify today.

My name is Jim Albers. I am the Senior Vice President of Government Operations at MorphoTrust USA. I have been working in the identity industry for over 13 years. I am pleased to address the subject of this hearing.

Unfortunately, today may be the last time that we, as an industry, testify before you. Unfair competition from the Government Publishing Office (GPO) has distorted the marketplace for the manufacture of secure credentials for Federal agencies, undermining the foundation of this industry—in a way that threatens our nation's ability to stay one step ahead of counterfeiters, would-be terrorists, and other criminal elements.

The design, manufacturing, and printing of secure identity documents, and other secure credentials, are neither inherently governmental functions, nor are they unique to government.[1] On the contrary, the production of secure credentials is a highly complex manufacturing process that relies on technical expertise, innovation, research and development, as well as investment, all of which are best performed by a competitive private sector, motivated to provide the best products at the best prices.

Given the threats our country faces, now more than ever, the United States Government needs strong industry partners that are committed to security, quality, and investing in innovation. However, the GPO's aggressive expansion into the federal secure credentials market removes the financial incentives for industry to invest in innovation.

About MorphoTrust USA

MorphoTrust USA is headquartered in Billerica, Massachusetts, with major operations in multiple states. Our mission is to simplify, protect, and secure the lives of the American

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[1] 42 of 50 states use MorphoTrust solutions to produce 80% of the U.S. driver licenses and IDs – the documents citizens rely on to exercise their civil rights, gain access to benefits and services, and ensure trusted transactions while reducing fraud and enhancing national security.

people. MorphoTrust provides end-to-end identity solutions in biometrics, fingerprint-based enrollment services, and secure credentials. We employ over 1600 individuals at locations across the country. Because security is so important to us and our customers, all of our employees are U.S. citizens, and all of our secure production facilities are located within the United States.

We have such a robust workforce because our products are world class, and we provide our customers with cutting edge technology. MorphoTrust USA invests millions of dollars in research and development each year to ensure that the identity documents that we produce are the most advanced, the most secure, and the most reliable in the world. We are the leading provider of identity solutions and services, with issuance systems that produce 80% of the nation's driver licenses, as well as the Passport Card for the U.S. Department of State.

MorphoTrust Secure Credentials

At these MorphoTrust facilities you will find some of the world's experts in secure card design and production. We were first to introduce many security features for government identity documents like UV variable imaging[2] and laser perforation,[3] as well as a revolutionary new design for "see, feel and machine-validation" using digital watermarks.[4]

Our card design team was the first in the U.S. to be trained and authorized in the use of Jura JSP software—the same software that is used in the design of currency. This is important to our government customers because the unique capabilities of this software open up many opportunities for added security in the visual elements of the design of the credentials we provide.

In addition to our enhanced card design and features, MorphoTrust introduced a highly secure card—our Exian Evident Card—which features unique materials that make these credentials tamper-evident and tamper-resistant. Any attempts to alter or break into the card causes the card to self-destruct, rendering the card and its component parts useless.

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[2] The ultraviolet (UV) image can only be seen under ultraviolet light and is superimposed on to the document. The UV ghost image is made using red, green and blue fluorescent ink. The red and green colors used are not available to the general public, which inhibits counterfeiting.

[3] Laser-perforated watermarks are a security feature that does not penetrate the entire card; they stop inside, in the center of the card. This makes the watermark very difficult to forge. Our driver licenses also feature a laser-engraved and full color ultraviolet ghost image of the card owner in addition to a color photo that is integrated into the document.

[4] Digital watermarking infuses digital data into the images on identity documents. It is invisible to human eyes, but easily detected by a variety of devices, including today's smartphones. The use of digital watermarking adds a layer of security as it is nearly impossible to remove or counterfeit.

MorphoTrust is also leading the way in developing secure digital identity documents that involve no printing at all. In August, we announced the launch of a pilot with the Iowa Department of Transportation for testing of the nation's first secure digital driver's license. The MorphoTrust® Mobile Driver License software carries the same level of trust as its physical counterpart and includes both visible and covert security features that are linked and layered to the digital image seen on the screen.

Commitment to Security

Our cutting edge design and security features, as well as our very secure central card issuance system, are two significant aspects of our commitment to the security of the identity documents we manufacture for our customers.

Last month, MorphoTrust received one of the highest possible certifications for superior security standards from the International Organization for Standardization (ISO). The certification, ISO 14298, governs security printing and specifies security requirements for certain printing systems. MorphoTrust achieved this certification at one of its credential production facilities operating in an undisclosed location in the United States, making MorphoTrust the first ID manufacturer in the Americas to receive this certification.

Annually, we undergo multiple third party security audits and security certifications. These audits and certifications include the American National Standard Institute's ANSI/NASPO Security Assurance Class I and Class II Certification, International Standards Organization ISO 14298 Security Printing Management Systems Certification, the National Industrial Security Program (NISP) Compliance, and AICPA SOC 2 Type 2 Compliance.

No other company operates multiple NASPO-certified factories with the track record for security and compliance that MorphoTrust has. In fact, in 2013, we became the first identity company in the world to achieve NASPO Level-1 Certification. As both an American National Standards Institute and International Standards Organization, NASPO's certification means that MorphoTrust's facilities meet the guidelines set forth by the Department of Homeland Security.

Quality Assurance

Our Card Production incorporates quality checks at all points in the process. Our processes use automated machine readable and visual inspection techniques in order to ensure the cards produced meet quality requirements. We perform quality checks on 100% of the materials moving through the card production facility and use an industry leading Lean Sigma quality program to continuously improve product quality and process efficiency.

Design and Manufacturing of UHF RFID Documents

While some might think putting together a secure identity document is simple, let me first say, unequivocally, that this is a high tech manufacturing process, requiring meticulous attention to detail and quality. Therefore, let me walk you through what is involved in making an RFID-enabled secure credential.

The first step in delivering a high quality, durable and electronically consistent credential is to focus on the design and manufacture of the contactless inlay. This component of the Ultra-High Frequency (UHF) enabled contactless card must be designed and manufactured with all of the needs and functions of the final credential in place. We start here with the antennae design and the selection of the materials of construction.

The material with which we make the antennae is paramount, as is the material that is used to bond the chip (in this case the size of a pencil point). We employ a coating/screening process that lays down the antennae and a robotically driven process that places the tiny UHF RFID chip in place and bonds it to the antennae. A high quality and durable inlay enables us to produce a quality and durable credential that operates consistently under a broad range of field circumstances.

All of this is essential to have a card that works with a high degree of confidence. It must have a high "read rates," or it will not work for our customers. This is particularly true for secure immigration identity documents as well as Trusted Traveler cards that are carried by people who need to move quickly through border crossings. These cards are very dependent upon a high quality inlay and subsequent insertion into a high quality and long-life card body.

In our experience, a properly designed card will function consistently at the prescribed distance, if meticulous manufacturing processes are followed with repeated consistency.

The second step in the card production process is the design and construction of the credential. This begins with embedding the inlay into the heart of the credential. This needs to be done in a way that minimizes any "statistical spread" of sensitivity of the chip/antennae system through card manufacturing.

If the construction/manufacturing process is not designed and controlled properly, the materials will interact in a way that produces shifts in sensitivity within any lot of cards. At the beginning of each program, we plot each card's behavior in a lot of thousands of cards so that we can "see" what effects the process has on the incoming inlay's electrical performance. If we measure a broadening of the values of sensitivity within the lot, it means that the process has affected the inlay's electrical characteristics/performance.

All of our manufacturing processes, and those of our partners, are designed to minimize any change of electrical performance and result in a very narrow distribution of sensitivity for all the cards produced.

Step three of the card process is fusion, or the melting of all of the layers of polymers (card and inlay) together. This process must be designed so that little or no movement of electrical components happens that broadens the sensitivity of the cards produced.

With this, the card manufacturing process is complete. At this point, a customer has a card that is designed and manufactured in such a way to perform two separate but equally important tasks. First, the card should physically protect the inlay housing the antennae and chip assembly. Second, it should accept and display the required security features that prevent counterfeiting of the credential.

The security features are contained within the confines of the credential so that the personally identifiable information (PII) is protected from changes or duplication. For example, the preprint is presented in a layer of the card that is situated on top of the PII so that 'intruding into the card' will create obvious damage to the card and, thus, will help to provide the necessary anti-counterfeit protection.

There are a host of extensive features that can be included in the design of the credential. These are classified into three sub groups – OVERT (one can see and/or feel them) Level One; Covert (must use a tool to see them) Level Two; and Forensic (must go to a laboratory to have experts examine) Level Three.

A well-designed credential will have a number of these security features. The placement and interlacing of these features will provide the necessary protection from counterfeiting and will present a credential that is quickly recognized as a Government Credential. None of the security features can interfere with the functioning of the UHF antennae/chip system housed within the card.

Need for Robust Private Competition

As you can see, production of secure credentials involves complex manufacturing processes that extend well beyond "printing." These processes rely on innovation that allows private vendors 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 this industry's existence is threatened by the fact that the Secure Document and Identity Division of the GPO is building a large-scale production capability for identity documents. And they do this with a series of competitive advantages that make it difficult for companies to compete for secure credentials business with Federal agencies.

First of all, GPO is able to operate outside of the Federal Acquisition Regulations (FAR) that are designed, in part, to foster private sector competition and innovation. Pointing to GPO's status as the official provider of printing services for the Federal Government, a Federal agency may seek to avoid the procurement process altogether and simply "requisition" the production of secure credentials directly from the GPO, using a simple one-page purchase order.[5]

When a Federal agency "requisitions" secure credentials from the GPO, that agency is under no obligation to provide public notice of the business opportunity—the normal process for agencies looking to procure a product or service. Additionally, with a requisition from the GPO, the Federal agency will not issue a Request for Proposal and, in many instances, not even a Request for Information that is the standard method that agencies use to learn about market capabilities.

This process affords little, if any, opportunity for private vendors to compete. Because there is no need for a Federal agency customer to differentiate the product from other potential vendors, there is no incentive for innovation, quality assurance, or taxpayer savings, all of which are hallmarks of fair and open competition for government contracting.

Exploiting a Loophole

At this point, one might appropriately ask how GPO can get away with this business process – that seems a lot like the "sole source" procurements that have been heavily criticized over the years.

Title 44, Section 501 of the U.S. Code requires that all printing for the Federal Government be done "by or through the GPO."[6] This provision, as well as interpretive regulations, exempts GPO from the requirements of the FAR, for purposes of providing federal printing services.

Our concern is that GPO has embraced an expansive interpretation of Section 501, suggesting that not only can GPO produce secure credentials without the need for a competitive procurement but also that federal agencies are, in fact, required by law to procure any and all federal secure credentials through the GPO.

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[5] U.S. Government Accountability Office, GAO-15-326R, *Government Publishing Office: Production of Secure Credentials for the Department of State, and U.S. Customs and Border Protection* at 4 (2015).

[6] 44 USC § 501 (Pub. L. 90-620, Oct. 22, 1968, 82 Stat. 1243).

This section, which was enacted over 40 years ago, was never intended to extend to the manufacture of federal secure credentials, and especially not the production of sophisticated RFID-enabled identity documents.

Border Crossing Card to GPO: An Example of No Transparency

One of the best examples of this expansive interpretation of GPO's business took place recently with the Border Crossing Card.

In 2008, the U.S. Department of State, Passport Office, within the Bureau of Consular Affairs, awarded MorphoTrust a contract to produce both the Passport Card. On the same contract vehicle, the Office of Visa Services, in the Consular Affairs Bureau, awarded MorphoTrust a Contract Line Item (CLIN) to produce the Border Crossing Card that is used by Mexican nationals who are frequent travelers across the border.

The Passport Card is a wallet-sized travel document used by U.S. Citizens to enter the United States from Canada, Mexico, the Caribbean, and Bermuda at land border crossings or sea ports-of-entry and is more convenient and less expensive than a passport book.

To increase speed, efficiency, and security at U.S. land and sea border crossings, the Passport Card contains a vicinity-read radio frequency identification (RFID) chip. There is no personal information written to the RFID chip. This chip points to stored records in secure government databases. The Passport Card uses state-of-the-art security features to prevent against the possibility of counterfeiting and forgery. A protective RFID-blocking sleeve is provided with each passport card to protect against unauthorized reading or tracking of the card when it is not in use.

The Border Crossing Card is a B1/B2 visa that can be used by Mexican nationals for frequent border crossings. It has a nearly identical design as the Passport Card, including the same RFID chip and a number of security features.

Between 2008 and 2012, MorphoTrust produced Versions 1 through 3 of the Passport Card and Border Crossing Card. MorphoTrust produced approximately 1 million cards per year for the Passport Card and 1 million cards per year for the Border Crossing Card. Each contract was worth millions of dollars, and supported many jobs. Both contracts were for two-year durations and allowed us to receive extensions. In 2012, at the end of one of the extensions, we fully expected, and were preparing to have, a robust competition from other vendors during the procurement.

However, in late 2012, MorphoTrust learned through unofficial channels that the U.S. Department of State, Office of Visa Services had "requisitioned" a Version 4 of the Border Crossing Card directly from the GPO.

There was no public notice of the agency's intention to source from GPO. No RFI was published on the Federal Business Opportunities website announcing that the Visa Office was conducting market research. No RFP was published announcing that the opportunity was available for bid.

The lack of transparency in this process was staggering. Throughout the winter, spring and summer of 2013, we repeatedly inquired via telephone calls and emails to the Visa Office within the Bureau of Consular Affairs, to confirm that, in fact, the Department of State had "requisitioned" the production of Version 4 of the Border Crossing Card from the GPO. Our inquiries were consistently met with silence.

The first official confirmation we received that the State Department had in fact "requisitioned" Version 4 of the Border Crossing Card was in response to a letter from MorphoTrust's counsel, dated August 15, to the Department of State's Competition Advocate, Walt Daniel. While we were not surprised to learn this, we were shocked by the legal reasoning that the Competition Advocate used in justifying the Department of State's decision to "requisition" Border Crossing Cards directly from the GPO. The Competition Advocate stated:

> *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.[7]*

From this, it appears that the Department of State had adopted an expansive interpretation of the requirements that all "printing" be done by or through the GPO under 44 USC § 501, and FAR Subpart 8.8, extends to the manufacture of Federal secure credentials. Thus, sourcing secure credentials through GPO would not only be, as has been claimed, a "government option" but rather a requirement. Under such a confused interpretation, agency personnel could easily believe that they would have no choice but to requisition directly from the GPO.

Because we fear this incorrect interpretation may be adopted more widely across government, <u>we would urge Congress to clarify that the requirement, under Title 44, for Federal agencies to source "printing" by or through the GPO does **NOT** apply to the manufacture of sophisticated secure credentials, such as the Border Crossing Card.</u>

Manufacturing Secure Credentials

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[7] E-mail from Daniel Walt, Office of Competition Advocate to MorphoTrust USA, August 15, 2013.

Clearly, the production of secure credentials is not simply "printing." In fact, physical printing is only a small part of the manufacturing process. The manufacture of secure credentials involves the intricate design, engineering, and the use of sophisticated component technologies, including in the case of secure immigration identity documents and trusted traveler cards, RFID.

It is a wild leap in logic to claim, as GPO does, that the "printing" on these documents – the least important element in the card's production–determines their status as subject to Title 44.

According to responses the Public Printer provided to the House Committee on House Administration following her December 2013 testimony, as long as –I quote—"printing processes are involved," secure credentials are subject to Title 44.[8]

But this sweeping interpretation of Title 44's authority requires one to ask if there are any limits to GPO's reach. Available on its website is a sales brochure from GPO, entitled *Doing Business with GPO*.[9] On its products and services page, GPO lists secure credentials as one of its products. One item that it lists is 3D printing – which is more accurately known as "additive manufacturing" Including such items as medical implants, or machine parts. Is the full gamut of products of additive manufacturing subject to Title 44, as they "involve printing processes? Our parent company, in a joint venture with GE, already uses additive manufacturing for parts to be used in jet engines; we expect additive manufacturing to be able to produce replacement parts for automobiles, airplanes, furniture and many other things.

Will GPO be the sole manufacturer of all of these items for the Federal government? Let us hope not. Creating such a monopoly would have some significant downsides for the federal government. Below are our primary concerns:

1. Monopoly Kills Innovation

MorphoTrust, like other government contractors, operates in a highly-competitive marketplace. Competition drives us to be innovative, cost-conscious, responsive to the requirements of our customers, and laser-focused on the quality of our products.

Throughout its history, however, GPO has been able to avoid competition –despite criticism from several administrations and the U.S. Government Accountability Office

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[8] Questions for Response, Davita Vance Cooks, Public Printer, Testimony before the Committee on House Administration, U.S. House of Representatives, for a Hearing on: GPO in 2023: Keeping America Informed in a Post-Print World, December 4, 2013.

[9] *Doing Business with the GPO*, http://www.gpo.gov/pdfs/vendors/ac-sfas/Business_with_GPO.pdf

(GAO), and several failed attempts by some of your colleagues in Congress to reform Title 44.

During the Clinton administration, its National Performance Review of government reported:

> *If GPO can compete, it will win contracts. If it can't, government will print for less, and taxpayers will benefit.[10]*

This was a sentiment shared by the GAO in its report on the Recommendations of the National Performance Review.

Several years later, David M. Walker, Comptroller General of the United States, reported:

> *GPO's monopoly-like role in providing printing services perpetuates inefficiency because it permits GPO to be insulated from market forces and does not provide incentives to improve operations that will ensure quality services at competitive prices. Federal agencies could be given the authority to make their own printing policies, requiring GPO to compete with private sector printing service providers.[11]*

The George W. Bush Administration in a 2002 Office of Management and Budget memorandum to agency heads said:

> *It is the policy of this Administration to ensure that the federal government receives the best possible deal when spending taxpayers' money. Taxpayers tend to benefit most from open competition, rather than government monopolies. Accordingly, Executive Branch departments and agencies should not be required to select GPO when more efficient and cost-effective options are available through the private sector or other avenues.[12]*

Even this strongly worded directive from the President was undermined when Congress passed an appropriations bill denying the use of any funds to implement the OMB memorandum.

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[10] *National Performance Review, from Red Tape to Results.* September, 1993.

[11] David M. Walker, Comptroller General of the United States, Testimony before the Committee on Budget, U.S. Senate, February 1, 2000.

[12] OMB Memorandum M-02-07, *Procurement of Printing and Duplicating through the Government Printing Office,* May 3, 2002.

In these earlier fights, the subject was those traditional print products that GPO was then providing to government, not secure credentials. But the importance of innovation, spurred on by competition, is even more critical with respect to the manufacture of secure identity documents.

There is an urgent need for innovation in the field of identity security in a rapidly-evolving threat environment. Every day, counterfeiters are producing ever more sophisticated fake identity documents, which are very difficult to detect by visual inspection. This threat underscores the need for continuing involvement and private investment of the private secure credentials industry.

2. Little or No Transparency in Agency Agreements with GPO

Transparency in Federal government contracting processes, reporting, and opportunities is necessary to attract new entrants with new ideas and innovation into the federal market and improve competition; help the government buy more efficiently; and promote citizen engagement. Transparency is also necessary for Congress to fulfill its proper oversight role to ensure the most efficient operation of government.

Thus, one can imagine my surprise and concern when I read these words in the 2013 Congressionally-commissioned report, by the National Academy of Public Administration entitled, *Rebooting the Government Printing Office*.[13] It pointed to the benefits that accrue to a Federal agency when it does business with GPO, stating:

> *It is easier to do business with another government agency because it avoids the cost of going through the federal procurement process and memorandum of understanding arrangements offer greater operational flexibility than standard federal contracting arrangements.* [14]

In other words, competition avoided – as well as the risk of losing a lucrative contract award. And so are those apparently troublesome Federal Acquisition Regulations, requiring among other conditions a formal justification and approval even for sole-source contracts. Under such an interagency arrangement, if an inquiry is made of an agency why an award was not competed and given to GPO, the customer can inform that vendor that Title 44 requires the agency to acquire printing services through GPO unless GPO cannot provide the services. The agency would need to do nothing further with respect to notification.

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[13] *Rebooting the Government Printing Office*, A Report by a Panel of the National Academy of Public Administration for the U.S. Congress, Congressional Research Service, and the GPO, January 2013.

[14] *Rebooting the Government Printing Office*, at p. 62.

GPO should not be exempt from FAR's best business practices. Transparency is critical. Even in those instances when sole-sourcing is the best option, the agency must formally justify its purchasing decision, as is prescribed by FAR.

3. National Security is Not Being Served by Title 44

My paramount concern is, however, that the absence of competition could have a detrimental impact on our national security. While there were secure credentials prior to 9/11, the terrorists' attack on our soil was a call to action for industry.

Referring to the national security requirement for identity security, the 9/11 Commission reported: "For terrorists, travel documents are as important as weapons."[15] Industry responded to that challenge and has been a valuable partner to government in enhancing identity security, not only in travel documents, but across a broad front of programs requiring secure credentials.

Without a competitive marketplace where agencies are able to source directly from private vendors to meet these challenges, these industry partnerships could be in danger. The incentive for industry to invest in new technology and to continually innovate will diminish and our nation will be more vulnerable, as a result.

Conclusion

Industry is here today, faced with an existential crisis, regarding its continuing viability in the government marketplace. This crisis has been exacerbated by GPO's own existential crisis brought on by its diminishing printing business, lost revenues and increasing irrelevancy. While GPO's production of secure credentials and other identity documents for Federal agencies may be beneficial to GPO's revenues, the lack of transparency associated with the requisition of secure credentials—as in the case of the Border Crossing Card—and the absence of vendor competition raises serious questions as to whether this is best for taxpayers, and indeed for our nation's security.

A Federal agency's ability to procure secure credentials directly from private vendors, through a full and open competitive procurement, should not be inhibited.

It is time for Congress to reform Title 44, and clarify the authority of agencies to procure the production of secure credentials directly from vendors—ensuring that the United States government will be able to avail itself of the quality assurance, technological innovation, and cost efficiencies associated with robust vendor competition.

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

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[15] *The 9/11 Commission Report: Final Report of the National Commission on Terrorist Attacks upon the United States*, at 384 (2004).

James N. Albers, Senior Vice President for Government Operations – James Albers is responsible for all of MorphoTrust's federal business development across the three market segments: Enterprise, Identity and Services. The federal sector customer base includes the Department of Defense, Department of State, Department of Homeland Security, Department of Justice, Intelligence Community and the Veteran's Administration. During his tenure, Mr. Albers changed the business model from product-based sales to providing complete identity solutions, serving as Prime Contractor or major subcontractor on all significant identity management programs. Prior to joining MorphoTrust, he served as Vice President of Government Operations for Sarnoff Corporation, and as President, EVP and VP at Frequency Engineering Laboratories. In the public sector, Mr. Albers has worked for the State of New Jersey, and served as Chief of Staff, Assistant Commissioner, Chairman of the Economic Development Authority, Urban development Authority and other financing organizations.